CORGENIX MEDICAL CORP/CO
Form 424B3
May 03, 2006

PROSPECTUS

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-133063

CORGENIX MEDICAL CORPORATION
12061 Tejon Street
Westminster, Colorado 80234
(303) 457-4345

32,071,426 Shares of Common Stock

The selling shareholders named in this prospectus are offering all of the shares of common stock offered through this prospectus. We will not receive any proceeds from the sale of the common stock being sold by the selling shareholders. The shares being offered include # shares reserved for issuance upon exercise of warrants and conversion of convertible notes that we have issued to selling shareholders.

The common stock is traded on the NASD OTC Bulletin Board under the symbol CONX.OB. On April 5, 2006, the closing bid price for our common stock was $0.41 per share.

The selling shareholders may offer their shares at any price. We will pay all expenses of registering the shares.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 3 of this prospectus.

We have not authorized anyone to provide you with different information from that contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 3, 2006.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and the notes thereto appearing elsewhere in this prospectus. All dollar amounts herein are presented in U.S. dollars. Prospective investors should carefully consider the information set forth under Risk Factors. References to the terms we, our, or us, refer to Corgenix Medical Corporation and its subsidiaries.

The Company

Corgenix Medical Corporation (Corgenix or the Company) is engaged in the research, development, manufacture and marketing of in vitro (outside the body) diagnostic products for use in disease detection and prevention (the Diagnostics Products Business). We currently sell 51 Diagnostic Products (the Diagnostic Products) on a worldwide basis to hospitals, clinical laboratories, commercial reference laboratories, and research institutions. Our corporate headquarters are located in Westminster, Colorado. We have two wholly owned operating subsidiaries:

Corgenix, Inc. (Corgenix, Inc.) (formerly REAADS Medical Products, Inc.), established in 1990 and located in Westminster, Colorado. Corgenix, Inc. is responsible for sales and marketing activities for North America, and also executes product development, product support, clinical and regulatory affairs, and product manufacturing of the Diagnostic Products.

Corgenix (UK) Ltd. (Corgenix UK), incorporated in the United Kingdom in 1996 (formerly REAADS Bio-Medical Products (UK) Limited), and is located in Peterborough, England. Corgenix UK manages the Diagnostic Business international sales and marketing activities, except for distribution in North America, which is under the responsibility of Corgenix, Inc.

Our Diagnostics Products Business is managed by Corgenix, Inc. and Corgenix UK, and includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We have developed and we manufacture most of our products at our Colorado facility, and we purchase other products from other healthcare manufacturers (OEM Products). All of these products are used in clinical laboratories for the diagnosis and/or monitoring of three important areas of health care:

Autoimmune disease (diseases in which an individual creates antibodies to one s self, for example systemic lupus erythematosus (SLE) and rheumatoid arthritis (RA));

Vascular disease (diseases associated with certain types of thrombosis or clot formation, for example antiphospholipid syndrome, deep vein thrombosis, stroke and coronary occlusion); and

Liver diseases (fibrosis, cirrhosis and transplanted organ rejection).

In addition to our current Diagnostic Products, we are actively developing new laboratory tests in other important diagnostic testing areas. See Other Strategic Relationships. We manufacture and market to clinical laboratories and other testing sites worldwide. Our customers include large and emerging health care companies such as Instrumentation Laboratories, Helena Laboratories and Diagnostic Grifols, S.A.

Most of our products are based on our patented and proprietary application of Enzyme Linked ImmunoSorbent Assay (ELISA) technology, a clinical testing methodology commonly used worldwide. Most of our current products are based on this platform technology in a delivery format convenient for clinical testing laboratories. The delivery format, which we refer to as Microplate, allows the testing of up to 96 samples per plate, and is one of the most commonly used formats, employing conventional testing equipment found in virtually all clinical laboratories. The availability and broad acceptance of ELISA Microplate products reduces entry barriers worldwide for our new products that employ this technology and delivery format. Our products are sold as tests that include all of the materials required to perform the test, except for routine laboratory chemicals and instrumentation. A test using ELISA technology involves a series of reagent additions into the Microplate, triggering a complex immunological reaction in which a resulting color occurs. The amount of color developed in

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the final step of the test is directly proportional to the amount of the specific marker being tested for in the patient or unknown sample. The amount of color is measured and the results calculated using routine laboratory instrumentation. Our technology specifies a process by which biological materials are attached to the fixed surface of a diagnostic test platform. Products developed using this unique attachment method typically demonstrate a more uniform and stable molecular configuration, providing a longer average shelf life, increased accuracy and superior specificity than the products of our competitors.

Some of the OEM products which we obtain from other manufacturers and sell through our distribution network utilize technologies other than our patented and proprietary ELISA technology.

Our diagnostic tests are intended to aid in the identification of the causes of illness and disease, enabling a physician to select appropriate patient therapy. Internally and through collaborative arrangements, we are developing additional products that are intended to broaden the range of applications for our existing products and to result in the introduction of new products.

Since 1990, our sales force and distribution partners have sold over 12 million tests worldwide under the REAADS and Corgenix labels, as well as OEM products. An integral part of our strategy is to work with corporate partners to develop market opportunities and access important resources. We believe that our relationships with current and potential partners will enable us to enhance our menu of diagnostic products and accelerate our ability to penetrate the worldwide markets for new products.

We currently use the REAADS trademarks and trade names in the sale of the products which we manufacture. These products constitute the majority of our product sales.

The Offering

Securities being offered	Up to 32,071,426 shares of common stock.
Common Stock outstanding after offering	Approximately 66,373,585 shares of common stock, assuming 56,075,982 shares of stock are issued upon the exercise of stock options and warrants, the conversion of secured convertible notes (including accrued interest) and the conversion of convertible preferred stock held by the selling shareholders.
Use of proceeds	We will not receive any proceeds from the sale of the shares of common stock by the selling shareholders.
OTCBB Trading Symbol	CONX.OB

Summary Financial Information

	Six Months Ended		Twelve Months Ended	
	December 31, 2005	December 31, 2004	June 30, 2005	June 30, 2004
	(Unaudited)		(Audited)	
Net Sales	$ 3,215,836	$ 2,579,642	$ 5,564,835	$ 5,270,553
Cost of Sales	1,559,458	1,008,273	2,044,922	1,873,534
Gross Profit	2,056,378	1,571,369	3,519,913	3,397,019
Operating Expenses:				
Selling and Marketing	746,426	744,476	1,499,524	1,348,318
Research and Development	281,756	295,445	612,898	737,897
General and Administrative	730,515	633,541	1,283,661	1,267,479
Total Expenses	1,758,697	1,673,462	3,396,083	3,353,694
Operating Income (loss)	297,681	(102,093)	123,830	43,325
Other income (expense)				
Loss on extinguishment of debt			(361,057)	
Other Income			125,000	
Interest Expense, Net	(682,316)	(190,144)	(470,231)	(168,240)
Net loss	$ (384,635)	$ (292,237)	$ (582,458)	$ (124,915)
Accretion of discount on redeemable common stock		43,278	64,919	86,555
Net loss available to common stockholders	$ (384,635)	$ (335,515)	(647,377)	$ (211,470)
Net loss per share, basic and diluted	$ (0.04)	$ (0.06)	$ (0.12)	$ (0.04)
Weighted average shares outstanding, basic and diluted	8,701,274	5,330,938	5,537,242	5,305,425
Net loss	(384,635)	(292,237)	(582,458)	(124,915)
Other comprehensive loss-foreign currency translation loss	(1,435)	(5,346)	(1,699)	(12,033)
Total comprehensive loss	(386,070)	(297,583)	$ (584,157)	$ (136,948)

RISK FACTORS

An investment in Corgenix entails certain risks that should be carefully considered. In addition, these risk factors could cause actual results to differ materially from those expected include the following:

We continue to incur losses and are likely to require additional financing.

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception have aggregated $5,885,779 as of December 31, 2005, and there can be no assurance that we will be able to generate positive cash flows to fund our operations in the future or to pursue our strategic objectives. Assuming no significant changes from our budget, we believe that we will have sufficient cash to satisfy our needs for at least the next twelve months. If we are not able to operate profitably and generate positive cash flows, we will undoubtedly need to raise additional capital, most likely via the sale of equity securities, to fund our operations. If we do in fact need additional financing to meet our requirements, there can be no assurance that we will be able to obtain such financing on terms satisfactory to us, if at all. Alternatively, any additional equity financing may be dilutive to existing stockholders, and debt financing, if available, may include restrictive covenants. If adequate funds are not available, we might be required to limit our research and development activities or our selling, marketing and administrative activities any of which could have a material adverse effect on the future of the business.

We depend upon collaborative relationships and third parties for product development and commercialization.

We have historically entered into research and development agreements with collaborative partners, from which we derived revenues in past years. Pursuant to these agreements, our collaborative partners have specific responsibilities for the costs of development, promotion, regulatory approval and/or sale of our products. We will continue to rely on future collaborative partners for the development of products and technologies. There can be no assurance that we will be able to negotiate such collaborative arrangements on acceptable terms, if at all, or that current or future collaborative arrangements will be successful. To the extent that we are not able to establish such arrangements, we could be forced to undertake such activities at our own expense. The amount and timing of resources that any of these partners devotes to these activities will generally be based on progress by us in our product development efforts. Collaborative arrangements may be terminated by the partner upon prior notice without cause and there can be no assurance that any of these partners will perform its contractual obligations or that it will not terminate its agreement. With respect to any products manufactured by third parties, there can be no

assurance that any third-party manufacturer will perform acceptably or that failures by third parties will not delay clinical trials or the submission of products for regulatory approval or impair our ability to deliver products on a timely basis.

There can be no assurance of successful or timely development of additional products.

Our business strategy includes the development of additional diagnostic products for the diagnostic business. Our success in developing new products will depend on our ability to achieve scientific and technological advances and to translate these advances into commercially competitive products on a timely basis. Development of new products requires significant research, development and testing efforts. We have limited resources to devote to the development of products and, consequently, a delay in the development of one product or the use of resources for product development efforts that prove unsuccessful may delay or jeopardize the development of other products. Any delay in the development, introduction and marketing of future products could result in such products being marketed at a time when their cost and performance characteristics would not enable them to compete effectively in their respective markets. If we are unable, for technological or other reasons, to complete the development and introduction of any new product or if any new product is not approved or cleared for marketing or does not achieve a significant level of market acceptance, our ability to remain competitive in our product niches would be impaired.

Competition in the human medical diagnostics industry is, and is expected to remain, significant.

Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical and biotechnology companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. In addition, many of these companies have name recognition, established positions in the market and long standing relationships with customers and distributors. Moreover, the diagnostics industry continues to show a significant amount of consolidation whereby large domestic and international pharmaceutical companies are acquiring mid-sized diagnostics companies, further increasing the concentration of resources. There can be no assurance that technologies will not be introduced that could be directly competitive with or superior to our technologies.

Our products and activities are subject to regulation by various governments and government agencies.

The testing, manufacture and sale of our products is subject to regulation by numerous governmental authorities, principally the United States Food and Drug Administration (the FDA) and certain foreign regulatory agencies. Pursuant to the Federal Food, Drug, and Cosmetic Act, and the regulations promulgated there under, the FDA regulates the preclinical and clinical testing, manufacture, labeling, distribution and promotion of medical devices. We are limited in our ability to commence marketing or commercial sales in the United States of new products under development until we receive clearance from the FDA. The testing for, preparation of and subsequent FDA regulatory review of required filings can be a lengthy, expensive and uncertain process. Noncompliance with applicable requirements can result in, among other consequences, fines, injunctions, civil penalties, recall or seizure of products, repair, replacement or refund of the cost of products, total or partial suspension of production, failure of the government to grant pre-market clearance or pre-market approval for devices, withdrawal of marketing clearances or approvals and criminal prosecution.

There can be no assurance that we will be able to obtain necessary regulatory approvals or clearances for our products on a timely basis, if at all, and delays in receipt of or failure to receive such approvals or clearances, the loss of previously received approvals or clearances, limitations on intended use imposed as a condition of such approvals or clearances or failure to comply with existing or future regulatory requirements could negatively impact our sales and thus have a material adverse effect on our business.

As a manufacturer of medical devices for marketing in the United States, we are required to adhere to applicable regulations setting forth detailed good manufacturing practice requirements, which include testing, control and documentation requirements. We must also comply with Medical Device Report (MDR) requirements, which require that a manufacturer reports to the FDA any incident in which its product may have caused or contributed to a death or serious injury, or in which its product malfunctioned and, if the malfunction were to recur, it would be likely to cause or contribute to a death or serious injury. We are also subject to routine inspection by the FDA for compliance with Quality System Regulations (QSR) requirements, MDR requirements and other applicable

regulations. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. We may incur significant costs to comply with laws and regulations in the future, which would decrease our net income or increase our net loss and thus have a potentially material adverse effect upon our business, financial conditions and results of operations.

Distribution of diagnostic products outside the United States is subject to extensive foreign government regulation. These regulations, including the requirements for approvals or clearance to market, the time required for regulatory review and the sanctions imposed for violations, vary from country to country. We may be required to incur significant costs in obtaining or maintaining foreign regulatory approvals. In addition, the export of certain of our products that have not yet been cleared for domestic commercial distribution may be subject to FDA export restrictions. Failure to obtain necessary regulatory approval or the failure to comply with regulatory requirements could reduce our product sales and thus have a potentially material adverse effect on our business, financial condition and results of operations.

We depend upon distribution partners for sales of diagnostic products in international markets.

We have entered into distribution agreements with collaborative partners in which we have granted distribution rights for certain of our products to these partners within specific international geographic areas. Pursuant to these agreements, our collaborative partners have certain responsibilities for market development, promotion, and sales of the products. If any of these partners fails to perform its contractual obligations or terminates its agreement, this could reduce our sales and cash flow and thus have a potentially material adverse effect on our business, financial condition and results of operations.

Third party reimbursement for purchases of our diagnostic products is uncertain.

In the United States, health care providers that purchase diagnostic products, such as hospitals, laboratories and physicians, generally rely on third party payers, principally private health insurance plans, federal Medicare and state Medicaid, to reimburse all or part of the cost of the purchase. Third party payers are increasingly scrutinizing and challenging the prices charged for medical products and services and they can affect the pricing or the relative attractiveness of the product. Decreases in reimbursement amounts for tests performed using our Diagnostic Products, failure by physicians and other users to obtain reimbursement from third party payers, or changes in government and private third party payers policies regarding reimbursement of tests utilizing diagnostic products, may affect our ability to sell our diagnostic products profitably. Market acceptance of our products in international markets is also dependent, in part, upon the availability of reimbursement within prevailing health care payment systems.

Our success depends, in part, on our ability to obtain patents and license patent rights, to maintain trade secret protection and to operate without infringing on the proprietary rights of others.

There can be no assurance that our issued patent will afford meaningful protection against a competitor, or that patents issued to us will not be infringed upon or designed around by others, or that others will not obtain patents that we would need to license or design around. We could incur substantial costs in defending the Company or our licensees in litigation brought by others. The potential for reduced sales and increased legal expenses would have a negative impact on our cash flow and thus our overall business could be adversely affected.

We may not be able to successfully implement our plans to acquire other companies or technologies.

Our growth strategy may include the acquisition of complementary companies, products or technologies. There is no assurance that we will be able to identify appropriate companies or technologies to be acquired, to negotiate satisfactory terms for such an acquisition, or to obtain sufficient capital to make such acquisitions. Moreover, because of limited cash resources, we will be unable to acquire any significant companies or technologies for cash and our ability to effect acquisitions in exchange for our capital stock may depend upon the market prices for our common stock, which could result in significant dilution to its existing stockholders. If we do complete one or more acquisitions, a number of risks arise, such as disruption of our existing business, short-term negative effects on our reported operating results, diversion of management s attention, unanticipated problems or legal liabilities,

and difficulties in the integration of potentially dissimilar operations. Any of these factors could materially harm Corgenix s business or its operating results.

We depend on suppliers for our products components.

The components of our products include chemical, biological and packaging supplies that are generally available from several suppliers, except certain antibodies, some of which we purchases from single suppliers. We mitigate the risk of a loss of supply by maintaining a sufficient supply of such antibodies to ensure an uninterrupted supply for at least three months. We have also qualified second vendors for all critical raw materials and believe that we can substitute a new supplier with respect to any of these components in a timely manner. If, for some reason, we lose our main supplier for a given material, there can be no assurances that we will be able to substitute a new supplier in a timely manner and failure to do so could impair the manufacturing of certain of our products and thus have a material adverse effect on our business, financial condition and results of operations.

We have only limited manufacturing experience with certain products.

Although we have manufactured over twelve million diagnostic tests based on our proprietary applications of ELISA (enzyme linked immuno-absorbent assay) technology, certain of our diagnostic products in consideration for future development, incorporate technologies with which we have little manufacturing experience. Assuming successful development and receipt of required regulatory approvals, significant work may be required to scale up production for each new product prior to such product s commercialization. There can be no assurance that such work can be completed in a timely manner and that such new products can be manufactured cost-effectively, to regulatory standards or in sufficient volume.

Due to the specialized nature of our business, our success will be highly dependent upon our ability to attract and retain qualified scientific and executive personnel.

We believe our success will depend to a significant extent on the efforts and abilities of Dr. Luis R. Lopez and Douglass T. Simpson, who would be difficult to replace. There can be no assurance that we will be successful in attracting and retaining such skilled personnel, who are generally in high demand by other companies. The loss of, inability to attract, or poor performance by key scientific and executive personnel may have a material adverse effect on our business, financial condition and results of operations.

The testing, manufacturing and marketing of medical diagnostic devices entails an inherent risk of product liability claims.

To date, we have experienced no product liability claims, but any such claims arising in the future could have a material adverse effect on our business, financial condition and results of operations. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of our policy or limited by other claims under our umbrella insurance policy. Additionally, there can be no assurance that our existing insurance can be renewed by us at a cost and level of coverage comparable to that presently in effect, if at all. In the event that we are held liable for a claim against which we are not insured or for damages exceeding the limits of our insurance coverage, such claim could have a material adverse effect on our cash flow and thus potentially a materially adverse effect on our business, financial condition and results of operations.

There has, to date, been no active public market for our Common Stock, and there can be no assurance that an active public market will develop or be sustained.

Although our Common Stock has been traded on the OTC Bulletin Board(R) since February 1998, the trading has been sporadic with insignificant volume.

Moreover, the over-the-counter markets for securities of very small companies historically have experienced extreme price and volume fluctuations. These broad market fluctuations and other factors, such as new product developments, trends in our industry, the investment markets, economic conditions generally, and quarterly variation in our results of operations, may adversely affect the market price of our common stock. In addition, the

Company s securities are subject to the penny stock regulation of Rule 15g-9 of the Securities Exchange Act of 1934 (the Exchange Act). Rule 15g-9 of the Exchange Act is commonly referred to as the penny stock rule and imposes special sales practice requirements upon broker-dealers who sell such securities to persons other than established customers or accredited investors. A penny stock is any equity security with a market price less than $5.00 per share, subject to certain exceptions. Rule 3a51-1 of the Exchange Act provides that any equity security is considered a penny stock unless that security is: registered and traded on a national securities exchange and meets specified criteria set forth by the Securities and Exchange Commission (the SEC); authorized for quotation in the National Association of Securities Dealers Automated Quotation System; issued by a registered investment company; issued with a price of five dollars or more; or issued by an issuer with net tangible assets in excess of $2,000,000. This rule may affect the ability of broker-dealers to sell the Company s securities.

For transactions covered by Rule 15g-9, a broker-dealer must furnish to all investors in penny stocks a risk disclosure document, make a special suitability determination of the purchaser, and receive the purchaser s written agreement to the transaction prior to the sale. In order to approve a person s account for transactions in penny stocks, the broker-dealer must (i) obtain information concerning the person s financial situation, investment experience, and investment objectives; (ii) reasonably determine, based on that information that transactions in penny stocks are suitable for the person and that the person has sufficient knowledge and experience in financial matters to reasonably be expected to evaluate the transactions in penny stocks; and (iii) deliver to the person a written statement setting forth the basis on which the broker-dealer made the determination of suitability stating that it is unlawful to effect a transaction in a designated security subject to the provisions of Rule 15g-9(a)(2) unless the broker-dealer has received a written agreement from the person prior to the transaction. Such written statement from the broker-dealer must also set forth, in highlighted format immediately preceding the customer signature line, that the broker-dealer is required to provide the person with the written statement and the person should sign and return the written statement to the broker-dealer only if it accurately reflects the person s financial situation, investment experience and investment objectives.

