SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2012

Commission file number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Registrant as specified in Its Charter)

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

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

(Address of Principal Executive Offices)

011-49-2302-915-204

(Registrant's Telephone Number, including area code)

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

Yes [X] No [ ]

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

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

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

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

Yes [ ] No [X]

As of May 9, 2012, there were 121,657,657 shares of the issuer's Common Stock, no par value, issued and outstanding.

SANGUI BIOTECH INTERNATIONAL, INC.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended March 31, 2012

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PART I - FINANCIAL INFORMATION

Item 1 - Consolidated Financial Statements

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

Our unaudited condensed consolidated balance sheet as of March 31, 2012 and the audited balance sheet as of June 30, 2011, our unaudited condensed consolidated statements of operations for the three month periods ended March 31, 2012, and 2011, and our unaudited condensed consolidated statements of cash flows for the nine month period ended March 31, 2012, and 2011 are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets

ASSETS

	March 31, 2012 (unaudited)	June 30, 2011
CURRENT ASSETS		
Cash	$ 14,739	$ 122,619
Accounts receivable, net	-	459
Inventory	536	2,836
Prepaid expenses and other assets	6,716	19,263
Total Current Assets	21,991	145,177
PROPERTY AND EQUIPMENT, Net	1,519	2,197
OTHER ASSETS		
Note receivable	666,933	-
Tax refunds receivable	20,266	22,024
Other non-current assets	19,534	21,517
Total Other Assets	706,733	43,541
TOTAL ASSETS	$ 730,243	$ 190,915

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

SANGUI BIOTECH INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2012 (unaudited)	June 30, 2011
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 208,101	$ 231,822
TOTAL CURRENT LIABILITIES	208,101	231,822
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, 118,757,657 and 109,804,855 shares issued and outstanding, respectively	25,225,963	24,007,655
Additional paid-in capital	4,621,430	4,621,430
Accumulated other comprehensive loss	(56,266)	(84,473)
Accumulated deficit	(29,071,445)	(28,440,006)
Noncontrolling interest	(197,540)	(145,513)
Total Stockholders' Equity (Deficit)	522,142	(40,907)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 730,243	$ 190,915

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

SANGUI BIOTECH INTERNATIONAL, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2012	2011	2012	2011
REVENUES	$ 571	$ 889	$ 2,795	$ 4,612
COST OF SALES	1,149	1,102	2,841	6,315
GROSS MARGIN	(578)	(213)	(46)	(1,703)
OPERATING EXPENSES				
Research and development	12,386	107,523	60,746	146,113
Depreciation and amortization	168	308	526	958
Bad debt expense	-	-	203	-
General and administrative	60,591	394,257	573,042	1,148,572
Total Operating Expenses	73,145	502,088	634,517	1,295,643
OPERATING LOSS	(73,723)	(502,301)	(634,563)	(1,297,346)
OTHER INCOME (EXPENSE)				
Patent licensing income	-	133,725	-	133,725
Loss on equity investment	-	(8,358)	-	(8,358)
Other income	-	(7)	3,124	603
Total Other Income (Expense)	-	125,360	3,124	125,970
Loss before income taxes and noncontrolling interest	(73,723)	(376,941)	(631,439)	(1,171,376)
Provision for income taxes	-	-	-	-
NET LOSS	(73,723)	(376,941)	(631,439)	(1,171,376)
Less: Net loss attributable to noncontrolling interest	(16,350)	(13,166)	(52,027)	(45,433)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (57,373)	$ (363,775)	$ (579,412)	$ (1,125,943)
OTHER COMPREHENSIVE INCOME	(18,924)	(12,262)	28,207	43,865

Foreign currency translation adjustments				
Total Other Comprehensive Income (Loss)	(18,924)	(12,262)	28,207	43,865
COMPREHENSIVE LOSS	$ (92,647)	$ (389,203)	$ (603,232)	$ (1,127,511)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	118,742,272	97,035,545	115,492,406	88,869,853

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

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

	For the Nine Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (631,439)	$ (1,171,376)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	526	958
Common stock issued for services	168,674	653,649
Loss on investment in joint venture	-	8,358
Bad debt expense	203	-
Changes in operating assets and liabilities		
Accounts receivable	223	(161)
Inventory	2,094	15,235
Prepaid expenses and other assets	11,996	16,559
Accounts payable and accrued expenses	(12,873)	29,935
Related parties accounts payable	-	(9,379)
Net Cash Used in Operating Activities	(460,596)	(456,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in notes receivable	(666,933)	-
Purchase of equity investment		(8,358)
Purchases of fixed assets	-	(2,096)
Net Cash Used in Investing Activities	(666,933)	(10,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued for cash	1,049,634	535,598
Net Cash Provided by Financing Activities	1,049,634	535,598
EFFECTS OF EXCHANGE RATES	(29,985)	67,868
NET INCREASE (DECREASE) IN CASH	(107,880)	136,790
CASH AT BEGINNING OF PERIOD	122,619	24,238
CASH AT END OF PERIOD	$ 14,739	$ 161,028

SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION

CASH PAID FOR:

Interest	$ -	$ -
Income Taxes	$ -	$ -

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2012 and June 30, 2011

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared without audit in accordance with accounting principles generally accepted in the United States of America for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The unaudited consolidated financial statements and notes should, therefore, be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-K for the year ended June 30, 2011. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the three and nine months periods ended March 31, 2012 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Sangui Biotech International, Inc., incorporated in Colorado in 1995, and its subsidiary, Sangui BioTech GmbH (Sangui GmbH). Sangui GmbH, which is headquartered in Witten, Germany, is engaged in the development of artificial oxygen carriers (external applications of hemoglobin, blood substitutes and blood additives) as well as in the development, marketing and sales of cosmetics and wound management products.

Consolidation

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

Foreign Currency Translation

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

Exchanges rates used for the preparation of the consolidated balance sheet as of March 31, 2012 and our unaudited consolidated statements of operations for the three month and nine month periods ended March 31, 2012 and 2011, were calculated as follows:

as of March 31, 2012	USD 1 : EUR 0.7497
as of June 30, 2011	USD 1 : EUR 0.6949
July 1 through March 31, 2012	USD 1 : EUR 0.7240
July 1 through March 31, 2011	USD 1 : EUR 0.7478

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2012 and June 30, 2011

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk and Uncertainties

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

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has accumulated deficit of $29,071,445 as of March 31, 2012 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of $579,412 during the nine months ended March 31, 2012 and used cash in operating activities of $460,596 for the nine months ended March 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company expects to continue to incur significant capital expenses in pursuing its business plan to market its products and expand its product line, while obtaining additional financing through stock offerings or other feasible financing alternatives. In order for the Company to continue its operations at its existing levels, the Company will require significant additional funds over the next twelve months. Therefore, the Company is dependent on funds raised through equity or debt offerings. Additional financing may not be available on terms favorable to the Company, or at all. If these funds are not available the Company may not be able to execute its business plan or take advantage

of business opportunities.

The ability of the Company to obtain such additional financing and to achieve its operating goals is uncertain. In the event that the Company does not obtain additional capital or is not able to increase cash flow through the increase of sales, there is a substantial doubt of its being able to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Cash Equivalents

The Company maintains its cash in bank accounts in Germany. Cash and cash equivalents include time deposits for which the Company has no requirements for compensating balances. The Company has not experienced any losses in its uninsured bank accounts. At March 31, 2012 the Company had no cash equivalents.

Revenue Recognition

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

Research and Development

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2012 and June 30, 2011

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted earnings (loss) per share gives effect to all potential dilutive common shares outstanding during the period of compensation. The computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of March 31, 2012, the Company had no potentially dilutive securities that would affect the loss per share if they were to be dilutive.

Comprehensive Income (Loss)

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

Inventory

Inventory consists of various raw materials, supplies, and both semi-processed and fully-processed cosmetics products. The Company values its inventory at the lower of cost or market. The cost is determined by the specific identification method. Cost includes purchase price, freight, insurance, duties and other incidental expenses incurred in bringing inventories to their present location and condition. The Company records a reserve if the fair value of inventory is determined to be less than the cost.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Indemnities and Guarantees

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

NOTE 4 NOTES RECEIVABLE

During the nine month period ended March 31, 2012, the Company invested $666,933 in a loan with an unrelated third party entity with whom the Company has signed a licensing agreement in anticipation of developing sales of the Company s products in Mexico. The note is personally secured by a shareholder of the borrower, bears no interest, and is due one year after receipt of the loan by the borrower.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

March 31, 2012 and June 30, 2011

(Unaudited)

NOTE 5 CAPITAL STOCK

Preferred Stock The Company is authorized to issue 10,000,000 shares of preferred stock. No preferred stock has been issued as of March 31, 2012. The authorized preferred shares are non-voting and the Board of Directors has not designated any liquidation value or dividend rates.

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 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 nine month period ended March 31, 2012, the Company issued 50,000 shares of its Common Stock, at $0.10 per share from the Long-Term Incentive Equity Plan. In addition, the Company issued 852,802 shares to two (2) individuals and one (1) entity at an average of $0.24 per share for services and as a bonus valued at $163,674. The Company also issued 8,050,000 shares to fourteen (14) individuals and one (1) entity at an average of $0.14 per share in exchange for cash proceeds totaling $1,049,634.