There are risks associated with fluctuating exchange rates.

Our financial statements are presented in US dollars. At the end of each fiscal quarter and the fiscal year, we convert the financial statements of Corgenix UK, which operates in pounds sterling, into US dollars, and consolidate them with results from Corgenix, Inc. We may, from time to time, also need to exchange currency from income generated by Corgenix UK. Foreign exchange rates are volatile and can change in an unknown and unpredictable fashion. Should the foreign exchange rates change to levels different than anticipated by us, our business, financial condition and results of operations may be adversely affected.

Forward-Looking Statements

This Form SB-2 includes statements that are not purely historical and are forward-looking statements within the meaning of Section 21E of the Exchange Act, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All statements other than historical fact contained in this Form SB-2, including, without limitation, statements regarding future product developments, acquisition strategies, strategic partnership expectations, technological developments, the availability of necessary components, research and development programs and distribution plans, are forward-looking statements. All forward-looking statements included in this Form SB-2 are based on information available to us on the date hereof, and we assume no obligation to update such forward-looking statements. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct or that we will take any actions that may presently be planned.

USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock offered by this prospectus from the selling shareholders.

DETERMINATION OF OFFERING PRICE

The selling shareholders will sell their shares at prevailing market prices or privately negotiated prices.

SELLING SECURITY HOLDERS

We have listed below:

The name of each selling shareholder;

The relationship of each selling shareholder to our company, as applicable;

The number of shares of common stock beneficially owned by the selling shareholder as of the date of this prospectus; and

The number of shares being offered by each of them.

On December 28, 2005 we entered into agreements to complete two separate private placement financings with certain institutional and other accredited investors. With respect to the first private placement, the investor was Barron Partners, LP, or Barron, a New York based private partnership, and with respect to the second private placement, the investors were Truk Opportunity Fund, LLC, a Delaware limited liability company, Truk International Fund, LP, a Cayman Islands company, and CAMOFI Master LDC, a Cayman Islands company (together, the Debt Investors).

The first financing was a private placement to Barron consisting of two million shares of Series A Convertible Preferred Stock. The shares of Series A Convertible Preferred Stock were sold at $1.00 per share for gross proceeds of $2,000,000. Each share of preferred stock is convertible initially into 2.8571428571 shares of the Company s common stock. In addition, Corgenix issued warrants to Barron to acquire up to an additional 15,000,000 shares of Corgenix common stock, of which 5,000,000 are exercisable at $0.40 per share, 5,000,000 are exercisable at $0.50, and 5,000,000 are exercisable at $0.60. The warrants are exercisable for five years from the date of issuance.

The second financing was a private placement with the Debt Investors representing net proceeds to the Company of $1,363,635. This financing was made pursuant to the exercise of an additional investment right by such institutional investors that was granted to them pursuant to a financing on substantially similar terms completed on May 19, 2005. This private placement included $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,000,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

We also entered into a registration rights agreement whereby, among other things, we agreed to file a registration statement, of which this prospectus is a part, with the SEC, to register the resale of the shares of common stock that we will issue upon exercise of the warrants held by the Debt Investors and upon conversion of their notes, plus the resale of the shares of common stock that we will issue upon conversion of the convertible preferred stock and exercise of warrants issued to Barron. We agreed to keep the registration statement effective until the date when all of the shares registered hereunder are sold or the date on which the shares registered hereunder can be sold without registration and without restriction as to the number of shares that may be sold.

The shares being offered hereby are being registered to permit public secondary trading, and the selling shareholders are under no obligation to sell all or any portion of their shares.

Name and Address of Beneficial Owner	Relationship to Company	Shares Beneficially Owned Prior to Offering	Percentage of Shares Beneficially Owned Prior to Offering	Shares Offered (1)	Percentage of Shares Beneficially Owed After Offering (1)
Barron Partners, LP (2) C/o Barron Capital Advisors, LLC 730 Fifth Avenue, 9th Floor New York, NY 10019	N/A	1,519,583	4.90%	20,714,286	0%
CAMOFI Master LDC 350 Madison Avenue New York, NY 10017 (3)	N/A	1,185,003	4.99%	5,865,916	0%
Truk Opportunity Fund (4) c/o RAM Capital Resources, LLC One East 52nd Street, Sixth Floor New York, NY 10033	N/A	838,755	4.99%	2,852,025	0%
Truk International Fund (5) c/o RAM Capital Resources, LLC One East 52nd Street, Sixth Floor New York, NY 10033	N/A	535,939	4.99%	182,059	0%
Ascendiant Capital Group LLC & Ascendiant Securities, L.P. 18881 Von Karman Avenue 16th Floor Irvine, CA 92612 (6)	N/A	715,869	4.99%	2,057,140	0%
Randall Stern (7) 110 Park Avenue Greenwich, CT 06830	N/A	557,930	4.99%	400,000	0%

(1) Assumes that all shares are sold pursuant to this offering and that no other shares of common stock are acquired or disposed of by the selling shareholders prior to the termination of this offering. Because the selling shareholders may sell all, some or none of their shares or may acquire or dispose of other shares of common stock, we cannot estimate the aggregate number of shares which will be sold in this offering or the number or percentage of shares of common stock that each selling security holder will own upon completion of this offering.

(2) The securities owned by this entity contain a provision that it may not at any time beneficially own more than 4.9% of our outstanding common stock. The Company s articles of incorporation have been amended to provide that this restriction may only be waived with the consent of Barron and holders of a majority of the shares of outstanding Corgenix common stock who are not affiliated with Barron.

(3) The securities owned by this entity contain a provision that it may not, subject to certain exceptions, at any time beneficially own more than 4.99% of our outstanding common stock. The Company and this entity have agreed that, other than on 75 days notice or upon the occurrence of an event of default, this provision may not be waived.

(4) The securities owned by this entity contain a provision that it may not, subject to certain exceptions, at any time beneficially own more than 4.99% of our outstanding common stock. The Company and this entity have agreed that, other than on 75 days notice or upon the occurrence of an event of default, this provision may not be waived. Michael E. Fein and Stephen E. Saltzstein, as principals of Atoll Asset Management, LLC, the Managing Member of Truk Opportunity Fund, LLC, exercise investment and voting control over the securities owned by Truk Opportunity Fund, LLC. Both Mr. Fein and Mr. Saltzstein disclaim beneficial ownership of the securities owned by Truk Opportunity Fund, LLC.

(5) The securities owned by this entity contain a provision that it may not, subject to certain exceptions, at any time beneficially own more than 4.99% of our outstanding common stock. The Company and this entity have agreed that, other than on 75 days notice or upon the occurrence of an event of default, this provision may not be waived. Michael E. Fein and Stephen E. Saltzstein, as principals of Atoll Asset Management, LLC, the Managing Member of

Truk International Fund, LP, exercise investment and voting control over the securities owned by Truk International Fund, LP. Both Mr. Fein and Mr. Saltzstein disclaim beneficial ownership of the securities owned by Truk International Fund, LP.

(6) For purposes of this calculation, the holdings of Ascendiant Capital Group, LLC have been aggregated with Ascendiant Securities, L.P. Contractual restrictions in the warrants held by the Ascendiant entities prohibit them from exercising any warrants if such exercise would cause either entity to exceed 4.99% beneficial ownership of Corgenix. The Ascendiant entities together hold warrants to acquire up to 3,681,286 shares of common stock.

(7) Contractual restrictions in the warrants held by Mr. Stern prohibit him from exercising any warrants if such exercise would cause him to exceed 4.99% beneficial ownership of Corgenix. Mr. Stern holds warrants to acquire up to 740,333 shares of common stock.

PLAN OF DISTRIBUTION

The shares offered hereby by the selling shareholders may be sold from time to time by the selling shareholders, or by pledgees, donees, transferees or other successors in interest. The distribution of the securities by the selling shareholders may be effected in one or more transactions that may take place on the over-the-counter market, including ordinary broker s transactions, at market prices prevailing at the time of sale, at prices related to the prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the selling shareholders in connection with the sales of securities. The shares offered by the selling shareholders may be sold by one or more of, including without limitation: (a) a block trade in which a broker or dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) ordinary brokerage transactions and transactions in which the broker may solicit purchases, and (c) face-to-face transactions between sellers and purchasers without a broker-dealer. In effecting sales, brokers or dealers engaged by the selling shareholders and intermediaries through whom the securities are sold may be deemed underwriters within the meaning of the Securities Act of 1933 (the Securities Act) with respect to the shares offered, and any profits realized or commission received may be deemed underwriting compensation.

At the time a particular offer of the common stock is made by or on behalf of a selling shareholder, to the extent required, a prospectus will be distributed which will set forth the number of shares being offered and the terms of the offering, including the name or names of any underwriters, dealers or agents, if any, the purchase price paid by any underwriter for the shares purchased from the selling shareholders and any discounts, commissions or concessions allowed or reallowed or paid to dealers, and the proposed selling price to the public.

Whenever we are notified by the selling shareholders that any material arrangement has been entered into with a broker-dealer, agent or underwriter for the sale of shares through a block trade, special offering, exchange distribution or a purchase by a broker-dealer, agent or underwriter, we will file a supplemented prospectus, if required, pursuant to Rule 424(c) under the Exchange Act. The supplemented prospectus will disclose (a) the name of each broker-dealer, agent or underwriter, (b) the commissions paid or discounts or concessions allowed to broker-dealer(s), agent(s) or underwriter(s) or other items constituting compensation or indemnification arrangements with respect to particular offerings, where applicable, (c) that the broker-dealer(s), agent(s) or underwriter(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, as supplemented, and (d) other facts material to the transaction. In addition, we will file a supplemental prospectus if any successors to the named selling shareholders wish to sell under this prospectus.

We have informed the selling shareholders that the anti-manipulative rules under the Exchange Act, including Regulation M thereunder, may apply to their sales in the market and have furnished each of the selling shareholders with a copy of these rules. We have also informed the selling shareholders of the need for delivery of copies of this prospectus in connection with any sale of securities registered hereunder.

Sales of shares by the selling shareholders or even the potential of such sales would likely have an adverse effect on the market price of the shares offered hereby.

MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the financial statements and accompanying notes included elsewhere herein.

General

Since the Company s inception, we have been primarily involved in the research, development, manufacturing and marketing/distribution of diagnostic tests for sale to clinical laboratories. We currently market 51 products covering autoimmune disorders, vascular diseases and liver disease. Our products are sold in the United States, the UK and other countries through our marketing and sales organization that includes contract sales representatives, internationally through an extensive distributor network, and to several significant OEM partners.

We manufacture products for inventory based upon expected sales demand, shipping products to customers, usually within 24 hours of receipt of orders if in stock. Accordingly, we do not operate with a customer order backlog.

Except for the fiscal year ending June 30, 1997, we have experienced revenue growth since our inception, primarily from sales of products and contract revenues from strategic partners. Contract revenues consist of service fees from research and development agreements with strategic partners.

Beginning in fiscal year 1996, we began adding third-party OEM licensed products to our diagnostic product line. We expect to expand our relationships with other companies in the future to gain access to additional products.

Although we have experienced growth in revenues every year since 1990, except for 1997, there can be no assurance that, in the future, we will sustain revenue growth, current revenue levels, or achieve or maintain profitability. Our results of operations may fluctuate significantly from period-to-period as the result of several factors, including: (i) whether and when new products are successfully developed and introduced, (ii) market acceptance of current or new products, (iii) seasonal customer demand, (iv) whether and when we receive research and development payments from strategic partners, (v) changes in reimbursement policies for the products that we sell, (vi) competitive pressures on average selling prices for the products that we sell, and (vii) changes in the mix of products that we sell.

Recent Events

The Company entered into agreements on December 28, 2005 to complete two separate private placement financings with certain institutional and other accredited investors.

The first financing was a private placement to Barron Partners, L.P., or Barron, a New York based private partnership, consisting of two million shares of Series A Convertible Preferred Stock. The shares of Series A Convertible Preferred Stock were sold at $1.00 per share for gross proceeds of $2,000,000. Each share of preferred stock is convertible initially into 2.8571428571 shares of the Company s common stock. In addition, Corgenix issued warrants to Barron to acquire up to an additional 15,000,000 shares of Corgenix common stock, of which 5,000,000 are exercisable at $0.40 per share, 5,000,000 are exercisable at $0.50, and 5,000,000 are exercisable at $0.60. The warrants are exercisable for five years from the date of issuance.

The exercise prices of the warrants, and the conversion rate and price of the shares of preferred stock, are subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The conversion right as contained in the preferred stock certificate of designations and the exercise rights contained in the warrants provide that a holder will not convert an amount of preferred stock or exercise warrants to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its warrants immediately prior to conversion, would exceed 4.9% of the Company s issued and outstanding common stock.

The transaction with Barron also included a Registration Rights Agreement in which the Company has agreed to file a registration statement on Form SB-2 covering the shares of common stock issuable upon the exercise of the warrants or the conversion of the preferred stock. If the registration statement is not declared effective or is

otherwise ineffective or incomplete on the time schedule cited in the Registration Rights Agreement, the Company shall pay the holders of the preferred stock or warrants liquidated damages in the amount of 30,000 shares of preferred stock. However, in no event will the Company be required to pay any liquidated damages in an amount exceeding, together with any other adjustments, 14% of the number of shares of preferred stock originally issued to Barron.

At the closing, the Company reimbursed Barron $15,000 for due diligence expenses. In addition, Ascendiant Securities, LLC acted as a financial advisor to the Company. As compensation for its services, the Company paid to Ascendiant a success fee equal to 8% of the initial gross proceeds ($160,000), which fee was paid from escrow when those funds were released to Corgenix from escrow. If and when the Barron warrants are exercised, then Corgenix would pay Ascendiant 8% of those gross proceeds. Three warrants were issued to Ascendiant, each for the purchase of up to 552,380 shares, or 8% of the securities issued in the transaction, at $.40, $.50, and $.60 with net exercise rights.

As constituted on December 28, 2005, the Company had 40 million shares of common stock authorized, of which approximately 9.3 million shares were issued and outstanding, and approximately 30.7 million were reserved for issuance to accommodate the exercise or conversion of warrants, options, and convertible debt that is currently outstanding. If all of the shares of preferred stock and warrants issued to Barron in the recent financing were converted or exercised at that point, then approximately 20.7 million shares of common stock would be needed to satisfy such activity.

A special meeting of the shareholders of the Company was held on March 24, 2006, to vote upon an amendment to the Articles increasing the number of authorized shares of Common Stock from 40 million to 100 million (the Share Increase Amendment). The Share Increase Amendment was adopted by the Company s shareholders at the special meeting. As a result, the $2,000,000 plus accrued interest was released to the Company, and the preferred stock certificates were issued from escrow to Barron. In addition, because the Share Increase Amendment was adopted and approved by the Company s shareholders, the Company has reserved and keep available shares of common stock for the purpose of enabling the Company to issue the shares of common stock underlying the preferred stock and warrants issued to Barron.

As previously disclosed, the Company plans to use the net proceeds, after transaction fees and expenses, for key strategic initiatives, working capital and other general corporate purposes.

Corgenix granted to Barron the right to participate in any subsequent financings by the Company on a pro rata basis at one hundred percent (100%) of the offering price; provided that any such right to participate shall be effective if and only if the right of first refusal in favor of the Company s current convertible debt investors has not been exercised.

Now that the funds in escrow are to be released to the Company due to shareholder approval of the Share Increase Amendment, the agreements with Barron state that if the Company s EBITDA for the audited fiscal year ended June 30, 2006, as calculated based upon the audited financial statements filed with the Company s Form 10-KSB filed with the Securities and Exchange Commission, is less than $1,150,000, then the Company must issue to Barron such number of additional shares of preferred stock equal to 2,000,000 multiplied by the percentage by which EBITDA is less than $1,150,000, expressed as a positive number; provided that in no event will the number of additional shares of preferred stock issued due to this EBITDA adjustment exceed 14% of the number of shares of Preferred Stock originally issued to Barron, or 280,000 shares. For example if EBITDA is $920,000 (20% decline) then the Company would issue to the Investor an additional 14% (i.e., 280,000) shares of preferred stock; provided that at the time Barron continues to hold all 2,000,000 shares of preferred stock originally issue on the Closing. EBITDA is defined in the Preferred Stock Purchase Agreement as net income of the Company, before interest, taxes, depreciation, amortization and one time charges, including, but not limited to, loss on the extinguishment of debt.

The Company has agreed to ensure that a majority of the members of the board of directors, and a majority of the compensation and audit committees, are qualified independent directors, as defined by the NASD, within 90 days after December 28, 2005. If the board fails to meet either the majority board or majority committee requirement, then in each instance the Company will pay to Barron $20,000 for each month during which this

requirement has not been met, which may be paid, at the Company s election, in cash or additional shares of preferred stock.

The foregoing is a summary of the terms of the Barron Preferred Stock Purchase Agreement, the Barron Common Stock Purchase Warrants, the Barron Registration Rights Agreement, the Barron Escrow Agreement, and the Barron Lockup Agreements. Such summary does not purport to be complete and is qualified in its entirety by reference to the full text of each such agreement, copies of which are attached hereto and incorporated herein by reference.

The second financing, also completed on December 28, 2005, was a private placement financing with certain institutional and other accredited investors that had previously invested in the Company, including Truk International Fund, LP, Truk Opportunity Fund, LLC and CAMOFI Master LDC (f/k/a DCOFI Master LDC), representing net proceeds to the Company of $1,363,635. This financing was made pursuant to the exercise of an additional investment right by such institutional investors that was granted to them pursuant to a financing on substantially similar terms completed on May 19, 2005.

This private placement included $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,800,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

The interest rate on the Secured Convertible Term Notes is the greater of (i) prime rate plus 3% or (ii) 12%, except for the portion of the note proceeds that is held in the restricted cash account, which amount accrues interest at the prime rate. However, (i) if the Company has registered the shares of common stock underlying the Secured Convertible Term Notes and the AIR Warrants, and that registration is declared effective, and (ii) the market price of the common stock for the five consecutive trading days preceding the last business day of each month exceeds the conversion price (as adjusted) by 25%, then the interest rate for the next calendar month is reduced by 25 basis points for each incremental 25% increase in the market price above the fixed conversion price.

Amortizing payments of the principal amount begin on June 1, 2006 and such payments are due on the first day of each month thereafter until the maturity date in December 2008, at which time any outstanding principal shall be due and payable. Interest payments began January 1, 2006, and such interest payments are due on the first day of each subsequent month until the principal amount is paid in full.

The Secured Convertible Term Notes may be prepaid, but any prepayment must be 125% of the portion of the principal amount to be prepaid, together with accrued but unpaid interest thereon and any other sums due. The holders of the Secured Convertible Term Notes may accelerate all sums of principal, interest and other fees then remaining unpaid upon the occurrence of an event of default (as defined in the Secured Convertible Term Notes) beyond any applicable grace period. In the event of such acceleration, the amount due and owing the holder shall be 125% of the outstanding principal amount (plus accrued and unpaid interest and fees, if any). As part of the financing terms, a blanket lien filed in connection with the May 19, 2005 financing covering all of the Company s assets extends to this financing.

The number of shares of common stock to be issued upon conversion of a Secured Convertible Term Note is determined by dividing that portion of the principal amount, interest and fees to be converted by the then applicable conversion price, which is initially set at $0.30. The conversion price may be adjusted to account for certain events, such as stock splits, combinations, dividends and share issuances below the then current conversion price.

The conversion right as contained in the Secured Convertible Term Notes provide that a holder will not convert an amount of a Note that would be convertible into shares of common stock to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its AIR Warrants immediately prior to conversion, would exceed 4.99% of the Company s issued and outstanding common stock.

The Company also issued AIR Warrants to acquire approximately 3,800,000 shares of the Company s common stock. The AIR Warrants are exercisable for seven years from the date of issuance at an exercise price of $0.23 per share. The exercise price is also subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The transaction also included a Registration Rights Agreement in which the Company has agreed to file a registration statement on Form SB-2, as represented hereby, covering the shares of common stock issuable upon the exercise of the AIR Warrants and the conversion of the Secured Convertible Term Notes. If the registration statement is not declared effective or is otherwise ineffective or incomplete on the time schedule cited in the Registration Rights Agreement, the Company shall pay the holders of the Secured Convertible Term Notes or AIR Warrants liquidated damages in the amount of 1.5% on the original principal amount of Secured Convertible Term Notes for each 30-day period that elapses until the registration statement is declared effective.

We evaluated the embedded conversion features in both the Series A Preferred Stock and the Secured Convertible Term Notes and concluded that the feature does not require classification as a derivative instrument because the features would be classified in equity if they were freestanding instruments in accordance with EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company s Own Stock,* and, therefore, meet the scope exception found in SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* We also evaluated the warrants and concluded that the warrants also meet the scope exception found in SFAS 133 and, therefore, are appropriately classified in equity. Finally, we evaluated the freestanding registration rights agreements and concluded that they do meet the definition of a derivative instrument under SFAS 133. The fair value of these derivative liabilities are immaterial based on a probability-weighted, discounted cash flow evaluation of its terms. In Issue 05-4, *The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to Issue No. 00-19,* the EITF has been deliberating the appropriate accounting treatment when a registration rights agreement exists, but has not yet reached a consensus. Once a consensus is reached by the EITF, it is possible that the transition based on that consensus may have a material effect on our financial statements.

Recently Issued Accounting Pronouncements

FAS 123R Disclosure. In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) will be effective for the Company beginning January 1, 2006, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. The Company does not expect the adoption of FAS 123(R) will have a material impact on the Company s financial statements.

FAS 154 Disclosure. In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3. The statement applies to all voluntary changes in accounting principles, and changes the requirements for accounting for and reporting of a change in accounting principle. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company s financial statements.

In February 2006, the FASB issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments . This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instruments that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. The Company has not yet determined the impact of the adoption of FAS 155 on its financial statements, if any.

Critical Accounting Policies

The Company s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) and our significant accounting policies are summarized in Note 1 to the accompanying consolidated financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

The Company maintains an allowance for doubtful accounts based on its historical experience and provides for any specific collection issues that are identified. Such allowances have historically been adequate to provide for

our doubtful accounts but involve a significant degree of management judgment and estimation. Worse than expected future economic conditions, unknown customer credit problems and other factors may require additional allowances for doubtful accounts to be provided for in future periods. Equipment and software are recorded at cost. Equipment under capital leases is recorded initially at the present value of the minimum lease payments. Depreciation and amortization is calculated primarily using the straight-line method over the estimated useful lives of the respective assets which range from 3 to 7 years. The internal and external costs of developing and enhancing software costs related to website development, other than initial design and other costs incurred during the preliminary project stage, are capitalized until the software has been completed. Such capitalized amounts began to be amortized commencing when the website was placed in service on a straight-line basis over a three-year period. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and a gain or loss is recognized. Repair and maintenance costs are expensed as incurred. We evaluate the reliability of our long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Revenue from sale of products is recognized upon shipment of products. Revenue from research and development contracts represents amounts earned pursuant to agreements to perform research and development activities for third parties and is recognized as earned under the respective agreement. Because research and development services are provided evenly over the contract period, revenue is recognized ratably over the contract period. Research and development agreements in effect in 2004 and 2003 provided for fees to the Company based on time and materials in exchange for performing specified research and development functions. Research and development and advertising costs are expensed when incurred. Inventories are recorded at the lower of cost or market, using the first-in, first-out method.

Results of Operations

Six Months Ended December 31, 2005 compared to 2004

Net sales Net sales for the six months ended December 31, 2005 were approximately $3,216,000, a 24.7% increase from approximately $2,580,000 for the six months ended December 31, 2004. Domestic sales increased 27.5% while sales to international distributors increased 17.0% from year to year due to an overall increase in demand for and increased acceptance of the Company s diagnostic kits. With respect to the Company s major product lines, Phospholipids kit sales increased 17.7% for the current six month period, Coagulation kit sales increased 14.0 %, HA kit sales increased 37.5%, and Autoimmune kit sales decreased 3.3%. Additionally, OEM sales increased 26.8%. Sales of products manufactured for us by other companies while still relatively small, are expected to continue to increase during fiscal 2006.

Cost of sales. Cost of sales, as a percentage of sales, decreased to 36.1% in the six months ended December 31, 2005 from 39.1% in 2004 primarily due to product mix contribution from higher gross margin products.

Selling and marketing. Selling and marketing expenses increased less than 1% to approximately $746,000 in the six months ended December 31, 2005 from approximately $744,000 in 2004. The majority of this increase involved increases in commissions expense, labor related, trade show and royalties expense, offset by decreases in CE Marking, license fees, and business promotional expenses.

Research and development. Research and development expenses decreased 4.6% to approximately $282,000 in the six months ended December 31, 2005 from approximately $295,000 for the six months ended December 31, 2004. The majority of this decrease involved reductions in consulting, and labor-related expenses essentially offset by increases in convention and seminars, legal fees, outside services, travel and laboratory supplies.

General and administrative. General and administrative expenses increased approximately $97,000 or 15.3% to approximately $731,000 in the six months ended December 31, 2005 from approximately $634,000 for the six months ended December 31, 2004, primarily due to increases in consulting fees, labor-related expenses, outside services (primarily investor relations and proxy-related), and patent renewal fees.

Interest expense. Interest expense increased 258.8% to approximately $682,000 in the six months ended December 31, 2005 from approximately $190,000 for the six months ended December 31, 2004 due primarily to the

amortization of deferred financing costs and discount on the notes payable to the institutional investors in the recently completed convertible debt financings.

Year Ended June 30, 2005 compared to 2004

Net sales. Net sales for the year ended June 30, 2005 were approximately $5,565,000, a 5.6% increase from approximately $5,271,000 in 2004. North American sales increased 3.4% while sales to international distributors increased 12.0% from year to year. With respect to the Company s major product lines, Phospholipids kit sales increased 2.8% for the fiscal year, Coagulation kit sales increased 13.9 %, HA kit sales increased 22.9%, and Autoimmune kit sales increased 50.9%. Additionally, OEM sales decreased 24%. Sales of products manufactured for us by other companies while still relatively small, are expected to continue to increase during fiscal 2006.

Cost of sales. Gross profit, as a percentage of sales, decreased slightly to 63.3% in 2005 from 64.4% in 2004 primarily due to higher raw material costs associated with the new manufacturing format of the Company s main product line.

Selling and marketing. Selling and marketing expenses increased 11.3% to approximately $1,500,000 in 2005 from approximately $1,348,000 in 2004. The majority of this increase involved increases in advertising, CE Marking expense (i.e., European Conformity, the costs incurred in order to insure that our products comply with the essential requirements of the relevant European health, safety and environmental protection legislation often referred to as the European Union s IVD Directive), commissions and labor-related expenses.

Research and development. Research and development expenses decreased 16.9% to approximately $613,000 in 2005 from approximately $738,000 in 2004. The majority of this decrease involved reductions in labor-related costs and purchases and development costs.

General and administrative. General and administrative expenses increased $17,000 or 1.3% to approximately $1,284,000 in 2005 from approximately $1,267,000 in 2004. Overall modest increases in domestic expenses were offset by similar decreases in international expenses.

Interest expense. Interest expense increased 179.5% to approximately $470,000 in 2005 from approximately $168,000 in 2004 due primarily to the amortization of discount on the notes payable to Genesis and the amortization of deferred financing costs and discount on the notes payable to the institutional investors in the recently completed private placement.

Liquidity and Capital Resources

Cash used in operating activities was $482,309 for the first six months of the current fiscal year compared to cash provided in operating activities of $91,943 during the prior year s first six months. The cash used in operations resulted primarily from increases in prepaid expenses (principally deferred financing costs) and other assets plus increases in inventories and accounts receivable and decreases in accounts payable and accrued liabilities. The Company believes that uncollectible accounts receivable will not have a significant effect on future liquidity, as a significant portion of its accounts receivable are due from financially sound enterprises.

Net cash used by investing activities, the purchase of equipment, was $28,867 in the initial six months compared to $12,635 for the prior year s same period. The increase was mainly attributable to increased spending on computers, refrigeration equipment and manufacturing equipment.

Net cash provided by financing activities amounted to $1,341,703 during the recent initial six months compared to cash used by financing activities of $131,043 in the prior fiscal year. This decrease in cash used versus the comparable prior year was primarily due to the financings discussed above.

Historically, we have financed our operations primarily through long-term debt and sales of common, redeemable common and preferred stock. We have also financed operations through sales of diagnostic products

and agreements with strategic partners. Accounts receivable increased 21.5% to $1,078,262 from $887,645 as of June 30, 2005 primarily as a result of sales increases during the period.

Our future capital requirements will depend on a number of factors, including the ability to complete new equity or debt financing, the possible redemption of common stock, our profitability or lack thereof, the rate at which we grow our business and our investment in proprietary research activities, the ability of our current and future strategic partners to fund outside research and development activities, our success in increasing sales of both existing and new products and collaborations, expenses associated with unforeseen litigation, regulatory changes, competition, technological developments, general economic conditions and potential future merger and acquisition activity. Our principal sources of liquidity have been cash raised from the private sale of secured convertible term notes and the sale of redeemable common, common and preferred stock, the Bridge Note from Genesis, and long-term bank debt financing. We believe that our current availability of cash, working capital, proceeds from the issuance of preferred or common stock and debt financing and expected cash flows from operations, especially considering the increasing sales volume the Company is experiencing in Fiscal 2006, will be adequate to meet our ongoing needs for at least the next twelve months.

DESCRIPTION OF BUSINESS

Certain terms used herein are defined in the Glossary that follows at the end of this section.

Company Overview

Corgenix is engaged in the research, development, manufacture, and marketing of in vitro (outside the body) diagnostic products for use in disease detection and prevention. We currently sell 51 Diagnostic Products on a worldwide basis to hospitals, clinical laboratories, commercial reference laboratories, and research institutions. Our corporate headquarters is located in Westminster, Colorado. We have two wholly owned operating subsidiaries:

Corgenix, Inc. (formerly REAADS Medical Products, Inc.), established in 1990 and located in Westminster, Colorado. Corgenix, Inc. is responsible for sales and marketing activities for North America, and also executes product development, product support, clinical and regulatory affairs, and product manufacturing of the Diagnostic Products.

Corgenix (UK) Ltd., incorporated in the United Kingdom in 1996 (formerly REAADS Bio-Medical Products (UK) Limited), and is located in Peterborough, England. Corgenix UK manages the Diagnostic Business international sales and marketing activities except for distribution in North America, which is under the responsibility of Corgenix, Inc.

The Diagnostics Products Business

Introduction

Our Diagnostics Products Business is managed by Corgenix, Inc. and Corgenix UK, and includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We have developed and manufacture most of these products at our Colorado facility, and we purchase other products from other healthcare manufacturers. All of these products are used in clinical laboratories for the diagnosis and/or monitoring of three important areas of health care:

Autoimmune disease (diseases in which an individual creates antibodies to one s self, for example systemic lupus erythematosus and rheumatoid arthritis;

Vascular disease (diseases associated with certain types of thrombosis or clot formation, for example antiphospholipid syndrome, deep vein thrombosis, stroke and coronary occlusion); and

Liver diseases (fibrosis, cirrhosis and transplanted organ rejection).

In addition to our current Diagnostic Products, we are actively developing new laboratory tests in other important diagnostic testing areas. See Other Strategic Relationships. We manufacture and market to clinical laboratories and other testing sites worldwide. Our customers include large and emerging health care companies such as Instrumentation Laboratories, Helena Laboratories and Diagnostic Grifols, S.A.

Most of our products are based on our patented and proprietary application of Enzyme Linked ImmunoSorbent Assay technology, a clinical testing methodology commonly used worldwide. Most of our current products are based on this platform technology in a delivery format convenient for clinical testing laboratories. The delivery format, which we refer to as Microplate, allows the testing of up to 96 samples per plate, and is one of the most commonly used formats, employing conventional testing equipment found in virtually all clinical laboratories. The availability and broad acceptance of ELISA Microplate products reduces entry barriers worldwide for our new products that employ this technology and delivery format. Our products are sold as tests that include all of the materials required to perform the test, except for routine laboratory chemicals and instrumentation. A test using ELISA technology involves a series of reagent additions into the Microplate, triggering a complex immunological reaction in which a resulting color occurs. The amount of color developed in the final step of the test is directly proportional to the amount of the specific marker being tested for in the patient or unknown sample. The amount of color is measured and the results calculated using laboratory instrumentation. Our technology specifies a process by which biological materials are attached to the fixed surface of a diagnostic test platform. Products developed using this unique attachment method typically demonstrate a more uniform and stable molecular configuration, providing a longer average shelf life, increased accuracy and superior specificity than the products of our competitors.

Some of the OEM products which we obtain from other manufacturers and sell through our distribution network utilize technologies other than our patented and proprietary ELISA technology.

Our diagnostic tests are intended to aid in the identification of the causes of illness and disease, enabling a physician to select appropriate patient therapy. Internally and through collaborative arrangements, we are developing additional products that are intended to broaden the range of applications for our existing products and to result in the introduction of new products.

Since 1990, our sales force and distribution partners have sold over 12 million tests worldwide under the REAADS and Corgenix labels, as well as OEM products. An integral part of our strategy is to work with corporate partners to develop market opportunities and access important resources. We believe that our relationships with current and potential partners will enable us to enhance our menu of diagnostic products and accelerate our ability to penetrate the worldwide markets for new products.

We currently use the REAADS trademarks and trade names in the sale of the products which we manufacture. These products constitute the majority of our product sales.

Industry Overview

In vitro diagnostic, or IVD, testing is the process of analyzing the components of a wide variety of body fluids outside of the body to identify the presence of markers for diseases or other human health conditions. The worldwide human health IVD market consists of reference laboratory and hospital laboratory testing, testing in physician offices and the emerging over-the-counter market, in which testing is done at home by the consumer.

Traditionally, diagnostic testing has been performed in large, high-volume commercial or hospital-based laboratories using instruments operated by skilled technicians. Our products in a Microplate format are designed for such instrumentation and are marketed to these types of laboratories. The instrumentation and supportive equipment required to use our ELISA tests is relatively simple, and typically is used by a laboratory for many different products.

The IVD industry has undergone major consolidation over the last few years. As a result, the industry is characterized by a small number of large companies or divisions of large companies that manufacture and sell numerous diagnostic products incorporating a variety of technologies. Even given the industry consolidation mentioned above, there continues to be many small diagnostic companies, which generally have limited resources to

commercialize new products. As a result of technological fragmentation and customer support requirements, we believe that there may be a substantial competitive advantage for companies with unique and differentiated technologies that can be used to generate a broad menu of diagnostic products and that have developed successful customer support systems.

Strategy

Our primary objective is to apply our proprietary ELISA technology to the development and commercialization of products for use in a variety of markets. Our strategies for achieving this objective include the following:

Apply our ELISA Technology to Additional Diagnostic Markets. We have focused our resources on development of highly accurate tests in the Microplate format for sale to clinical testing laboratories. We believe we can expand our market focus with the addition of new tests that are complementary to the current product line.

Leverage Sales and Marketing Resources. We maintain a small marketing and sales organization, which is experienced in selling diagnostic tests into the laboratory market. We plan to expand this sales organization, adding distribution channels where appropriate. We will also plan to expand our product menu with more high value, quality products through internal development, acquisition or licensing of complementary products and technologies.

Continue to Develop Strategic Alliances to Leverage Company Resources. We have developed, and will continue to pursue, strategic alliances to access complementary resources (such as proprietary markers, funding, marketing expertise and research and development assistance), to leverage our technology, expand our product menu and maximize the use of our sales force.

Pursue Synergistic Product and/or Technology Acquisitions. We intend to proactively evaluate strategic acquisitions of companies, technologies and product lines where we identify a strategic opportunity to expand our core business while increasing revenues and earnings from these new technologies. Any acquisition of such synergistic products and/or technologies will, of necessity, depend on the availability to the Company of adequate financial resources to do so.

Expand into Additional Market Segments for Existing Products. We intend to investigate additional market opportunities for both clinical and research applications of our existing products.

Products and Markets

We currently sell ELISA tests in major markets worldwide. To date, our sales force and distribution partners have sold over 12 million tests since we first received product marketing clearance from the United States Food and Drug Administration for the first anti-cardiolipin antibody (_aCL_) test in 1990. Many peer reviewed medical publications, abstracts and symposia have been presented on the favorable technical differentiation of our tests over competitive products.

To extend the product offering for current product lines, and to complement our premium-priced, existing assays, we plan to add products from strategic partners. Our current product menu, commercialized under the trademarks REAADS and Corgenix, includes the following

Autoimmune Disease Products

Our ELISA Autoimmune Disease Product line consists of twenty products, including tests for antinuclear antibodies (ANA) screening, dsDNA, Sm, SM/RNP, SSA, SSB, Jo-1, Scl-70, Histones, Centromere, Mitochondria, MPO, PR3, Thyroglobulin, LKM-1, anti Ribosomal P, BP-180, DSG-1, DSG-3, anti-polymer antibodies and thyroid peroxidase. In the fiscal year ended June 30, 2005, these products represented approximately 2.4% of our total product sales.

We manufacture two of these products; the remainder are manufactured for us by other companies. The products are used for the diagnosis and monitoring of autoimmune diseases including RA, SLE, Mixed Connective Tissue Disease, Sjogren s Syndrome, Dermatopolymyositis and Scleroderma.

These autoimmune disease products are formatted in the ELISA Microplate format, and are differentiated from the competition by their user convenience. Historically, diagnostic tests utilized antiquated technologies that presented significant limitations for the clinical laboratory environment, including greater labor requirements and the need for a subjective interpretation of the results. These ELISA autoimmune tests overcome these technology shortfalls, permitting a clinical laboratory to automate its tests, lowering the laboratory s labor costs as well as providing objectivity to test result interpretation.

Vascular Disease; Antiphospholipid Antibody Testing Products

We manufacture and market eleven products for antiphospholipid antibody testing, which in the fiscal year ended June 30, 2005 represented approximately 53% of our total product sales. These include: aCL IgG, aCL IgA, aCL IgM; anti-phosphatidylserine (aPS) IgG, aPS IgA, aPS IgM; anti-B2-Glycoprotein I (aB2GPI) IgG, aB2GPI IgA, and aB2GPI IgM; and anti-Prothrombin (aPT) IgG and IgM.

ELISA technology is typically used to measure the antibodies directed against membrane anionic phospholipids (i.e., negatively charged molecules such as cardiolipin and phosphatidylserine) or their associated plasma proteins, predominantly beta-2 glycoprotein 1). Antiphospholipid antibodies are associated with the presence of both venous and arterial thrombosis (clotting), thrombocytopenia (low platelet count that can result in bleeding), and recurrent miscarriage. These autoantibodies are frequently found in patients with systemic lupus erythematosis (SLE, Lupus) and other autoimmune diseases, as well as in some individuals with no apparent previous underlying disease, Antiphospholipid syndrome.

The importance of the antiphospholipid syndrome resides in its association with serious clinical manifestations such as chronic and recurrent venous (deep vein) thrombosis, as well as arterial thromboembolic disease including heart attacks, strokes and pulmonary embolism. Thrombocytopenia has been attributed to the temporary removal of platelets from circulation during a thrombotic episode (clot formation).

Vascular Disease: Bleeding/Clotting Risk Factors

We market twenty-one tests for bleeding and clotting risk factors. We manufacture five products, and sixteen others are manufactured for us by other companies. Specialized tests include: Protein C Antigen ELISA, Protein S Antigen ELISA, Monoclonal Free Protein S ELISA, von Willebrand Factor Antigen ELISA, von Willebrand Factor Activity Test; GTI Platelet Factor 4, abp Ristocetin, PIFA (HIT/PF4 rapid assay) and Collagen Binding Assay. Corgenix UK also distributes twelve OEM products for routine coagulation testing.

These products are useful in the diagnosis of certain clotting and bleeding disorders including von Willebrand s Disease (Hemophilia B).

Hemostasis (the normal stable condition in which there is neither excessive bleeding nor excessive clotting) is maintained in the body by the complex interaction of the endothelial cells of blood vessels, coagulation cells such as platelets, coagulation factors, lipids (cholesterol) and antibodies (autoantibodies). All play important roles in maintaining this hemostasis. In clinical situations in which an individual demonstrates excessive clotting or bleeding, a group of laboratory tests is typically performed to assess the source of the disorder using the tests that we market.