NOTE 6 SUBSEQUENT EVENTS

Subsequent to the period end, on April 5, 2012, the Company entered into an loan agreement with an executive wherein the Company borrowed $20,008. The loan is unsecured, bears interest at 5 percent per annum, and is due one year from the date of origination.

Subsequent to the period end, the Company issued 2,700,000 shares of common stock at $0.58 per share for services under its long-term incentive plan. The Company also issued 200,000 shares for cash at $0.76 per share.

In accordance with ASC 855-10, the Company s management has reviewed all material events and there are no additional material subsequent events to report.

Item 2 - Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Forward-looking Statements

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

GENERAL

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

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

SanguiBioTech GmbH holds the exclusive distribution rights for Chitoskin wound pads in the European Union and various other countries. In the course of the current financial year, the European Patent Office officially expressed its intention to grant a patent based on Sangui s application Therapeutically Active Wound Dressings, Production thereof, and Use of the same . The patent was granted and became effective subsequent to the period covered in this report, in

April 2012. It has not been determined as to if and when production and distribution of the product will be resumed.

Artificial Oxygen Carriers

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

The blood additives and blood substitute projects were halted in 2003 due to the lack of financing for the pre-clinical test phase of the blood additives.

During the second quarter of our 2012 financial year the European Patent Office has officially expressed its intention to grant a patent based on Sangui s application (01 945 245) Mammalian hemoglobin compatible with blood plasma, cross-linked and conjugated with polyalkylene oxides as artificial medical oxygen carriers, production and use thereof .

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

Nano Formulations for the Regeneration of the Skin

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

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

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

Chitoskin Wound Pads

SanguiBioTech GmbH holds the exclusive distribution rights for Chitoskin wound pads in the European Union and various other countries. In the course of the current financial year, the European Patent Office officially expressed its intention to grant a patent based on Sangui s application Therapeutically Active Wound Dressings, Production thereof, and Use of the same . The patent was granted and became effective subsequent to the period covered in this report, in April 2012. It has not been determined as to if and when production and distribution of the product will be resumed.

Hemospray Wound Spray

SanguiBioTech GmbH has developed a novel medical product aimed at the healing of chronic wounds. The Hemospray wound spray is based on porcine hemoglobin.

In December 2010, SanguiBioTech GmbH established a joint venture company with SanderStrothmann GmbH of Georgsmarienhuette, Germany, under the name of SastoMed GmbH. SanguiBioTech GmbH has granted SastoMed GmbH global distribution rights for this product and will receive royalties on sales in return.

In September 2011, the Mexican Commission for the Authorization of Pharmaceuticals and Medical Devices officially registered the entire current range of Sangui developed wound management products as medical devices and granted permission to use this treatment on a nationwide basis. In the same month the Secretaria de Salud (Secretary of Health) of the Mexican State of Tamaulipas indicated in an official letter that it has the firm intention to actually apply the Sangui developed wound therapy in the 22 hospitals under its direction.

In December, 2011, the Mexican State of Tamaulipas issued an initial order of Hemo2Spray. The medical product will initially be used in three state owned hospitals. While it will serve to treat patients suffering from chronic wounds its use in actual treatments will particularly be part of a comprehensive training program for doctors from other locations in Tamaulipas.

The tests which were prerequisite for the registration were initiated and accompanied by the legally independent Mexican company Sanguis Latin America. In the second quarter of our 2012 financial year, the company extended a loan in the amount of EUR 500,000 to Sanguis Latin America.

On April 5, 2012, subsequent to the period covered by this report, SastoMed GmbH notified SanguiBioTech GmbH that Hemospray was granted a certification as class III medical product. Global licensee SastoMed will be in charge of marketing and distribution. The CE mark according to sections 6 and 7 of the German Medical Devices Act authorizes production, distribution and sales of the product in all member countries of the European Union. According to SastoMed GmbH, sales of the product started in Germany on April 16, 2012, other markets will be addressed in due course.

FINANCIAL POSITION

Our current assets decreased approximately $123,186 from June 30, 2011 to approximately $21,991 at March 31, 2012. This is attributed to a decrease in cash and prepaid expenses.

Our net property and equipment decreased approximately $678, or approximately 31% from June 30, 2011 to approximately $1,519 at March 31, 2012. The decrease is primarily attributable to the depreciation for the period.

We funded our operations primarily through our existing cash reserves and cash received from the issuance of share of common stock. Our stockholders equity (deficit) increased by $563,049 from ($40,907) at June 30, 2011 to $522,142 at March 31, 2012. The primary factor behind this was our issuance of common stock for cash and services.