Liver Disease Products

We manufacture a test to quantitate Hyaluronic Acid in a Microplate format. The product was distributed through the Chugai distribution network in Japan under the Chugai Diagnostic Sciences label from 1996 to 2003, and through Corgenix UK in the United Kingdom since 1998. On June 30, 2001, we signed a license agreement

with CDS whereby we have the co-exclusive rights to manufacture and market the HA product worldwide except for Japan. See Chugai (Fujirebio) Strategic Relationship.

Hyaluronic Acid is a component of the matrix of connective tissues, found in synovial fluid of the joints where it acts as a lubricant and for water retention. It is produced in the synovial membrane and leaks into the circulation via the lymphatic system where it is quickly removed by specific receptors located in the liver. Increased serum levels of HA have been described in patients with rheumatoid arthritis due to increased production from synovial inflammation, and in patients with liver disease due to interference with the removal mechanism. Patients with cirrhosis will have the highest serum HA levels, which correlate with the degree of liver involvement.

In the fiscal year ended June 30, 2005, the HA test represented approximately 13.2% of our total product sales.

Technology

Our ELISA application technology was developed to provide the clinical laboratory with a more sensitive, specific, and objective technology to measure clinically relevant antibodies in patient serum samples. High levels of these antibodies are frequently found in individuals suffering from various immunological diseases, and their serologic determination is useful not only for specific diagnosis but also for assessing disease activity and/or response to treatment. To accomplish these objectives, our current product line applies the ELISA technology in a 96-Microplate format as a delivery system. ELISA provides a solid surface to which purified antigens are attached, allowing their interaction with specific autoantibodies during incubation. This antigen-antibody interaction is then objectively measured by reading the intensity of color generated by an enzyme-conjugated secondary antibody and a chemical substrate added to the system.

Our technology overcomes two basic problems seen in many other ELISA systems. First, the material coated onto the plate can be consistently coated without causing significant alteration of the molecular structure (which ensures maintenance of immunologic reactivity), and the stability of these coated antigens on the surface can be maintained (which provides a product shelf life acceptable for commercial purposes). Our proprietary immunoassay technology is useful in the manufacture of ELISA tests for the detection of many analytes (target molecules) for the diagnosis and management of immunological diseases.

Our technology results in products generally demonstrating performance characteristics that exceed those of competitive testing procedures. Many testing laboratories worldwide subscribe to external quality control systems or programs conducted by independent, third-party organizations. These programs typically involve the laboratory receiving unknown test samples on a routine basis, performing certain diagnostic tests on the samples, and providing results of their testing to the third party. Reports are then provided by the third party that tells the testing laboratory how it compares to other testing laboratories in the program. Several of our products are included in laboratory surveys periodically conducted by unaffiliated entities, and our products routinely demonstrate good performance and/or reproducibility when compared to other manufacturers included in such survey. These include the College of American Pathologists (CAP) surveys and the UKNEQAS (UK National External Quality Assessment Service).

Our products typically require less hands-on time by laboratory personnel and provide an objective, quantitative or semi-quantitative interpretation to improve and standardize the clinical significance of results. We believe that our proprietary technology will continue to be the mainstay for our future diagnostic products. Most of the products in development will incorporate our basic technology.

Additional technologies may be required for some of the newly identified tests. We believe that, in addition to internal expertise, most technology and delivery system requirements would be available through joint venture or licensing arrangements or through acquisition.

Delivery Systems

Most of our current products employ the Microplate delivery system using ELISA technology. This format is universally accepted in clinical laboratory testing and requires routine equipment currently available in most clinical labs.

Sales and Marketing

We currently market and sell our diagnostic products to the clinical laboratory market, both hospital based and free standing laboratories. We utilize a diverse distribution program for our products. Our labeled products are sold directly to testing laboratories in the United States directly and through contract sales representatives.

Internationally, our labeled products are sold through established diagnostic companies in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Egypt, Finland, France, Germany, Greece, Guatemala, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Kuwait, Lebanon, Malaysia, Mexico, The Netherlands, Norway, Paraguay, Peru, Portugal, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom, and Uruguay. Discussions are underway that are expected to provide access to additional markets worldwide. Our agreements with international distribution partners are on terms that are generally terminable by us if the distributor fails to achieve certain sales targets. Either the Company or the respective distributor, given the occurrence of certain events, has the right, by giving written notice to the other party, to terminate the distribution agreement. We have also established private label product agreements with several United States and European companies. We have international distribution headquarters in the United Kingdom and will add direct commercialization and distribution in selected additional countries as appropriate. For the fiscal year ended June 30, 2005, international sales represented approximately 26.9% of the Company s total sales.

We have an active marketing and promotion program for our diagnostic testing products. We publish technical and marketing promotional materials, which we distribute to current and potential customers. We attend major industry trade shows and conferences, and our scientific staff actively publishes articles and technical abstracts in peer review journals.

Manufacturing

The manufacturing process for our products utilizes a semi-automated production line for the manufacturing, assembly and packaging of our ELISA Microplate products. Our current production capacity is 20,000 tests per day with a single eight-hour shift. Since 1990, we have successfully produced over 12 million tests in our Westminster, Colorado facility, and we expect that current manufacturing capability will be sufficient to meet expected customer demand for the foreseeable future.

Our manufacturing operations are fully integrated and consist of raw material purification, reagent and Microplate processing, filling, labeling, packaging and distribution. We have considerable experience in manufacturing our products using our proprietary technology. We expect increases in the demand for our products and have prepared plans to increase our manufacturing capability to meet that increased demand. We also maintain an ongoing investigation of scale-up opportunities for manufacturing to meet future requirements. We anticipate that production costs will decline as more products are added to the product menu in the future, permitting us to achieve greater economies of scale as higher volumes are attained. We have registered our facility with the FDA.

Quality System Regulations Requirements For Our Products

In April 1999, we received ISO 9001: 1994 certification from TUV Product Service GmbH, a world leader in medical device testing and certification. ISO 9001 represents the international standard for quality management systems developed by the International Organization for Standardization, or ISO, to facilitate global commerce. To ensure continued compliance with the rigorous standards of ISO 9001, companies must undergo regularly scheduled assessments and re-certification every year. The ISO 9001 initiative is an important component in its commitment

to maintain excellence. Corgenix received re-certification in November 1999 and 2000, and in July 2002 received EN ISO 9001:1996, and EN ISO 13485:2000 certification through TUV Rhineland of North America.

Our Manufacturing Process Starts With The Qualification Of Raw Materials

Our manufacturing process starts with the qualification of raw materials. The microplates are then coated and bulk solutions prepared. The components and the microplates are checked for ability to meet pre-established specifications by our quality control department. If required, adjustments in the bulk solutions are made to provide optimal performance and lot-to-lot consistency. The bulk solutions are then dispensed and packaged into planned component configurations. The final packaging step in the manufacturing process includes kit assembly, where all materials are packaged into finished product. The finished kit undergoes one final performance test by our quality control department. Before product release for sale, our Quality Assurance department must verify that all quality control testing and manufacturing processes have been completed, documented and have met all performance specifications.

The majority of raw materials and purchased components used to manufacture our products are readily available. We have established good working relationships with primary vendors, particularly those that supply unique or critical components for our products. We mitigate the risk of a loss of supply by maintaining a sufficient inventory of antibodies and critical components to ensure an uninterrupted supply for at least three months. We have also qualified second vendors for all critical raw materials and believe that we can substitute a new supplier with regard to any of these components in a timely manner. However, there can be no assurances that we will be able to substitute a new supplier in a timely manner, and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Approximately 25% of our product revenues are derived from sales outside of the United States. International regulatory bodies often establish varying regulations governing product standards, packaging and labeling requirements, import restrictions, tariff regulations, duties and tax requirements. To demonstrate our commitment to quality in the international marketplace, we obtained ISO certification and have CE marked all four products as required by the European In Vitro Diagnostic Directive 98/79/EC.

Since 1990, we have entered into several contract manufacturing agreements with other companies whereby we manufacture specific products for the partner company. We expect to continue investigating and evaluating opportunities for additional agreements.

Chugai (Fujirebio) Strategic Relationship

In September 2002, Chugai Diagnostics Science, Co. Ltd., formerly a wholly owned subsidiary of Chugai Pharmaceutical Co., Ltd., a Tokyo based pharmaceutical company, was merged into Fujirebio, Inc., a large Japanese Diagnostics company based in Tokyo and a leader in the field of immunoserology. The relationship between Corgenix and Chugai was established in June 1993. Currently, except for the on-going HA License Agreement described below, there are no sales to or operations related to Fujirebio.

HA License Agreement. On June 30, 2001, Corgenix and Chugai executed a license agreement (the HA License Agreement) whereby Corgenix was granted co-exclusive worldwide rights to manufacture and market the HA product (except for Japan). The HA License Agreement is initially for a five-year period with certain extension rights. The HA License Agreement establishes certain performance requirements for Corgenix, and provides early cancellation of exclusivity if Corgenix does not meet those performance goals. The HA License Agreement is the

only international distribution right currently granted by Chugai to Corgenix, and was formally assumed by Fujirebio.

Other Strategic Relationships

An integral part of our strategy has been and will continue to be entering into strategic alliances as a means of accessing unique technologies or resources or developing specific markets. The primary aspects of our corporate partnering strategy with regards to strategic affiliations include:

Companies that are interested in co-developing diagnostic tests that use our technology;

Companies with complementary technologies;

Companies with complementary products and novel disease markers; and/or

Companies with access to distribution channels that supplement our existing distribution channels.

In furtherance of the foregoing strategies, we maintain a revenue-producing strategic relationship with Medical & Biological Laboratories Co., Ltd., or MBL. MBL is a medical diagnostic company located in Nagoya, Japan. In March 2002 we signed a distribution agreement with RhiGene, Inc., a Des Plaines, Illinois based company which was a wholly owned subsidiary of MBL, which granted us exclusive rights to distribute RhiGene s complete diagnostic line of autoimmune testing products in North and South America. The arrangement also provided us with rights to certain other international markets. In July 2002, MBL made a $500,000 strategic investment in the common stock of our Company. As part of the investment agreement, MBL has warrants to purchase additional shares of our common stock for a total potential investment of $1,000,000. On March 31, 2005 our distribution agreement with RhiGene expired, and we signed a new distribution and OEM Supply Agreement with MBL International, Inc. (MBLI), a wholly owned subsidiary of MBL, which grants us non-exclusive rights to distribute MBL s complete diagnostic line of autoimmune testing products in the United States and exclusive distribution rights to the OEM Label products worldwide excluding the United States, Japan, Korea and Taiwan. In addition, on August 1, 2005 Corgenix and MBL executed an Amendment to the Common Stock Purchase Agreement and Common Stock Purchase Warrant wherein one-half or 440,141 of the original redeemable shares were exchanged for a three-year promissory note payable with interest at prime (6% as of June 13, 2005) plus two percent with payments commencing before September 1, 2005. The shares being exchanged for the promissory note will be returned to the Company quarterly as payments are made on the promissory note. The remaining 440,141 shares will be redeemable by the Company at $0.568 per share as of August 1, 2008 for any shares still owned at that time by MBL and only to the extent that MBL has not realized at least $250,000 in gross proceeds upon the sales of its redeemable shares in the open market for the time period August 1, 2005 through August 30, 2008. Finally, the warrants originally issued to MBL to purchase 880,282 shares have been extended to August 31, 2008 and re-priced from $0.568 per share to $0.40 per share.

We have established OEM agreements with several international diagnostic companies. Under some of these agreements, we manufacture selected products in the same configuration as the Company s own products, under the partner s label for worldwide distribution. In other OEM agreements, the Company manufactures diagnostic kits according to the partner s unique specifications under the partner s label.

Research and Development

We direct our research and development efforts towards development of new products on our proprietary platform ELISA technology in the Microplate format, as well as applying our technology to automated laboratory testing systems. In that regard, we have organized our research and development effort into three major areas: (i) new product development, (ii) technology assessment, and (iii) technical and product support.

Our technical staff evaluates the performance of reagents (prepared internally or purchased commercially), creates working prototypes of potential products, performs internal studies, participates in clinical trials, produces pilot lots of new products, produces a validated method that can be consistently manufactured, creates documentation required for manufacturing and testing of new products, and works closely with our quality assurance department to satisfy regulatory requirements and support regulatory clearance. They are responsible for assessing the performance of new technologies along with determining the technical feasibility of market introduction, and investigating the patent / license issues associated with new technologies.

Our technical staff is responsible for supporting current products on the market through scientific investigation, and is responsible for design transfer to manufacturing of all new products developed. They assess the performance and validate all externally-sourced products.

The technical staff includes individuals skilled in immunology, assay development, protein biochemistry, biochemistry and basic sciences. We maintain facilities to support our development efforts at the Westminster, Colorado headquarters. Group leaders are also skilled in planning and project management under FDA-mandated design control. See Regulation.

During fiscal 2005 and 2004, we spent $613,000 and $738,000, respectively, for research and development. The decrease was primarily attributable to increased payroll-related costs and purchases related to additional research and development contract work. We expect research and development spending to increase during 2006. Research and development contract revenue (specific product development programs funded by a strategic partner) amounted to $75,321 and $211,935 for the 2005 and 2004 fiscal years ended June 30.

Products and Technology in Development

We intend to expand our product menu through internal development, development in collaboration with strategic partners and acquisition and/or licensing of new products and technologies. We are currently working with partners to develop additional tests to supplement the existing product lines. The following summarizes our current product and technology development programs:

Vascular Disease Testing Products

We are one of the market leaders in development of innovative tests in the antiphospholipid market, and expect to continue developing products in this area to ensure our ongoing strong market position. For the past two years we have been developing products in the area of Oxidized LDL, a technology that assesses arterial thrombosis and atherosclerosis. Our technology, which we have trademarked AtherOx, has the potential to significantly alter the standard of lipoprotein testing and cardiovascular risk assessment. Product development for three products has been completed, and the products launched into the international markets. We expect to file applications with the FDA in fiscal 2006. See Regulation.

Fibromyalgia

We are in the final development and regulatory submission stages for a unique assay for testing patients with fibromyalgia. The assay detects antibodies to polymers, which are present in a high percentage of patients suffering from fibromyalgia, also referred to as chronic pain syndrome. We expect, along with Autoimmune Technologies, LLC, our strategic partner, to complete clinical studies early in fiscal 2006 and file a pre-market approval application with the FDA in late fiscal 2006.

Aspirin Resistance

We have established a strategic collaboration with Creative Clinical Concepts, Inc. (CCC) and McMaster University in the development of an assay to assess aspirin resistance which may prove to be very useful in the prevention of cardiac disease. We expect to file applications with the FDA for this product, trademarked AspirinWorks in fiscal 2006.

Competition

Competition in the human medical diagnostics industry is significant. Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical and biotechnology companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than we do. In addition, many of these companies have name recognition, established positions in the market and long standing relationships with customers and distributors. The diagnostics industry continues to experience significant consolidation in which many of the large domestic and international healthcare companies have been acquiring mid-sized diagnostics companies, further increasing the concentration of resources. However, competition in diagnostic medicine is highly fragmented, with no company holding a dominant position in autoimmune or vascular diseases. There can be no assurance that new, superior technologies will not be introduced that could be directly competitive with or superior to our technologies.

Our competitors include Inova Diagnostics, Inc., DIASORIN, Diagnostica Stago, American Bioproducts, Helena Laboratories Corporation (an existing licensee of Corgenix technology), Organon Teknika, Helix Diagnostic Hemagen Diagnostics, Sigma Diagnostics, The Binding Site and IVAX Diagnostics. We compete against these companies on the basis of product performance, customer service, and to a smaller extent, price.

Patents, Trade Secrets and Trademarks

The REAADS Technology Patent. We have built a strong patent and intellectual property position around our proprietary application of ELISA technology, which is used in a majority of our existing products. We hold one United States patent (Lopez, et al. method and diagnostic test kit for detection of anti-dsdna antibodies) which covers the critical manufacturing step in the majority of our existing ELISA products. This patent expires in 2010.

The Hyaluronic Acid Technology Patents. The HA product is protected by U.S., Japanese and European patents held by Chugai (Fujirebio). As part of the agreements with Chugai and assumed by Fujirebio, we have a license to use the Chugai patents to manufacture this product for worldwide distribution, and marketing rights worldwide except Japan. See Chugai (Fujirebio) Strategic Relationship.

The AtherOx Technology Patents. Through a Japanese collaboration, we have exclusive worldwide rights (except Japan) for the clinical testing market using the unique AtherOx technology. To date we have one United States Patent, and have several US and European patents pending.

The Antipolymer Antibody Patents. The antipolymer (APA) assay which we have developed and are marketing worldwide in collaboration with our strategic partner Autoimmune Technologies, LLC, is covered by an extensive group of worldwide patents and patents pending owned by Tulane University, which has granted Autoimmune Technologies exclusive worldwide rights.

Aspirin Resistance Technology Patents. Products in development with our strategic partner Creative Clinical Concepts, Inc., are covered by an extensive group of worldwide patents pending owned by McMaster University which has granted Corgenix and Creative Clinical Concepts exclusive worldwide rights. In March 2006 the U.S. Patent and Trademark Office issued a patent *Method for Predicting Cardiovascular Events* to McMaster University.

Patent applications in the United States are maintained in secrecy until patents are issued. There can be no assurance that our patent, and any patents that may be issued to us in the future, will afford protection against competitors with similar technology. In addition, no assurances can be given that the patents issued to us will not be infringed upon or designed around by others or that others will not obtain patents that we would need to license or design around. If the courts uphold existing or future patents containing broad claims over technology used by us, the holders of such patents could require us to obtain licenses to use such technology. In fiscal 2005 the Company did not incur any costs to defend our patents. See Part II. Item 6. Management s Discussion and Analysis Forward-Looking Statements and Risk Factors Uncertainty of Protection of Patents, Trade Secrets and Trademarks.

We have registered our trademark REAADS on the principal federal trademark register and with the trademark registries in many countries of the world. This trademark is eligible for renewal in 2006 and will expire in 2007. The trademark Corgenix was approved in September 2000.

Where appropriate, we intend to obtain patent protection for our products and processes. We also rely on trade secrets and proprietary know-how in our manufacturing processes. We require each of our employees, consultants and advisors to execute a confidentiality agreement upon the commencement of any employment, consulting or advisory relationship with us. Each agreement provides that all confidential information developed or made known to the individual during the course of the relationship will be kept confidential and not be disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions conceived of by an employee shall be the exclusive property of the Company.

The majority of our product sales, approximately 90% for the fiscal year ended June 30, 2005 and 85% in fiscal 2004, were products that utilized our proprietary technology and marketed under our REAADS trademark.

Regulation

The testing, manufacturing and sale of our products are subject to regulation by numerous governmental authorities, principally the FDA and foreign regulatory agencies. The FDA regulates the clinical testing, manufacture, labeling, distribution and promotion of medical devices, which includes diagnostic products. We are limited in our ability to commence marketing or selling diagnostic products in the United States until clearance is received from the FDA. In addition, various foreign countries in which our products are or may be sold impose local regulatory requirements. The preparation and filing of documentation for FDA and foreign regulatory review can be a lengthy, expensive and uncertain process.

In the United States, medical devices are classified by the FDA into one of three classes (Class I, II or III) on the basis of the controls deemed necessary by the FDA to ensure their safety and effectiveness in a reasonable manner. Class I devices are subject to general controls (e.g., labeling, pre-market notification and adherence to QSR requirements). Class II devices are subject to general and special controls (e.g., performance standards, post-market surveillance, patient registries and FDA guidelines). Generally, Class III devices are those that must receive pre-market approval by the FDA to ensure their safety and effectiveness (e.g., life-sustaining, life-supporting and implantable devices or new devices that have been found not to be substantially equivalent to legally marketed devices). All of our current products and products under development are or are expected to be classified as Class II or Class III devices.

Before a new device can be introduced in the market, we must obtain FDA clearance or approval through either clearance of a 510(k) pre-market notification or approval of a pre market approval (PMA) application, which is a more extensive and costly application. All of our products have been cleared using a 510(k) application, and we expect that most future products will also qualify for clearance using a 510(k) application (as described in Section 510(k) of the Medical Device Amendments to the F D & C Act of 1938).

It generally takes up to 90 days from submission to obtain 510(k) pre-market clearance but may take longer. The FDA may determine that a proposed device is not substantially equivalent to a legally marketed device or that additional information is needed before a substantial equivalence determination can be made. A not substantially equivalent determination, or a request for additional information, could prevent or delay the market introduction of new products that fall into this category. For any devices that are cleared through the 510(k) process, modifications or enhancements that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, will require new 510(k) submissions. There can be no assurance that we will be able to obtain necessary regulatory approvals or clearances for our products on a timely basis, if at all, and delays in receipt of or failure to receive such approvals or clearances, the loss of previously received approvals or clearances, limitations on intended use imposed as a condition of such approvals or clearances, or failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition and results of operations. See Risk Factors.

Our customers using diagnostic tests for clinical purposes in the United States are also regulated under the Clinical Laboratory Information Act of 1988, or CLIA. The CLIA is intended to ensure the quality and reliability of all medical testing in laboratories in the United States by requiring that any health care facility in which testing is performed meets specified standards in the areas of personnel qualification, administration, participation in proficiency testing, patient test management, quality control, quality assurance and inspections. The regulations have established three levels of regulatory control based on test complexity: waived, moderately complex and highly complex. Our current ELISA tests are categorized as moderately complex tests for clinical use in the United States. Under the CLIA regulations, all laboratories performing high or moderately complex tests are required to obtain either a registration certificate or certification of accreditation from the Centers for Medicare and Medicaid Services (CMS), formerly the United States Health Care Financing Administration. There can be no

assurance that the CLIA regulations and future administrative interpretations of CLIA will not have an adverse impact on the potential market for our future products.

We are subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. There can be no assurance that we will not incur significant costs to comply with laws and regulations in the future or that such laws or regulations will not have a material adverse effect upon our business, financial condition and results of operations.

Reimbursement

Currently our largest market segment is the hospital-based and free-standing independent laboratory market in the United States. Payment for testing in this segment is largely based on third-party payor reimbursement. The laboratory that performs the test will submit an invoice to the patient s insurance provider (or the patient if not covered by a program). Each diagnostic procedure (and in some instances, specific technologies) is assigned a current procedural terminology (CPT) code by the American Medical Association. Each CPT code is then assigned a reimbursement level by CMS. Third party insurance payors typically establish a specific fee to be paid for each code submitted. Third party payor reimbursement policies are generally determined with reference to the reimbursement for CPT codes for Medicare patients, which themselves are determined on a national basis by CMS.

Employees (for Consolidated Entity)

As of March 31, 2006, we employed 46 employees, 43 full-time and 3 part-time. Of these, three hold advanced scientific or medical degrees. None of Corgenix s employees are covered by a collective bargaining agreement. We believe that the Company maintains good relations with our employees.

Description of Property

We currently lease approximately 15,600 square feet of space in two close-by buildings in Westminster, Colorado, which are used for our administrative offices, research and development facilities and manufacturing operations. Both leases expire August 31, 2006. We also lease approximately 1,400 square feet of office space in Peterborough, Cambridgeshire, United Kingdom under a lease that expires October 6, 2006. We believe that suitable additional or alternative space will be available on commercially reasonable terms, as needed, upon the termination of our Westminster, Colorado lease term, and that our existing facilities will be sufficient for our operational purposes through the end of the leases. On February 8, 2006, Corgenix Medical Corporation (the Company) entered into a Lease Agreement (the Lease) with York County, LLC, a California limited liability company (Landlord) pursuant to which the Company will lease approximately 32,000 rentable square feet (the Property) of Landlord s approximately 102,400 square foot building, commonly known as Broomfield One and located at 11575 Main Street, Broomfield, Colorado 80020. The Property is part of Landlord s multi-tenant real property development known as the Broomfield Corporate Center. The Company will use the Property for its headquarters, laboratory research and development facilities and production facilities.

The term of the Lease (the Term) is seven years and five months and is anticipated to begin on April 1, 2006. The Company has the option to extend the original Term of the Lease for two periods of five years each (each, an Extension Period), for a potential total of a ten year lease extension. Thereafter, the Company has no further right to extend the Term of the Lease.

There is no base rent payable for the first five months of the Lease, from April 1, 2006 through August 31, 2006, will be $1.61 per square foot. For the following seven months, from September 1, 2006 through March 31, 2007, the base rent under the Lease will be $4.00 per square foot. The base rent for the five-month period from April 1, 2007 through August 31, 2007 will be $4.00 per square foot, and thereafter the base rent will increase incrementally on an annual basis from $5.64 per square foot for the period from September 1, 2007 through August 31, 2008 to a maximum of $7.93 per square foot for the final year of the original Term of the Lease, from September 1, 2011 through August 31, 2012.

In the event that the Company exercises its option to extend the original Term of the Lease, the base rent during any Extension Period will be equal to the then prevailing market rental rate for the Property, but in no event

less than the base rent for the last month of the then current Lease Term. The base rent shall then increase annually by three percent per year for the remainder of the applicable Extension Period.

Glossary

Antibody a protein produced by the body in response to contact with an antigen, and having the specific capacity of neutralizing, hence creating immunity to, the antigen.

Anti-cardiolipin antibodies (aCL) a class of antiphospholipid antibody which reacts with a negatively-charged phospholipid called cardiolipin or a phospholipid-cofactor complex; frequently found in patients with SLE and other autoimmune diseases; also reported to be significantly associated with the presence of both arterial and venous thrombosis, thrombocytopenia, and recurrent fetal loss.

Antigen an enzyme, toxin, or other substance, usually of high molecular weight, to which the body reacts by producing antibodies.

Anti-phosphatidylserine antibodies (aPS) a class of antiphospholipid antibody which reacts to phosphatidylserine; similar to aCL; believed to be more specific for thrombosis.

Antiphospholipid antibodies a family of autoantibodies with specificity against negatively charged phospholipids, that are frequently associated with recurrent venous or arterial thrombosis, thrombocytopenia, or spontaneous fetal abortion in individuals with SLE or other autoimmune disease.

Antiphospholipid syndrome a clinical condition characterized by venous or arterial thrombosis, thrombocytopenia, or spontaneous fetal abortion, in association with elevated levels of antiphospholipid antibodies and/or lupus anticoagulant.

Assay a laboratory test; to examine or subject to analysis.

Autoantibody an antibody with specific reactivity against a component substance of the body in which it is produced; a disease marker.

Autoimmune diseases a group of diseases resulting from reaction of the immune system against self components.

Beta 2 glycoprotein I ((beta) 2GPI) a serum protein (cofactor) that participates in the binding of antiphospholipid antibodies.

Coagulation the process by which blood clots.

Cofactor a serum protein that participates in the binding of antiphospholipid antibodies, for example (beta)2GPI.

Delivery format the configuration of the product. Current Corgenix products utilize a 96-well microplate system for its delivery format.

Hemostasis mechanisms in the body to maintain the normal liquid state of blood; a balance between clotting and bleeding.

Hyaluronic acid (HA) a polysaccharide found in synovial fluid, serum and other body fluids and tissues, elevated in certain rheumatological and hepatic (liver) disorders.

HDL cholesterol high density lipoprotein associated with cholesterol.

Immunoassay a technique for analyzing and measuring the concentration of disease markers using antibodies; for example, ELISA.

Immunoglobulin a globulin protein that participates in the immune reaction as the antibody for a specific antigen.

Immunology the branch of medicine dealing with (a) antigens and antibodies, esp. immunity to disease, and (b) hypersensitive biological reactions (such as allergies), the rejection of foreign tissues, etc.

In vitro isolated from the living organism and artificially maintained, as in a test tube.

In vivo occurring within the living organism.

Lipids a group of organic compounds consisting of the fats and other substances of similar properties.

Platelets small cells in the blood which play an integral role in coagulation (blood clotting).

Platform technology the basic technology in use for a majority of the Company s products, in essence the platform for new products. In the case of Corgenix, the platform technology is ELISA (enzyme linked immunosorbent assay).

Phospholipids a group of fatty compounds found in animal and plant cells which are complex triglyceride esters containing long chain fatty acids, phosphoric acid and nitrogenous bases.

Protein C normal blood protein that regulates hemostasis; decreased levels lead to thrombosis.

Protein S normal blood protein that regulates hemostasis; decreased levels lead to thrombosis.

Rheumatic diseases a group of diseases of the connective tissue, of uncertain cause and including rheumatoid arthritis (RA), rheumatic fever, etc., usually characterized by inflammation, pain and swelling of the joints and/or muscles.

Serum the clear yellowish fluid which separates from a blood clot after coagulation and centrifugation.

Systemic lupus erythematosus (SLE) a usually chronic disease of unknown cause, characterized by red, scaly patches on the skin that tend to produce scars, frequently affecting connective tissue and involving the kidneys, spleen, etc.

Thrombin the enzyme of the blood, formed from prothrombin, that causes clotting by converting fibrinogen to fibrin.

Thrombocytopenia a condition in which there is an abnormally small number of platelets in the circulating blood.

Thromboembolism the obstruction or occlusion of a blood vessel by a thrombus.

Thrombosis coagulation of the blood within a blood vessel of any organ, forming a blood clot.

Tumor markers serum proteins or molecules found in high concentrations in patients with selected cancers.

Vascular of or pertaining to blood vessels.

Von Willebrand s Factor (vWF) normal blood protein that regulates hemostasis; decreased levels lead to abnormal bleeding and increased levels may produce thrombosis.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Directors and Executive Officers

The following table sets forth certain information with respect to the directors and executive officers of Corgenix as of March 31, 2006:

Name	Age	Position	Director/Officer Since
Luis R. Lopez	58	Chief Medical Officer and Chairman of the Board	1998
Douglass T. Simpson	58	President and Chief Executive Officer, Director	1998
Ann L. Steinbarger	53	Senior Vice President Operations	1996
Taryn G. Reynolds	47	Vice President, Facilities and IT	1998
William H. Critchfield	60	Senior Vice President Finance and Administration and Chief Financial Officer	2000
Dennis Walczewski	57	Director	2006
Robert Tutag	65	Director	2006
Charles H. Scoggin	61	Director	2006
Larry G. Rau	60	Director	2006
C. David Kikumoto	56	Director	2006

Luis R. Lopez, M.D. has served as the Chief Executive Officer and Chairman of the Board of Directors of Corgenix from May 1998 until April 2005 when his title was changed to Chief Medical Officer. From 1987 to 1990, Dr. Lopez was Vice President of Clinical Affairs at BioStar Medical Products, Inc., a Boulder, Colorado diagnostic firm. From 1986 to 1987 he served as Research Associate with the Rheumatology Division of the University of Colorado Health Sciences Center, Denver, Colorado. From 1980 to 1986 he was Professor of Immunology at Cayetano Heredia University School of Medicine in Lima, Peru, during which time he also maintained a medical practice with the Allergy and Clinical Immunology group at Clinica Ricardo Palma in Lima. From 1978 to 1980 Dr. Lopez held a fellowship in Clinical Immunology at the University of Colorado Health Sciences Center. He received his M.D. degree in 1974 from Cayetano Heredia University School of Medicine in Lima, Peru. He is a clinical member of the American College of Rheumatology, and a corresponding member of the American Academy of Allergy, Asthma and Immunology. Dr. Lopez is licensed to practice medicine in Colorado, and is widely published in the areas of immunology and autoimmune disease.

Douglass T. Simpson has been the President of Corgenix since May 1998 and was elected a director in May 1998. Mr. Simpson joined Corgenix s operating subsidiary as Vice President of Business Development in 1992, was promoted to Vice President, General Manager in 1995, to Executive Vice President in 1996, to President in February 1998 and then to Chief Executive Officer in April 2005. Prior to joining Corgenix s operating subsidiary, he was a Managing Partner at Venture Marketing Group in Austin, Texas, a health care and biotechnology marketing firm, and in that capacity, served as a consultant to REAADS from 1990 until 1992. From 1984 to 1990 Mr. Simpson was employed by Kallestad Diagnostics, Inc. (now part of BioRad Laboratories, Inc.), one of the largest diagnostic companies in the world, where he served as Vice President of Marketing, in charge of all marketing and business

development. Mr. Simpson holds B.S. and M.S. degrees in Biology and Chemistry from Lamar University in Beaumont, Texas.

William H. Critchfield, has been Senior Vice President Finance and Administration and Chief Financial Officer of the Company since April 2005 and was Vice President and Chief Financial Officer from December 2000 to April 2005. Prior to joining Corgenix, Mr. Critchfield was Executive Vice President and Chief Financial Officer of U.S. Medical, Inc., a Denver, Colorado based privately held distributor of new and used capital medical equipment. From May of 1994 through July of 1999, he served as President and Chief Financial Officer of W.L.C. Enterprises, Inc., a retail business holding company. From November 1991 to May 1994, Mr. Critchfield served as Executive Vice President and Chief Financial Officer of Air Methods Corporation, a publicly traded company which is the leading U.S. company in the air medical transportation industry and is the successor company to Cell Technology, Inc., a publicly traded biotechnology company, where he served in a similar capacity from 1987-1991. From 1986 through September 1987 he served as Vice President of Finance and Administration for Biostar Medical Products, Inc., a developer and manufacturer of diagnostic immunoassays. In the past, Mr. Critchfield also served as Vice President of Finance for Nuclear Pharmacy, Inc., formerly a publicly traded company and the world s largest chain of centralized radiopharmacies. Mr. Critchfield is a certified public accountant in Colorado. He graduated magna cum laude from California State University-Northridge with a Bachelor of Science degree in Business Administration and Accounting.

Ann L. Steinbarger, has been the Senior Vice President, Operations of Corgenix since April 2005 and was the Vice President of Sales and Marketing from May 1998 to April 2005. Ms. Steinbarger joined Corgenix s operating subsidiary in January 1996 as Vice President, Sales and Marketing with responsibility for its worldwide marketing and distribution strategies. Prior to joining Corgenix, Ms. Steinbarger was with Boehringer Mannheim Corporation, Indianapolis, Indiana, a $200 million IVD company. At Boehringer from 1976 to 1996, she served in a series of increasingly important sales management positions. Ms. Steinbarger holds a B.S. degree in Microbiology from Purdue University in West Lafayette, Indiana.

Taryn G. Reynolds, has been a Vice President of Corgenix since May 1998. Mr. Reynolds joined Corgenix s operating subsidiary in 1992, serving first as Director of Administration, then as Managing Director, U.S. Operations. He has served as Vice President, Operations and in 1999, became Vice President, Facilities and Information Technology. Prior to joining Corgenix, Mr. Reynolds held executive positions at Brinker International, MJAR Corporation and M&S Incorporated, all Colorado-based property, operational and financial management firms.

Robert Tutag was appointed to the Board in September 2005. Mr. Tutag is currently and since 1990 has been President of Unisource, Inc., a privately held Boulder, Colorado company which identifies and develops niche pharmaceutical products for generic and brand name pharmaceutical companies. From 1964 through 1982, Mr. Tutag was President and Chief Operating Officer of Tutag Corporation. In that capacity, he developed and managed operations of Cord Laboratories, one of the original generic pharmaceutical manufacturing companies, in addition to founding and overseeing Geneva Generics, a generic sales and distribution company, which developed into one of the country s premier companies in its industry. Both Cord Laboratories and Geneva Generics were acquired by Ciba-Geigy Corporation. During that time period, Mr. Tutag also served as a Director of Geneva Generics and as Vice President of Sales and a Director of Tutag Pharmaceuticals, a branded distribution company. From 1983 through 1989, Mr. Tutag was President and Chief Executive Officer of NBR Financial, Inc., a multi-bank holding company in Boulder, Colorado. Since 1977 until the present, Mr. Tutag has also been editor of GMP Trends, Inc., Boulder, Colorado, an informational newsletter that reviews FDA and GMP inspection reports (483 s) for the pharmaceutical and medical device industries. Mr. Tutag also served as interim president from 1999-2000 and was a director from 1997-2001 of the Bank of Cherry Creek in Boulder, Colorado. He received a BBA and an MBA from the University of Michigan.

Dennis Walczewski was appointed to the Company s Board of Directors on January 3, 2006 to fill the vacancy created by the resignation of Mr. Jun Sasaki on the same day. Mr. Walczewski s background consists of over 25 years experience in the Diagnostic and Biotechnology industries. Mr. Walczewski has held either management or executive positions in Promega, T-Cell Diagnostics, Endogen and Boehringer Manheim (now Roche). He has been employed by MBL international or MBLI for the previous four years and now is their Chief Executive Officer. Mr. Walczewski will not be compensated for board meetings attended.

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Charles H. Scoggin, M.D., was appointed to the Company s Board of Directors on March 27, 2006. Dr. Scoggin is currently a Director of Nitrox, a privately held North Carolina-based biopharmaceutical company founded on technology developed at Duke University. Companies previously founded or co-founded by Dr. Scoggin include: Somatogen, a biopharmaceutical company that successfully synthesized and genetically modified the human hemoglobin molecule, for which Dr. Scoggin served as President, Chief Executive Officer and Chairman through its initial public offering, several secondary financings and strategic alliances; Somatogen Instruments, a biomedical and scientific instruments company, for which Dr. Scoggin served as President and Chief Executive Officer until its sale to Beckman Instruments; Rodeer Systems, a biomedical informatics company, for which Dr. Scoggin served as Chairman, President and Chief Executive Officer; Dr. Scoggin also served as President and Chief Executive Officer of both Medrock, a medical information company; and Sagemed, a company focused on strategic healthcare information services.

Larry G. Rau was appointed to the Company s Board of Directors on March 27, 2006. Mr. Rau is currently and since 1995 has been President and CEO of Rau Financial Services, a Sioux Falls, South Dakota firm specializing in alternative investments such as 1031 property exchanges, Real Estate, Oil and Gas, and Medical Receivables in addition to stocks and fixed income investments. From 1986 to 1995, Mr. Rau was an investment executive with A.G. Edwards and UBS PaineWebber, and from 1968 to 1986 he worked in pharmaceutical sales and/or marketing for Cutter Labs, Baxter International and Fort Dodge Labs.

C. David Kikumoto was appointed to the Company s Board of Directors on March 30, 2006. Mr. Kikumoto is the founder and is currently the Chief Executive Officer of Denver Management Advisors, a firm that has assembled leading team of health care cost containment specialists in the Rocky Mountain West, providing cost containment services to large employers, insurers, and healthcare providers. From 1999-2000, Mr. Kikumoto was the President and Vice Chairman at Anthem Blue Cross and Blue Shield, Colorado and Nevada. He led the merger of Blue Cross and Blue Shield to Anthem resulting in the creation of one of the largest private foundations in the State of Colorado. Mr. Kikumoto also provided strategic advice and counsel to the new leadership team and served as a liaison to customers, community leaders and regulators. From 1987 1999 Mr. Kikumoto served in several roles at Blue Cross and Blue Shield of Colorado, Nevada and New Mexico. From 1993 1999 Mr. Kikumoto was the President and Chief Executive Officer. He directed, developed and created one the first regional Blue Cross and Blue Shield Plans with total membership of 750,000 and annual premium income of $800 million. From 1991 1993 he was the Senior Vice President, Chief Marketing Officer. Mr. Kikumoto was responsible for the marketing and sales of health, life, dental and workers compensation products in a three-state region while concurrently serving as the CEO of several subsidiary companies. During 1987 1991 Mr. Kikumoto was the Vice President, Alternative Delivery Systems. In that position he managed health care costs in a three-state region through the development of alternatives to traditional health care models.

EXECUTIVE COMPENSATION

The following table shows how much compensation was paid by Corgenix for the last three fiscal years to Corgenix s Chief Executive Officer and each other executive officer whose total annual salary and bonus exceeded $100,000 for services rendered to the subsidiaries during such fiscal years (collectively, the Named Executive Officers).