RESULTS OF OPERATIONS

Three months ended March 31, 2012 and 2011:

REVENUES - Revenues during the three months ended March 31, 2012 amounted to $571. In the comparable period of 2011 we had revenues of $889. We incurred cost of sales of $1,149 in the third quarter of the 2012 financial year compared to $1,102 in 2011.

RESEARCH AND DEVELOPMENT - Research and development expenses decreased $95,137 to approximately $12,386 in the third quarter of our 2012 financial year from approximately $107,523 in the comparable period of the previous year. This is mainly attributed to the fact that there were no more activities to be carried out in the process of obtaining authorizations for our wound management products.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased 84.6% to approximately $60,591 in the quarter ended March 31, 2012, from approximately $394,257 in the respective quarter of the previous year. This decrease is due to a decrease in common shares issued for services.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $140 to approximately $168 in the quarter from approximately $308. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS - As a result of the above factors, our consolidated net loss was approximately $73,723, or approximately $(0.00) per common share, for the three months ended March 31, 2012, compared to approximately $376,941, or $(0.00) per common share, during the comparable period in our 2011 financial year.

Nine months ended March 31, 2012 and 2011:

REVENUES - Revenues during the nine months ended March 31, 2012 amounted to $2,795. In the comparable period of 2011 we had revenues of $4,612. We incurred cost of sales of $2,841 in the first three quarters of the 2012 financial year compared to $6,315 in 2011.

RESEARCH AND DEVELOPMENT - Research and development expenses decreased $85,367 to approximately $60,746 in the first three quarters of our 2012 financial year from approximately $146,113 in the comparable period of the previous year. The decrease is mainly attributed to the fact that there were no more activities to be carried out in the process of obtaining authorizations for our wound management products in the third quarter of our 2012 financial year.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased approximately 50% to approximately $573,042 in the nine months ended March 31, 2012, from approximately $1,148,572 in the respective quarter of the previous year. This decrease is due to a decrease in common shares issued for services.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $432 to approximately $526 in the nine month period from approximately $958. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS - As a result of the above factors, our consolidated net loss was approximately $631,439, or approximately $(0.01) per common share, for the nine months ended March 31, 2012, compared to approximately $1,171,376, or $(0.01) per common share, during the comparable period in our previous financial year.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2012, net cash used in operating activities increased slightly to approximately $460,596, from approximately $456,222 in the corresponding period of the previous year.

During the nine months ended March 31, 2012 we invested $666,933 in a loan in anticipation of developing sales of our products in Mexico.

We had a working capital deficit of approximately $186,110 at March 31, 2012, a increase of approximately $100,000 from June 30, 2011 due primarily to the decrease in cash und prepaid expenses. At March 31, 2012, we had cash of approximately $14,739. We will need substantial additional funding to fulfill our business plan and we intend to explore financing sources for our future development activities. No assurance can be given that these efforts will be successful.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by § 229.10(f)(1) and are not required to provide the information under this item.

Item 4 - Controls and Procedures

Disclosure Controls and Procedures

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

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

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

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter (our fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant s principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

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

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

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

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Item 1a - Risk Factors

We are a smaller reporting company and are not required to provide the information under this item.

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

In January 2012, the Company issued 15,000 shares to one (1) individual for services valued at $4,770. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

Subsequent to the period covered by this report

Subsequent to the period covered by this report, on April 30, 2012, the Company issued an aggregate of 2,700,000 shares of common stock at $0.58 per share under its Long Term Incentive Plan to 9 individuals. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

Subsequent to the period covered by this report, on April 30, 2012, the Company also issued 200,000 shares for cash at $0.76 per share to 2 individuals. No underwriters were used. The securities were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933. The individuals receiving the common stock were intimately acquainted with the Company s business plan and proposed activities at the time of issuance, and possessed information on the Company necessary to make an informed investment decision.

Item 3 - Defaults Upon Senior Securities

None.

Item 5 - Other Information

None.

Item 6 Exhibits

1. *Financial Statements.* The unaudited condensed consolidated Balance Sheet of Sangui Biotech International, Inc. as of March 31, 2012 and the audited balance sheet as of June 30, 2011, the unaudited condensed consolidated Statements of Operations for the three month periods ended March 31, 2012 and 2011, and the unaudited condensed consolidated Statements of Cash Flows for the nine-month periods ended March 31, 2012 and 2011, together with the notes thereto, are included in this Quarterly Report on Form 10-Q.

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

Exhibit Number	Description of Exhibit
31.01	Certification of CEO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
31.02	Certification of CFO Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith
32.01	Certification Pursuant to Section 1350 of Title 18 of the United States Code, filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SANGUI BIOTECH INTERNATIONAL, INC.

Dated: May 15, 2012

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer

Dated: May 15, 2012

/s/ Joachim Fleing

By: Joachim Fleing

Chief Financial Officer