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Cash Compensation Salary and Bonus*	Long-Term Compensation Options Granted (# of Shares)
Dr. Luis R. Lopez	2005	$ 180,372	100,000
Chairman and Chief Medical Officer	2004	$ 169,583	
	2003	$ 174,000	41,900
Douglas T. Simpson	2005	$ 157,826	205,000
President, Chief Executive Officer	2004	$ 148,386	
	2003	$ 152,250	59,072
Ann L. Steinbarger	2005	$ 140,916	100,000
Senior Vice President, Operations	2004	$ 132,487	
	2003	$ 135,937	41,519
William H Critchfield	2005	$ 140,916	125,000
Senior Vice President, Financial and Administration and Chief Financial	2004	$ 132,487	
Officer	2003	$ 135,937	34,119
Taryn G. Reynolds	2005	$ 112,733	70,000
Vice President, Facilities and Information Technology	2004	$ 105,991	
	2003	$ 108,750	35,695
Catherine A. Fink, Ph.D**	2005	$ 112,733	
Vice President, General Manager	2004	$ 105,991	
	2003	$ 108,750	33,695

* No bonuses were paid to any officer in any of the three years reported.

** Dr. Fink resigned as an officer on May 31, 2005, and was named Director of New Technology. Dr. Fink will be a consultant to the Company on a part-time basis.

Long-Term Incentive Compensation

Issuances of stock under the Stock Compensation Plan to the Named Executive Officers during the period July 1, 2005 to March 24, 2006, were as follows:

Officer	Issuances of Stock Under Stock Compensation Plan in Fiscal 2005
Dr. Luis R. Lopez	0
Douglass T. Simpson	0
Ann L. Steinbarger	0
William H. Critchfield	0
Taryn G. Reynolds	0
Catherine A. Fink, Ph.D*	0

*Dr. Fink resigned as an officer on May 31, 2005.

Aggregated Option Exercises and Option Values
as of and for the Nine Months Ended March 31, 2006

The following table sets forth information concerning option exercises by the Named Executive Officers during the period July 1, 2005 to March 31, 2006, and outstanding options held by the Named Executive Officers as of March 31, 2006:

Name	Number of Shares Acquired on Exercise	Value Realized($)	Number of Shares Underlying Unexercised Options at March 31, 2006 Exercisable/Unexerc.	Value of In-the-Money Options at March 31, 2006 ($) Exercisable/ Unexerc.(1)
Dr. Luis R. Lopez	0	0	77,513/66,667	15,893/26,667
Douglass T. Simpson	0	0	149,613/136,667	34,562/54,667
Ann L. Steinbarger	0	0	83,694/75,786	19,541/26,667
William H. Critchfield	0	0	97,667/83,333	20,314/33,333
Taryn G. Reynolds	0	0	73,813/46,667	14,811/18,667

(1) Based on the price of the Company s common stock at March 20, 2006 of $0.40 per share.

Employment and Consulting Agreements

Corgenix has entered into employment agreements with the following officers as of the respective dates and for the minimum annual salaries as noted opposite each of their names:

Luis R. Lopez, M.D. - $184,573, dated July 1, 2005

Douglass T. Simpson - $180,000, dated July 1, 2005,

William H. Critchfield - $165,000, dated July 1, 2005

Ann L. Steinbarger - $150,000, dated July 1, 2005

Taryn G. Reynolds - $115,358, dated July 1, 2005

Each of the above employment agreements is for continuously renewable terms of three years, provides for severance payments equal to eighteen month s salary and benefits if the employment of the officer is terminated without cause (as defined in the respective agreements), and an automobile expense reimbursement of $500 per month.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 24, 2006, certain information regarding the ownership of Corgenix s common stock by (i) each person known by Corgenix to be the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each of Corgenix s directors, (iii) each executive officer and (iv) all of Corgenix s executive officers and directors as a group. Unless otherwise indicated, the address of each person shown is c/o Corgenix, 12061 Tejon Street, Westminster, CO 80234. Beneficial ownership, for purposes of this table, includes debt convertible into common stock and options and warrants to purchase common stock that are either currently exercisable or convertible or will be exercisable or convertible within 60 days of March 24, 2006. Other than Dr. Lopez and Mr. Reynolds, no other director or executive officer beneficially owned more than 5% of the common stock.

The percentage ownership data is based on 10,277,603 shares of our common stock outstanding as of March 24, 2006. Under the rules of the SEC, beneficial ownership includes shares over which the indicated beneficial owner exercises voting and/or investment power. Shares of common stock subject to options or warrants or underlying convertible debt that are currently exercisable or convertible, or will become exercisable or convertible, within 60 days of March 24, 2006 are deemed outstanding for the purpose of computing the percentage ownership of the person holding the option or warrant, convertible preferred stock, or convertible promissory note, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Except as otherwise noted, we believe that the beneficial owners of the shares of common stock listed below have sole voting and investment power with respect to all shares beneficially owned.

Name of Beneficial Owner	Shares Beneficially Owned Number	Percent of Class
Barron Partners LP c/o Barron Capital Advisors, LLC 730 Fifth Avenue, 9th Floor New York, NY 10019 (2)	1,519,583	4.90%
CAMOFI Master LDC 350 Madison Avenue New York, NY 10017 (3)	1,185,003	4.99%
Truk Opportunity Fund c/o RAM Capital Resources, LLC One East 52nd Street, Sixth Floor New York, NY 10022 (3)	838,755	4.99%
Taryn G. Reynolds (1)	979,668	8.97%
Ascendiant Capital Group LLC, Ascendiant Securities LLC 18881 Von Karman Avenue, 16th Floor Irvine, CA 92612 (4)	715,869	4.99%
Dr. Luis R. Lopez (1)	848,014	8.06%
Douglass T. Simpson (1)	355,359	3.39%
William H. Critchfield (1)	207,667	2.00%
Robert Tutag (1)	130,000	1.07%
Ann L. Steinbarger (1)	102,667	0.98%
Larry G. Rau (1)	52,000	0.50%
Dr. Charles H. Scoggin (1)	30,000	0.29%
David Kikumoto (1)	30,000	0.29%
Mid South Investor Fund	800,000	7.49%
Burnham Securities	607,452	6.97%
Randall Stern (5)	557,930	4.99%
Medical & Biological Laboratories Co., Ltd.	1,760,564	15.78%
All current directors and current executive officers as a group (6 persons)	2,632,718	22.49%

(1) Current director or officer

(2) Contractual restrictions in the Barron Partners preferred stock purchase agreement and warrants prohibit Barron Partners, L.P. from exercising any warrants or converting any preferred stock if such conversion or exercise would cause it to exceed 4.90% beneficial ownership of Corgenix. Barron Partners holds convertible preferred stock plus warrants to acquire up to 20,714,286 shares of common stock.

(3) Contractual restrictions in its convertible note, warrants, and purchase agreement with Corgenix prohibit each of CAMOFI and Truk Opportunity Fund from exercising any warrants or converting any debt if such conversion or exercise would cause either entity to exceed 4.99% beneficial ownership of Corgenix. CAMOFI holds convertible debt and warrants to acquire up to 13,449,945 shares of common stock. Truk Opportunity Fund holds convertible debt and warrants to acquire up to 6,511,119 shares of common stock, without taking into account interest on the debt, which may also be converted into shares of common stock. Michael E. Fein and Stephen E. Saltzstein, as principals of Atoll Asset Management, LLC, the Managing Member of Truk Opportunity Fund, LLC, exercise investment and voting control over the securities owned by Truk Opportunity Fund, LLC. Both Mr. Fein and Mr. Saltzstein disclaim beneficial ownership of the securities owned by Truk Opportunity Fund, LLC.

(4) For purposes of this calculation, the holdings of Ascendiant Capital Group, LLC have been aggregated with Ascendiant Securities, L.P. Contractual restrictions in the warrants held by the Ascendiant entities prohibit them from exercising any warrants if such exercise would cause either entity to exceed 4.99% beneficial ownership of Corgenix. The Ascendiant entities together hold warrants to acquire up to 3,681,286 shares of common stock.

(5) Contractual restrictions in the warrants held by Mr. Stern prohibit him from exercising any warrants if such exercise would cause him to exceed 4.99% beneficial ownership of Corgenix. Mr. Stern holds warrants to acquire up to 740,333 shares of common stock.

DESCRIPTION OF SECURITIES

The Company currently has 100,000,000 authorized shares of common stock, $.001 par value, of which approximately 10,297,603 shares are issued and outstanding and 49,023,867 are reserved for issuance upon the exercise of outstanding stock options, warrants the conversion of secured convertible notes (including accrued interest). In addition, the Company has 5,000,000 authorized shares of preferred stock, of which 2,000,000 shares of Series A Convertible Preferred Stock are issued and outstanding, without voting rights, without dividend rights, and which are convertible into 5,714,286 shares of common stock upon their exercise. The conversion rate and price of the shares of preferred stock are subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The conversion right as contained in the preferred stock certificate of designations provides that a holder will not convert an amount of preferred stock to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its warrants immediately prior to conversion, would exceed 4.9% of the Company s issued and outstanding common stock.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holder of shares of Series A Preferred Stock are entitled to receive out of the assets of the Company, for each share of Series A Preferred Stock, an amount equal to $0.35 per share before any distribution or payment shall be made to the holders of any junior securities. Certain change in control transactions may also, at the election of the holder of the Series A Preferred Stock, be treated as a liquidation.

Each share of outstanding common stock is entitled to one vote. Shares of common stock have no preemptive rights.

The rights, preferences, privileges and limitations of the remaining preferred stock have not been established, and no series of preferred stock has been established. The rights, preferences, privileges and limitations of the preferred stock, in one or more series, may be established by the Board without the approval of the holders of the common stock.

Authorized but unissued common stock may be issued for such consideration as the Board determines to be adequate. Issuance of common stock could have a dilutive effect on current shareholders. Shareholders may or may not be given the opportunity to vote on the issuance of common stock, depending upon the nature of any such transactions, applicable law, the rules and policies of the national securities exchange on which the common stock is then trading, if any, and the judgment of the Board. Having a substantial number of authorized and unreserved shares of common stock and preferred stock could have the effect of making it more difficult for a third party to acquire a majority of the Company s outstanding voting stock. Management could use the additional shares to resist a takeover effort even if the terms of the takeover offer are favored by a majority of the independent shareholders. This could delay, defer, or prevent a change of control.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There have not been any transactions, or series of similar transactions, since the beginning of the Company s last fiscal year, or any currently proposed transaction, or series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeds $60,000 and in which any director or executive officer of the Company, nominee for election as a director, any five percent security holder or any member of the immediate family of any of the foregoing persons had, or will have, a direct or indirect material interest. On May 22, 1998 and March 1, 1999, three executive officers loaned the Company a total of $57,225 which had been in default for a considerable time period. On June 7, 2005, the Company and three

executive officers of the Company agreed in principal to a transaction whereby the Company issued shares of the Company s common stock (Shares) and warrants to acquire additional shares of common stock (Warrants) in exchange for the respective executive officer s agreement to accept the Shares and Warrants in full satisfaction of all amounts owed by the Company to them pursuant to the terms of their respective promissory notes. The Shares and Warrants exchanged for the debt owing to the executive officers were as follows:

Executive Officer		Principal and Interest Owed to Officer	Shares Exchanged	Warrants Exchanged
Dr. Luis R. Lopez	$	42,269	169,074	169,074
Douglass T. Simpson	$	17,159	68,636	68,636
Taryn G. Reynolds	$	139,929	559,714	559,714

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the OTC Bulletin Board (R) under the symbol CONX.OB. On March 24, 2006, the closing price of our common stock on the OTC Bulletin Board (R) as reported by the OTC Bulletin Board (R) was $0.40.

The following table sets forth, for the periods indicated, the high and low closing prices of our common stock as reported on the OTC Bulletin Board (R). The following quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transactions.

Stock Price Dates	**Stock Price Ranges**	
	High	**Low**
Fiscal Year 2006		
Quarter Ended:		
September 30, 2005	$ 0.70	$ 0.32
December 31, 2005	$ 0.65	$ 0.36
March 31, 2006	$ 0.48	$ 0.37
Fiscal Year 2005		
Quarter Ended:		
September 30, 2004	$ 1.00	$ 0.40
December 31, 2004	$ 0.58	$ 0.36
March 31, 2005	$ 0.55	$ 0.21
June 30, 2005	$ 0.34	$ 0.21
Fiscal Year 2004		
Quarter Ended:		
September 30, 2003	$ 1.29	$ 0.70
December 31, 2003	$ 1.35	$ 0.85
March 31, 2004	$ 1.05	$ 0.70
June 30, 2004	$ 0.90	$ 0.28

On February 1, 2006, there were approximately 173 holders of record of our common stock.

To date, we have not paid any dividends on our common stock, and the Board of Directors of the Company does not currently intend to declare cash dividends on our common stock. We instead intend to retain earnings, if any, to support the growth of the Company s business. Any future cash dividends would depend on future earnings, capital requirements and the Company s financial condition and other factors deemed relevant by the Board of Directors.

Stock Issuance

On December 28, 2005 we entered into agreements to complete two separate private placement financings with certain institutional and other accredited investors. With respect to the first private placement, the investor was Barron Partners, LP, or Barron, a New York based private partnership, and with respect to the second private placement, the investors were Truk Opportunity Fund, LLC, a Delaware limited liability company, Truk International Fund, LP, a Cayman Islands company, and CAMOFI Master LDC, a Cayman Islands company (together, the Debt Investors).

The first financing was a private placement to Barron consisting of two million shares of Series A Convertible Preferred Stock. The shares of Series A Convertible Preferred Stock were sold at $1.00 per share for gross proceeds of $2,000,000. Each share of preferred stock is convertible initially into 2.8571428571 shares of the Company s common stock. In addition, Corgenix issued warrants to Barron to acquire up to an additional 15,000,000 shares of Corgenix common stock, of which 5,000,000 are exercisable at $0.40 per share, 5,000,000 are exercisable at $0.50, and 5,000,000 are exercisable at $0.60. The warrants are exercisable for five years from the date of issuance.

The second financing was a private placement with the Debt Investors representing net proceeds to the Company of $1,363,635. This financing was made pursuant to the exercise of an additional investment right by such institutional investors that was granted to them pursuant to a financing on substantially similar terms completed on May 19, 2005. This private placement included $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,800,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

We also entered into a registration rights agreement whereby, among other things, we agreed to file a registration statement, of which this prospectus is a part, with the SEC, to register the resale of the shares of common stock that we will issue upon exercise of the warrants held by the Debt Investors and upon conversion of their notes, plus the resale of the shares of common stock that we will issue upon conversion of the convertible preferred stock and exercise of warrants issued to Barron. We agreed to keep the registration statement effective until the date when all of the shares registered hereunder are sold or the date on which the shares registered hereunder can be sold without registration and without restriction as to the number of shares that may be sold.

On May 19, 2005, the Company issued 860,000 shares of restricted common stock to five investors at $0.25 per share, for an aggregate investment of $215,000. This sale was conducted together with the larger debt financing described elsewhere in this registration statement. The investors who purchased the 860,000 shares also received warrants, described in more detail below in the section captioned Issuance of Warrants.

On July 1, 2002, the Company entered into an agreement (MBL Agreement) with MBL under which the Company sold 880,282 shares, on a redeemable basis, of its $.001 par value common stock to MBL for gross proceeds of $500,000. Net proceeds to the Company after issuance costs were $484,746. Under the MBL Agreement, MBL was also granted a put option pursuant to which MBL could cause the Company to repurchase, at a future date, the common stock sold to MBL under the MBL Agreement. Thus, the common stock sold has been designated redeemable common stock. If exercised, the put option requires the stock to be repurchased at the original purchase price, payable in either a lump-sum purchase or financed over a six-month period. The put option was exercisable by MBL any time after the termination or expiration of the distribution agreement between the Company and RhiGene, MBL s U.S. subsidiary, upon any merger or consolidation of the Company with another corporation wherein the Company s stockholders own less than 50% of the surviving corporation or upon any sale or other disposition of all or substantially all of the Company s assets. The present distribution agreement with RhiGene expired on March 31, 2005. On March 31, 2005 we signed a new distribution and OEM Supply Agreement with MBL International, Inc., a wholly owned subsidiary of MBL, which will grant us non-exclusive rights to distribute MBL s complete diagnostic line of autoimmune testing products in the United States and exclusive distribution rights to the OEM Label products worldwide excluding the United States, Japan, Korea and Taiwan. In addition, Corgenix and MBL are negotiating a new stock redemption agreement with MBL wherein, in principle, one-half (440,141) of the original redeemable shares were converted into a three year note payable with interest at prime (6% as of May 5, 2005) plus two percent with payments commencing June 1, 2005. The remaining 440,141 shares will be redeemable by the Company at $0.568 per share as of June 1, 2008 for any shares still owned

at that time by MBL and only to the extent that MBL has not realized at least $250,000 in gross proceeds upon the sales of its redeemable shares in the open market for the time period June 1, 2005 through May 31, 2008. Finally, the warrants originally issued to MBL to purchase 880,282 shares are expected to be extended one year to July 3, 2008 and will be re-priced with respect to their exercise price.

Pursuant to the agreement with MBL, as long as MBL holds at least 50% of the common stock purchased under the MBL agreement, MBL must give its written consent to the payment of any dividend, the repurchase of any of the Company s equity securities, the liquidation or dissolution of the Company or the amendment of any provision of the Company s Articles of Incorporation or Bylaws which would adversely affect the rights of MBL under the stock purchase transaction documents. MBL was granted standard anti-dilution rights with respect to stock issuances not registered under the Securities Act. MBL also received standard piggyback registration rights and certain demand registration rights.

Issuance of Warrants

As part of the December 28, 2005 Barron Partners LP financing, Corgenix issued warrants to Barron to acquire up to an additional 15,000,000 shares of Corgenix common stock, of which 5,000,000 are exercisable at $0.40 per share, 5,000,000 are exercisable at $0.50, and 5,000,000 are exercisable at $0.60. The warrants are exercisable for five years from the date of issuance.

As part of the second financing on December 28, 2005 with the debt investors, the private placement included $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,800,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

Together with the issuance of 860,000 shares of restricted common stock on May 19, 2005, as described above under the section captioned Stock Issuance, the Company issued warrants to those investors to purchase an additional 860,000 shares of restricted common stock at an exercise price of $0.23 per share. In addition, the Company issued warrants to acquire an additional 6,840,000 shares to the Debt Investors, also at an exercise price of $0.23 per share. The warrants expire on May 19, 2012 and may be exercised in whole or in part at any time prior to their expiration. The warrants were not assigned any independent value separate from the restricted common stock purchased at the same time.

As part of the MBL Agreement and for no additional consideration, MBL was issued warrants to purchase an additional 880,282 shares of Common Stock at a price of $.568 per share, which is equal to an aggregate amount of $500,000. These warrants expire on July 3, 2007 and may be exercised in whole or in part at any time prior to their expiration. The estimated fair value of the warrant upon issuance was calculated as $401,809 using the Black-Scholes model with the following assumptions: no expected dividend yield, 143% volatility, risk free interest rate of 4.2% and an expected life of five years. The gross proceeds of $500,000 were allocated $277,221 to redeemable common stock and $222,779 to the related warrants based on the relative fair values of the respective instruments to the fair value of the aggregate transaction. Issuance costs and the discount attributed to the warrants upon issuance are being accreted on the interest method over the 33-month period prior to the presently expected first date on which the put option may be exercised, which is the present expiration date of the distribution agreement between the Company and RhiGene.

LEGAL PROCEEDINGS

Corgenix is not a party to any litigation or legal proceeding.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

KPMG LLP was previously the principal accountants for Corgenix Medical Corporation. On March 8, 2005, that firm was dismissed by Corgenix as principal accountants and Hein & Associates LLP was engaged as principal accountants. The decision to change accountants was approved by the audit committee of the Board of

Directors. In connection with the audits of the two fiscal years ended June 30, 2004, and the subsequent interim period through March 8, 2005, there were no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit reports of KPMG LLP on the consolidated financial statements of Corgenix Medical Corporation and subsidiaries as of and for the years ended June 30, 2004 and 2003 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG LLP s report on the consolidated financial statements of Corgenix Medical Corporation and subsidiaries as of and for the years ended June 30, 2004 and 2003, contained a separate paragraph stating as discussed in note 1(g) to the consolidated financial statements, effective July 1, 2002, the Company changed its method of accounting for goodwill as prescribed by Statement of Financial Accounting Standards No. 142.

INDEX TO FINANCIAL STATEMENTS

Corgenix Medical Corporation

Financial Statements

For the years ended June 30, 2005 and June 30, 2004

For the six months ended December 31, 2005 and December 31, 2004

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Corgenix Medical Corporation:

We have audited the accompanying consolidated balance sheet of Corgenix Medical Corporation and subsidiaries (Company) as of June 30, 2005, and the related consolidated statements of operations and comprehensive loss, stockholders equity and cash flows for the year 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Corgenix Medical Corporation and subsidiaries as of June 30, 2005, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Hein & Associates LLP

Denver, Colorado

July 27, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Corgenix Medical Corporation:

We have audited the accompanying consolidated balance sheet of Corgenix Medical Corporation and subsidiaries (Company) as of June 30, 2004, and the related consolidated statements of operations and comprehensive loss, stockholders equity and cash flows for the year 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Corgenix Medical Corporation and subsidiaries as of June 30, 2004, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Denver, Colorado

October 11, 2004

CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2005 and 2004

		2005	2004
Assets			
Current assets:			
Cash and cash equivalents	$	1,281,965	468,954
Accounts receivable, less allowance for doubtful accounts of $13,097		887,645	834,153
Inventories		1,215,787	982,227
Prepaid expenses		51,842	30,276
Total current assets		3,437,239	2,315,610
Equipment:			
Capitalized software costs		122,855	122,855
Machinery and laboratory equipment		639,692	588,219
Furniture, fixtures and office equipment		523,762	511,488
		1,286,309	1,222,562
Accumulated depreciation and amortization		(1,028,103)	(913,020)
Net equipment		258,206	309,542
Intangible assets:			
Patents, net of accumulated amortization of $1,093,970 and $1,019,474, respectively		23,574	98,070
License		18,275	
Goodwill, net of accumulated amortization of $44,979 in 2004			13,677
		41,849	111,747
Other assets:			
Deferred financing costs net of amortization of $39,440		907,095	
Due from officer		12,000	12,000
Restricted cash (note 3)		250,000	
Other		86,105	98,925
Total assets	$	4,992,494	2,847,824
Liabilities and Stockholders Equity			
Current liabilities:			
Current portion of notes payable, net of discount (note 3)	$	221,176	569,988
Current portion of capital lease obligations		22,370	51,395
Accounts payable		453,764	483,642
Accrued payroll and related liabilities		218,411	173,392
Accrued interest		753	127,831
Accrued liabilities		113,293	169,929
Total current liabilities		1,029,767	1,576,177
Notes payable, net of discount, less current portion (note 3)		980,716	238,445
Capital lease obligation, less current portion		22,754	9,712
Total liabilities		2,033,237	1,824,334
Redeemable common stock, 880,282 shares issued and outstanding, aggregate redemption value of $500,000, net of unaccreted discount and issuance costs of $0 at June 30, 2005 and $64,919 at June 30, 2004		500,000	435,081
Stockholders equity:			

Preferred stock, $0.001 par value. Authorized 5,000,000 shares, None issued or outstanding			
Common stock, $0.001 par value. Authorized 40,000,000 shares;			
Issued and outstanding 8,172,435 and 5,321,319 shares in 2005 and 2004, respectively		7,292	4,440
Additional paid-in capital		7,966,172	5,449,100
Accumulated deficit		(5,501,144)	(4,853,767)
Accumulated other comprehensive loss		(13,063)	(11,364)
Total stockholders equity		2,459,257	588,409
Commitments and contingencies			
Total liabilities and stockholders equity	$	4,992,494	2,847,824

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss
Years ended June 30, 2005 and 2004

	2005	2004
Net sales	$ 5,564,835	$ 5,270,553
Cost of sales	2,044,922	1,873,534
Gross profit	3,519,913	3,397,019
Operating expenses:		
Selling and marketing	1,499,524	1,348,318
Research and development	612,898	737,897
General and administrative	1,283,661	1,267,479
	3,396,083	3,353,694
Operating income	123,830	43,325
Other income (expense)		
Loss on extinguishment of debt	(361,057)	
Other Income	125,000	
Interest expense	(470,231)	(168,240)
Net loss	(582,458)	(124,915)
Accretion of discount on redeemable common stock	64,919	86,555
Net loss attributable to common stockholders	$ (647,377)	$ (211,470)
Net loss per share basic and diluted	$ (0.12)	(0.04)
Weighted average shares outstanding basic and diluted	5,537,242	5,305,425
Net loss	$ (582,458)	$ (124,915)
Other comprehensive loss foreign currency translation	(1,699)	(12,033)
Total comprehensive loss	$ (584,157)	$ (136,948)

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

Years ended June 30, 2005 and 2004

	Common Stock, Number of Shares		Common Stock, Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income		Total Stockholders Equity
Balances at July 1, 2003	5,271,192	$	4,391	4,930,576	(4,642,297)	669	$	293,339
Issuance of common stock for services	50,127	$	49	18,524			$	18,573
Accretion of discount on redeemable common stock					(86,555)		$	(86,555)
Beneficial conversion feature of Genesis convertible note payable (note 3)		$		500,000			$	500,000
Foreign currency translation		$				(12,033)	$	(12,033)
Net loss		$			(124,915)		$	(124,915)
Balances at June 30, 2004	5,321,319		4,440	5,449,100	(4,853,767)	(11,364)		588,409
Issuance of common stock for cash and exercise of stock options	1,271,000	$	1,271	313,741			$	315,012
Issuance of common stock in exchange for debt	885,090	$	886	220,389			$	221,275
Issuance of common stock for services	695,026	$	695	181,341			$	182,036
Issuance of warrants for services		$		390,661			$	390,661
Issuance of warrants in exchange for debt		$		177,017			$	177,017
Beneficial conversion feature of institutional convertible note Payable (note 3)		$		1,306,298			$	1,306,298
Accretion of discount on redeemable common stock		$			(64,919)		$	(64,919)
Deferred offering costs related to equity portion of financing		$		(72,375)			$	(72,375)
Foreign currency translation		$				(1,699)	$	(1,699)
Net loss		$			(582,458)		$	(582,458)
Balances at June 30, 2005	8,172,435	$	7,292	7,966,172	(5,501,144)	(13,063)	$	2,459,257

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net loss	$ (582,458)	$ (124,915)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	203,350	196,259
Accretion of discount on notes payable	503,390	84,801
Common stock issued for services	182,037	12,582
Loss on extinguishment of debt exchanged for stock and warrants	177,017	
Amortization of deferred financing costs	39,440	
Changes in operating assets and liabilities:		
Accounts receivable, net	(54,073)	(180,669)
Inventories	(233,951)	(165,459)
Prepaid expenses and other assets, net	(833,643)	19,762
Accounts payable	(29,608)	(185,064)
Accrued payroll and related liabilities	47,433	(3,071)
Accrued liabilities, including accrued interest	(186,041)	87,139
Net cash provided by (used in) operating activities	(767,107)	(258,635)
Cash flows used in investing activities:		
Additions to equipment	(18,392)	(7,124)
Cash flows from financing activities:		
Proceeds from issuance of common stock, redeemable common stock, warrants and stock options	242,636	5,990
Proceeds from issuance of notes payable	2,420,000	665,936
Payments on notes payable	(1,002,358)	(194,500)
Payments on capital lease obligations	(61,383)	(96,277)
Net cash provided by financing activities	1,598,895	381,149
Net increase (decrease) in cash and cash equivalents	813,396	115,390
Impact of exchange rate changes on cash	(385)	11,187
Cash and cash equivalents at beginning of year	468,954	342,377
Cash and cash equivalents at end of year	$ 1,281,965	$ 468,954
Supplemental cash flow disclosures:		
Cash paid for interest	$ 244,356	$ 56,226
Cash paid for income taxes	$	$
Noncash investing and financing activities		
Equipment acquired under capital leases	$ 45,400	$
Issuance of stock for debt	$ 221,274	$
Placement warrants issued in connection with debt financing	$ 390,661	

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2005 and 2004

(1) Summary of Significant Accounting Policies

(a) Business and Basis of Presentation

Corgenix (formerly known as REAADS Medical Products) develops, manufactures and markets diagnostic products for the serologic diagnosis of certain vascular diseases and autoimmune disorders using proprietary technology. The Company markets its products to hospitals and free-standing laboratories worldwide through a network of sales representatives, distributors and private label (OEM) agreements. The Company s corporate offices and manufacturing facility are located in Westminster, Colorado.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Corgenix, Inc. and Corgenix (UK) Limited (Corgenix UK). Corgenix UK was established as a United Kingdom company during 1996 to market the Company s products in Europe. Transactions are generally denominated in US dollars.

(b) ***Principles of Consolidation***

The consolidated financial statements include the financial statements of Corgenix Medical Corporation and its wholly owned subsidiaries. Inter-company balances and transactions have been eliminated in consolidation.

(c) 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 revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

(d) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with maturities of three months or less at purchase to be cash equivalents.

(e) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to customers.

(f) Inventories

Inventories are recorded at the lower of cost or market, using the first-in, first-out method. A provision is recorded to reduce excess and obsolete inventories to their estimated net realizable value, when necessary. No such provision was recorded as of and for the two years ended June 30, 2005. Components of inventories as of June 30, are as follows:

		2005		2004
Raw materials	$	318,957	$	192,226
Work-in-process		530,106		413,639
Finished goods		366,724		376,362
	$	1,215,787	$	982,227

(g) Equipment and Software

Equipment and software are recorded at cost. Equipment under capital leases is recorded initially at the present value of the minimum lease payments. Equipment acquired under capital leases amounted to $45,400 in 2005. Accumulated depreciation on said equipment amounted to $5,135 as of June 30, 2005. No equipment was acquired under capital leases during 2004. Depreciation and amortization expense, which totaled $203,350 and $196,259 for the years ended June 30, 2005 and 2004, respectively, is calculated primarily using the straight-line method over the estimated useful lives of the respective assets which range from 3 to 7 years. Capitalized software costs are related to the Company s web site development, which are being amortized over three years, beginning in October 2002.

(h) Intangible Assets

Intangible assets consist of purchased patents and goodwill. Purchased patents are amortized using the straight-line method over the shorter of 15 years or the remaining life of the patent.The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets (SFAS No. 142) on July 1, 2002.

Pursuant to SFAS No. 142, goodwill and intangible assets acquired in a purchase business combination and determined to have indefinite lives are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of this statement. Identifiable intangibles with estimated useful lives continue to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long Lived Assets.

(i) ***Advertising Costs***

Advertising costs are expensed when incurred. Advertising costs included in selling and marketing expenses totaled $50,681 and $27,705 in fiscal 2005 and 2004, respectively.

(j) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for net operating loss and other credit carryforwards and the 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 the tax effect of transactions are expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance for the portion of such assets for which it is more likely than not the amount will not be realized. Deferred tax assets and liabilities are classified as current or noncurrent based on the classification of the underlying asset or liability giving rise to the temporary difference or the expected date of utilization of the carry forwards.

(k) Revenue Recognition

Revenue is recognized upon shipment of products. Sales discounts and allowances are recorded at the time product sales are recognized and are offset against sales revenue.

(l) ***Research and Development***

Research and development costs and any costs associated with internally developed patents, formulas or other proprietary technology are expensed as incurred. Research and development expense for the years ended June 30, 2005 and 2004 totaled $612,898 and $737,897 respectively. Revenue from research and development contracts represents amounts earned pursuant to agreements to perform research and development activities for third parties and is recognized as earned under the respective agreement. Because research and development services are provided evenly over the contract period, revenue is recognized ratably over the contract period. Research and development agreements in effect in 2005 and

2004 provided for fees to the Company based on time and materials in exchange for performing specified research and development functions. Contract research and development revenues were $75,321 and $211,935 for the years ended June 30, 2005 and 2004, respectively. Research and development contracts are generally short term with options to extend, and can be cancelled under specific circumstances.

(m) Long-Lived Assets

The Company reviews long-lived assets, including intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset.

(n) Stock-Based Compensation

The Company accounts for its stock plans in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, SFAS No.148, *Accounting for Stock-Based Compensation-Transition and Disclosure,* and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net loss disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 123.

Had the Company determined compensation cost based on the fair value at the date of grant for its stock options under SFAS No. 123, the Company s net income (loss) would have been increased to the pro forma amounts indicated as follows:

		2005		**2004**
Net loss attributable to common shareholders as reported	$	(647,377)	$	(211,470)
Deduct total stock-based employee compensation expense determined under fair-value method for all awards, net of tax		(43,958)		(60,528)
Pro forma net loss	$	(691,335)	$	(271,998)
Net loss per share, basic and diluted as reported	$	(0.12)	$	(0.04)
Net loss per share, basic and diluted pro forma	$	(0.12)	$	(0.05)

Fair value was determined using the Black Scholes option pricing model with the following assumptions: no expected dividends, volatility of 159.9% in fiscal 2005, risk-free interest rate of 3.30 % in fiscal 2005 and expected lives of seven years.

The weighted average fair value per option of options granted during the year ended June 30, 2005 was $0.30. No stock options were granted during the year ended June 30, 2004.

(o) Earnings Per Share

Basic earnings (loss) per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding increased for potentially dilutive common shares outstanding during the period. The dilutive effect of stock options and their equivalents is calculated using the treasury stock method. Stock options to purchase 640,000 shares were granted in fiscal 2005. No stock options were granted in fiscal 2004. Options and warrants to purchase common stock totaling 12,997,052 and 556,782 shares for fiscal years 2005 and 2004 respectively, are not included in the calculation of weighted average common shares-diluted below as their effect is anti-dilutive. Redeemable common stock is included in the common shares outstanding for purposes of calculating net income (loss) per share.

		2005		2004
Net loss attributable to common stockholders	$	(647,377)	$	(211,470)
Common and common equivalent shares outstanding:				
Historical common shares outstanding at beginning of year		5,321,319		5,271,192
Weighted average common equivalent shares issued during year		215,923		34,233
Weighted average common shares basic and diluted		5,537,242		5,305,425
Net loss per share basic and diluted	$	(.12)	$	(.04)

(p) Warrants

The Company has recorded contingent stock purchase warrants in accordance with Emerging Issues Task Force Bulletin 96-18: *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. At

the grant date, the minimum number of warrants which may eventually be issued are recorded at their fair value, which is adjusted in subsequent periods for revisions of the minimum number of warrants to be issued and the then current fair value of the warrants.

(q) Foreign Currency Transactions

The accounts of the Company s foreign subsidiary are generally measured using the local currency as the functional currency. For those operations, assets and liabilities are translated into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average monthly exchange rates. Adjustments resulting from such translation are accumulated in other comprehensive income as a separate component of stockholders equity.

(r) Liquidity

The Company s future capital requirements will depend on a number of factors, including the ability to complete new equity or debt financing, the possible redemption of common stock, the profitability or lack thereof, the rate at which it grows its business and its investment in proprietary research activities, the ability of its current and future strategic partners to fund outside research and development activities, its success in increasing sales of both existing and new products and collaborations, expenses associated with unforeseen litigation, regulatory changes, competition, technological developments, general economic conditions and potential future merger and acquisition activity. The Company s principal sources of liquidity have been cash raised from the private sale of secured convertible term notes and the sale of redeemable common and common stock, the Bridge Note, and long- term debt financing. The Company announced in January 2005, the engagement of Ascendiant Securities for investment banking services. Ascendiant, together with Burnham Securities, arranged the financing the financing that closed on May 19, 2005, which is described in detail herein. In connection with this financing, the Company refinanced approximately $970,000 of debt, including loans from Vectra Bank, SBA and Genesis Bioventures. The Company believes that its current availability of cash, working capital, future proceeds from the issuance of common stock and debt financing and expected cash flows from operations resulting from, if necessary, further expense reductions, will be adequate to meet its ongoing needs for at least the next twelve months. At June 30, 2005, cash on hand amounted to $1,281,965 compared to $468,954 at June 30, 2004. This estimate of the Company s future capital requirements is a forward-looking statement that is based on assumptions that involve varying risks and uncertainties. Actual results may differ significantly from the Company s estimates. There are no assurances the Company would be able to make required payments under certain of its agreements described above if they become due.

(s) Recently Issued Accounting Pronouncements

FAS 123R Disclosure. In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) will be effective for the Company beginning January 1, 2006, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. The Company does not expect the adoption of FAS 123(R) will have a material impact on the Company s financial statements.

FAS 151 Disclosure. In November 2004, the FASB issued SFAS 151, Inventory Costs, which revised ARB 43, relating to inventory costs. This revision is to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This Statement requires that these items be recognized as a current period charge regardless of whether they meet the criterion specified in ARB 43. In addition, this Statement requires the allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. SFAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 151 will have a material impact on the Company s financial statements.

FAS 153 Disclosure. The FASB issued SFAS 153, Exchanges of Nonmonetary Assets, which changes the guidance in APB Opinion 29, Accounting for Nonmonetary Transactions. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of SFAS 153 will have a material impact on the Company s financial statements.

FAS 154 Disclosure. In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3. The statement applies to all voluntary changes in accounting principles, and changes the requirements for accounting for and reporting of a change in accounting principle. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company s financial statements.

(2) Terminated Merger with Genesis Bioventures, Inc.

On October 15, 2004 the Company and Genesis Bioventures, Inc. (which we refer to as GBI or Genesis) a biomedical development company focused on the development of diagnostic tests, signed an amendment to the May 21, 2004 Amended and Restated Plan of Merger (the Merger Agreement), extending the closing date for the proposed merger to on or before February 28, 2005. The extension was executed in the form of Amendment No. 1 (the Amendment) to the Merger Agreement, a copy of which was filed on Form 8-K on October 20, 2004.

The Amendment, among other changes, allowed the Company to terminate the Merger Agreement at any time prior to November 30, 2004 if it was not satisfied with the terms or the progress of the new equity financing. A new equity financing in an amount of at least $6,000,000 was a condition to the closing of the Merger pursuant to section 9.13 of the Merger Agreement. On November 30, 2004, the Company and Genesis agreed to extend the date for obtaining the financing to December 10, 2004. On December 9, 2004, the parties agreed to extend the date to December 31, 2004, and on December 31, 2004, the parties agreed to extend the deadline for terminating the Merger Agreement to January 15, 2005.

On January 14, 2005 Corgenix terminated the Amended and Restated Agreement and Plan of Merger with Genesis Bioventures, Inc. due to the lack of progress towards the completion of the $6.0 million merger-related financing and the expiration of key dates within the Merger Agreement (as amended).

On March 24, 2004, Genesis advanced $500,000 to Corgenix, which was represented by a promissory note (Bridge Note). As of May 19, 2005, the Company owed $470,000 less approximately $50,000 of offsets on the Bridge Note. As a result of the termination of the Merger Agreement, the note was converted to a fixed two-year term note bearing interest at the prime rate in effect as of the date of termination of the Merger Agreement, or 5.25%. The note was to be fully amortized over four semi-annual payments of principal and accrued interest; however, the note was convertible, at the election of Genesis, into Corgenix common stock at a conversion price of $.568 per share.

The market value of the Company s stock had increased from the date of the letter of intent to the date the Bridge Note was executed, resulting in a beneficial conversion feature that was credited to equity, and an equal amount was recognized as interest expense from January 12, 2005, the date the planned merger was terminated until May 19, 2005, the date the Genesis note was purchased by the financial institutions in the aforementioned Private Placement, using the effective interest method.

(3) Notes Payable

Notes payable consist of the following at June 30, 2005 and 2004:

	2005	2004
Secured, amortizing convertible term note payable to institutional investors, net of discount of $1,218,108, with interest at the greater of 12% or prime plus 3% (12% as of June 30, 2005), interest only from June 1, 2005 through October 1, 2005 and then due in monthly installments of $55,667 plus interest through May 19, 2008, collateralized by commercial security agreements and a partial guaranty by an officer of the company. See discussion of terms below.	$ 451,892	$
Secured, non-amortizing convertible term note payable to in-stitutional investors, with interest at the greater of 12% or prime plus 3% (12% as of June 30, 2005), interest, interest only payments commencing June 1, 2005 until May 19, 2008, collaterialized by commercial security agreements. See discussion of terms below.	500,000	
Secured, restricted, non-amortizing convertible term note payable to institutional investors, with interest at prime (6% at June 30, 2005), interest only payments commencing June 1, 2005 until the earlier of May 19, 2008 or the date the proceeds to the company are no longer restricted, collateralized by commercial security agreements. See discussion of terms below.	250,000	
Bridge Note payable to Genesis Bioventures,Inc., net of discount of $415,199. See discussion of terms below.		84,801
Note payable to a bank, with interest at prime plus 2.75% (7.0% at June 30, 2004), due in monthly installments of principal and interest of $13,369 through January 2007, collateralized by commercial security agreements and a key man life insurance policy.		369,351
Variable Rate Loan payable to a bank, with interest at prime plus 1.0% (minimum rate of 5.5%), due in monthly installments of principal and interest through August 2004. This loan payable is collateralized by accounts receivable and inventory and is an extension and conversion of a revolving credit agreement with the same bank which matured on March 31, 2004.		292,507
Notes payable, unsecured, to former preferred stockholders, with interest at 17%, due on demand. At June 30, 2004, the Company was in default on these notes. See discussion of this default below.		61,774
	1,201,892	808,433
Current portion, net of current portion of discount	(221,176)	(569,988)
Notes payable, excluding current portion	$ 980,716	$ 238,445

Certain of the notes payable restrict the payment of dividends on the Company s common stock.

As described in note (2), Genesis advanced $500,000 to the Company under the Bridge Note. Interest accrued on the principal balance of the Bridge Note from January 14, 2005, the date the planned merger was terminated until May 19, 2005, the date the Bridge Note was purchased as part of the Private Placement Financing. The market value of the Company s stock was in excess of the potential conversion price at the date the note was executed, resulting in a beneficial conversion feature of approximately $660,000. As required by Emerging Issues Task Force Bulletins 98-5, Accounting for Convertible Securities with Beneficial Conversion Features of Contingently Adjustable Conversion Ratios and 00-27, Application of Issue 98-5 to Certain Convertible Instruments , the entire proceeds of the Bridge Note were credited to additional paid-in capital. The Bridge Note was recorded net of a $500,000 discount, which was being accreted to interest expense over the potential term of the Bridge Note. In the Company s 10-QSB for the three and nine months ended March 31, 2004, the Bridge Note proceeds were classified in debt, rather than being reflected as additional paid-in capital. The financial statements for the year ended June 30, 2004 reflect the appropriate reclassification.

On May 19, 2005, we entered into a series of agreements with Truk Opportunity Fund, LLC, a Delaware limited liability company, Truk International Fund, LP, a Cayman Islands company, and DCOFI Master LDC, a Cayman Islands company, which has subsequently changed its name to CAMOFI Master LDC, a Cayman Islands company (together, the *Debt Investors*), pursuant to which we issued secured convertible term notes in the aggregate principal amount of $2,420,000 due May 19, 2008, together with 6,840,000 common stock purchase warrants. In this financing, $250,000 is held in a restricted cash account. However, that amount will be released if the Company s common stock trades a minimum daily value of $25,000 at an average closing price per share of $0.40 or greater for 22 consecutive trading days. We also entered into a registration rights agreement whereby, among other things, we agreed to file a registration statement, with the SEC, to register the resale of the shares of common stock that we will issue upon exercise of the warrants held by the Debt Investors and upon conversion of their notes. We agreed to keep the registration statement effective until the date when all of the shares registered hereunder are sold or the date on which the shares registered hereunder can be sold without registration and without restriction as to the number of shares that may be sold. The notes are convertible into shares of our common stock at a conversion rate of $0.30 per share and the exercise price of the warrants is $0.23 per share, each subject to adjustments as specified in the applicable agreements. The warrants may be exercised until May 19, 2012. The estimated relative fair value of the warrants upon issuance of the convertible notes payable was calculated as $935,482 using the Black-Scholes option-pricing model with the following assumptions: no expected dividend yield, volatility of 159.9%, risk-free interest rate of 3.30% and an expected life of seven years. The gross proceeds of the secured convertible term notes of $2,420,000 were allocated $1,484,518 to notes payable and $935,482 to the related warrants. The market value of the Company s common stock was in excess of the effective conversion price after allocation, resulting in a beneficial conversion feature (discount) of $370,816. As required by Accounting Principles Board Opinion 14, Accounting for

Convertible Debt and Debt Issued with Stock Purchase Warrants , Emerging Issues Task Force Bulletins 98-5, Accounting for Convertible Securities with Beneficial Conversion Features of Contingently.

Adjustable Conversion Ratios and 00-27, Application of Issue 98-5 to Certain Convertible Instruments , the portion of the proceeds equal to the total discount attributed to both the warrants and the beneficial conversion feature was credited to additional paid in capital. The convertible debt was recorded net of the $1,306,298 total discount, which is being accreted to interest expense over the 36-month term of the notes payable.

On June 7, 2005, the Company and former preferred stockholders, including three executive officers of the Company, agreed in principal to a transaction whereby the Company issued 885,090 shares of the Company s common stock (Shares) and 885,090 warrants to acquire additional shares of common stock (Warrants) in full satisfaction of all amounts owed by the Company to them pursuant to the terms of their respective promissory notes.

Aggregate maturities of notes payable by year, as of June 30, 2005, are as follows:

Years ending June 30:		
2006	$	445,336
2007		668,004
2008		1,306,660
Less unaccreted discount on convertible notes		2,420,000
		(1,218,108)
Net maturities	$	1,201,892

(4) Employee Stock Purchase and Stock Option Plans

Effective January 1, 1999, the Company adopted an Employee Stock Purchase Plan to provide eligible employees an opportunity to purchase shares of its common stock through payroll deductions, up to 10% of eligible compensation. The plan is registered under Section 423 of the Internal Revenue Code of 1986. Each quarter, participant account balances are used to purchase shares of stock at the lesser of 85% of the fair value of shares on the first business day (grant date) and last business day (exercise date) of each quarter. No right to purchase shares shall be granted if, immediately after the grant, the employee would own stock aggregating 5% or more of the total combined voting power or value of all classes of stock. A total of 200,000 common shares have been registered with the Securities and Exchange Commission (SEC) for purchase under the plan. In fiscal 2005 16,145 shares were issued under the plan. In fiscal 2004 35,394 shares were issued under the plan.

Compensation expense recognized for the 15% discount on shares purchased under this plan amounted to $1,329 and $1,882 in fiscal 2005 and 2004, respectively.

In October 1999 and July 2000 the Company reserved a total of 200,000 shares of its common stock for an incentive stock option plan (Plan) for employees, directors and consultants. Options are granted at the discretion of the board of directors with an exercise price equal to or greater than the market value of the Company s common stock on the grant date. At the December 2002 annual stockholders meeting, the Company and its stockholders adopted the Amended and Restated 1999 Incentive Stock Plan whereby 800,000 shares of Corgenix common stock were reserved for issuance under this plan. In April 2005, the Company s Board of Directors approved the 2005 Incentive Compensation Plan whereby 1,500,000 shares of Corgenix common stock were reserved for issuance under this plan. The 2005 plan is expected to be adopted by the stockholders at its December 2005 annual stockholders meeting.

Detail of stock option activity for the two-year period ended June 30, 2005 is as follows:

	Number of shares	Range of exercise prices	Weighted average exercise price
Outstanding at July 1, 2003	484,480	$ 0.001-3.28	$ 0.509
Granted at market price			
Granted at greater than market price			
Granted at lower than market price			
Exercised	(14,733)	0.35-0.45	0.407
Canceled	(21,447)	0.35-1.25	0.535
Outstanding at June 30, 2004	448,300	$ 0.001-3.28	0.509
Granted at market price			
Granted at greater than market price	640,000	0.30	0.30
Granted at lower than market price			
Exercised	(11,000)	0.001	0.001
Canceled			
Outstanding at June 30, 2005	1,077,300		0.406
Options exercisable at June 30, 2005	344,967		0.568

The following table summarizes information about stock options issued to employees and directors that are outstanding at June 30, 2005:

	Outstanding options			Exercisable options	
Range of exercise price	Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Number	Weighted average exercise price
$ 0.001	15,000	51.9	$ 0.001	15,000	$ 0.001
0.625 1.375	94,100	36.9	0.84	94,100	0.84
0.30-0.45	964,600	76.4	0.34	232,267	0.42
3.28	3,600	6.7	3.28	3,600	3.28
	1,077,300	68.5	$ 0.38	344,967	$ 0.55

As of June 30, 2005, there were also 11,964,752 warrants issued to institutional investors, consultants and employees outstanding and exercisable ranging in prices from $.23 to $1.25 per share with a weighted average exercise price of $.26 per share. Fair value was determined using the Black Scholes option pricing model with the following assumptions: no expected dividends, volatility of 159.9% in fiscal 2005, risk-free interest rate of 3.30 % in fiscal 2005 and expected lives of seven years.

(5) Commitments and Contingencies

(a) Leases

The Company is obligated under various noncancellable operating and capital leases primarily for its operating facilities and certain office equipment. The leases generally require the Company to pay related insurance costs, maintenance costs and taxes. Rent expense on operating leases is reflected on a straight-line basis over the lease term. Future minimum lease payments under noncancelable leases, with initial or remaining terms in excess of one year, as of June 30, 2005, are as follows:

	Capital Leases	Operating Leases
Years ending June 30:		
2006	$ 29,564	259,949
2007	21,060	58,643
2008	5,328	17,632
2009		9,132
Total future minimum lease Payments	55,952	$ 345,356
Less amounts representing interest	(10,828)	
Present value of minimum capital lease payments	45,124	

Less current portion		22,370
Capital lease obligations less current portion	$	22,754

Rent expense totaled $279,361 and $248,880 for the years ended June 30, 2005 and 2004, respectively.

(b) Employment Agreements

The Company has employment agreements with five key employees, all of whom are also stockholders. In addition to salary and benefit provisions, these agreements include defined commitments by the Company should the employees terminate their employment with or without cause.

(c) Redeemable Common Stock and Warrants

On July 1, 2002, as part of the Medical & Biological Laboratories Co., Ltd. (MBL) Agreement, MBL purchased shares of the Company s common stock for $500,000, which MBL can require the Company to repurchase at the same price in the event that a previously existing distribution agreement with RhiGene, Inc. is terminated. For no additional consideration, MBL was also issued warrants to purchase an additional 880,282 shares of Common Stock at a price of $.568 per share, which is equal to an aggregate amount of $500,000. These warrants expire on July 3, 2007 and may be exercised in whole or in part at any time prior to their expiration. The estimated fair value of the warrant upon issuance was calculated as $401,809 using the Black-Scholes option-pricing model with the following assumptions: no expected dividend yield, 143% volatility, risk free interest rate of 4.2% and an expected life of five years**.** The gross proceeds of $500,000 were allocated $277,221 to redeemable common stock and $222,779 to the related warrants based on the relative fair values of the respective instruments to the fair value of the aggregate transaction. Issuance costs and the discount attributed to the redeemable common stock upon issuance were accreted over the 33-month period to the first date whereupon the put option may be exercised, which was the expiration date of the distribution agreement between the Company and RhiGene, Inc. (March 31, 2005). Furthermore, pursuant to the agreement with MBL, as long as MBL holds at least 50% of the common stock purchased under the MBL agreement, MBL must give its written consent with respect to the payment of any dividend, the repurchase of any of the Company s equity securities, the liquidation or dissolution of the Company or the amendment of any provision of the Company s Articles of Incorporation or Bylaws which would adversely affect the rights of MBL under the stock purchase transaction documents. MBL was granted standard anti-dilution rights with respect to stock issuances not registered under the Securities Act. MBL also received standard piggyback registration rights along with certain demand registration rights.

On March 31, 2005 our distribution agreement with RhiGene expired, and the Company signed a new distribution and OEM Supply Agreement with MBL International, Inc. (MBLI), a wholly owned subsidiary of MBL, which grants the Company non-exclusive rights to distribute MBL s complete diagnostic line of autoimmune testing products in the United States and exclusive distribution rights to the OEM Label products worldwide excluding the United States, Japan, Korea and Taiwan. In addition, on August 1, 2005 the Company and MBL executed an Amendment to the Common Stock Purchase Agreement and Common Stock Purchase Warrant wherein one-half or 440,141of the original redeemable shares are exchanged for a three-year promissory note payable with interest at prime (6% as of June 30, 2005) plus two percent with payments commencing before September 1, 2005. The shares being exchanged for the promissory note will be returned to the Company quarterly on a pro rata basis as payments are made on the promissory note. The remaining 440,141 shares will be redeemable by the Company at $0.568 per share as of August 1, 2008 for any shares still owned at that time by MBL and only to the extent that MBL has not realized at least $250,000 in gross proceeds upon the sales of its redeemable shares in the open market for the time period August 1, 2005 through August 30, 2008. Finally, the warrants originally issued to MBL to purchase 880,282 shares have been extended to August 31, 2008 and re-priced from $0.568 per share to $0.40 per share.

(6) Income Taxes

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income as a result of the following:

		2005	2004
Computed expected tax benefit	$	(203,860)	(43,720)
Reduction (increase) in income taxes resulting from:			
Permanent differences		257,051	12,328
Impact of foreign loss not deductible in the United States			
Change in valuation allowance		314,300	73,455
Section 382 Limitation Freeup		(169,600)	
Other		(197,891)	(42,063)
	$		

Deferred tax assets related to the Company s operations are comprised of the following at June 30, 2005.

Deferred tax assets (liabilities):		
Current-		
Salary and vacation related accruals	$	35,000
Bad debt allowance		5,000
Section 263A inventory capitalization		16,000
Non-Current-		
Tax effect of net operating loss carryforward And R & D credit carryforward		1,350,000
Long-lived assets		(6,000)
Net deferred tax assets		1,400,000
Less valuation allowance		(1,400,000)
Net deferred tax assets		

At June 30, 2005, the Company has a net operating loss carry forward for income tax purposes of approximately $2,400,000 expiring during the period from 2013 to 2024. Research and experimentation tax credit carry forwards approximate $402,000.The utilization of net operating losses may also be limited due to a change in ownership under Internal Revenue Code Section 382.

A valuation allowance in the amount of the deferred tax asset has been recorded due to management s determination that it is not more likely than not that the tax assets will be utilized.

(7) Related Party Transactions

On May 22, 1998 and March 1, 1999, three executive officers loaned the Company a total of $57,225 which has been in default for a considerable time period. As previously mentioned, on June 7, 2005, the Company and three executive officers of the Company agreed in principal to a transaction whereby the Company issued shares of the Company s common stock (Shares) and warrants to acquire additional shares of common stock (Warrants) in exchange for the respective executive officer s agreement to accept the Shares and Warrants in full satisfaction of all amounts owed by the Company to them pursuant to the terms of their respective promissory notes. The Shares and Warrants exchanged for the debt owing to the executive officers were as follows:

Executive Officer		Principal and Interest Owed to Officer	Shares Exchanged	Warrants Exchanged
Dr. Luis R. Lopez	$	42,269	169,076	169,074
Douglass T. Simpson	$	17,159	68,636	68,636
Taryn G. Reynolds	$	139,929	559,716	559,714

(8) Concentration of Credit Risk

The Company s customers are principally located in the United States, although there are a few significant foreign customers. The Company performs periodic credit evaluations of its customers financial condition but generally does not require collateral for receivables.The Company s largest customer, a company headquartered in the United States, represented approximately 3.9% and 8.5% of sales in the years ended June 30, 2005 and 2004, respectively, and approximately 3.7% and 7.9% of accounts receivable at June 30, 2005 and 2004, respectively.

(9) Reportable Segments

The Company has two segments of business, North American and international operations. North American operations transacts all sales in North America (US, Canada and Mexico). International operations transacts all other sales. The following table sets forth selected financial data for these segments for the years ended June 30, 2005 and 2004.

		Year ended June 30, 2005		
		North America	International	Total
Net sales external customers	$	4,986,472	1,498,010	6,484,482
Net sales intercompany		(919,647)		(919,647)
Total net sales	$	4,066,825	1,498,010	5,564,835
Depreciation and amortization	$	201,075	2,275	203,350
Interest expense	$	465,802	4,429	470,231
Net income (loss)	$	(1,064,199)	481,741	(582,458)
Segment assets	$	4,553,888	438,606	4,992,494

		Year ended June 30, 2004		
		North America	International	Total
Net sales external customers	$	4,726,616	1,337,688	6,064,304
Net sales intercompany		(793,751)		(793,751)
Total net sales	$	3,932,865	1,337,688	5,270,553
Depreciation and amortization	$	195,672	687	196,259
Interest expense	$	165,439	2,801	168,240
Net income (loss)	$	(482,303)	357,388	(124,915)
Segment assets	$	2,458,732	389,092	2,847,824

CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Balance Sheet

		December 31, 2005 (Unaudited)	June 30, 2005
Assets			
Current Assets:			
Cash and equivalents	$	2,108,280	1,281,965
Accounts receivable, less allowance for doubtful accounts of $30,097		1,078,262	887,645
Inventories		1,359,528	1,215,787
Prepaid expenses		40,631	51,842
Total current assets		4,586,701	3,437,239
Equipment:			
Capitalized software costs		122,855	122,855
Machinery and laboratory equipment		657,596	639,692
Furniture, fixtures, leaseholds and office equipment		533,000	523,762
		1,313,451	1,286,309
Accumulated depreciation and amortization		(1,075,332)	(1,028,103)
Net equipment		238,119	258,206
Intangible assets:			
Patents, net of accumulated amortization of $1,117,544			23,574
License		18,275	18,275
Net intangible assets		18,275	41,849
Other assets:			
Deferred financing costs net of amortization of $201,374		1,362,836	907,095
Due from officer		12,000	12,000
Restricted cash		2,250,000	250,000
Other assets		80,736	86,105
Total assets	$	8,548,667	4,992,494
Liabilities and Stockholders Equity			
Current liabilities:			
Current portion of notes payable, net of discount	$	507,414	221,176
Current portion of capital lease obligations		17,351	22,370
Accounts payable		232,823	453,764
Accrued payroll and related liabilities		240,149	218,411
Accrued interest		22,593	753
Accrued liabilities		41,739	113,293
Total current liabilities		1,062,069	1,029,767
Notes payable, net of discount, less current portion		1,194,440	980,716
Capital lease obligations, less current portion		14,441	22,754
Total liabilities		2,270,950	2,033,237
Redeemable common stock, 880,282 shares issued and outstanding, aggregate redemption value of $500,000, net of redeemable stock subject to redemption via payments on related note payable, of $250,000 at December 31, 2005 (note 5)		250,000	500,000
Redeemable preferred stock, 2,000,000 shares issued and outstanding at December 31, 2005 (note 1)		2,000,000	
Stockholders equity:			
Common stock, $0.001 par value. Authorized 40,000,000 shares; issued and outstanding 9,375,305 shares at December 31		8,495	7,292
Additional paid-in-capital		9,919,499	7,966,172
Accumulated deficit		(5,885,779)	(5,501,144)
Accumulated other comprehensive loss		(14,498)	(13,063)
Total stockholders equity		4,027,717	2,459,257
Total liabilities and stockholders equity	$	8,548,667	2,847,824

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

	Six Months Ended	
	December 31, 2005	December 31, 2004
	(Unaudited)	
Net sales	$ 3,215,836	$ 2,579,642
Cost of sales	1,159,458	1,008,273
Gross profit	2,056,378	1,571,369
Operating expenses:		
Selling and marketing	746,426	744,476
Research and development	281,756	295,445
General and administrative	730,515	633,541
Total expenses	1,758,697	1,673,462
Operating income (loss)	297,681	(102,093)
Interest expense, net	682,316	190,144
Net loss	(384,635)	(292,237)
Accretion of discount on redeemable common stock		43,278
Net loss available to common stockholders	$ (384,635)	$ (335,515)
Net loss per share, basic and diluted	(0.04)	(0.06)
Weighted average shares outstanding, basic and diluted (note 2)	8,701,274	5,330,938
Net loss	(384,635)	(292,237)
Other comprehensive loss-foreign currency translation loss	(1,435)	(5,346)
Total comprehensive loss	(386,070)	(297,583)

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

For the six months ended December 31, 2005

(unaudited)

	Common Stock, Number of Shares	Common Stock, $0.001 par	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders equity
Balance at June 30, 2005	8,172,435	$ 7,292	$ 7,966,172	$ (5,501,144)	$ (13,063)	$ 2,459,257
Issuance of common stock for services	280,744	281	59,429			59,710
Issuance of warrants for financing costs			360,969			360,969
Issuance of common stock inexchange for debt and interest	529,388	529	158,287			158,816
Beneficial conversion feature of institutional convertible note payable			1,363,635			1,363,635
Exercise of warrants	382,738	383	6,517			6,900
Exercise of stock options	10,000	10	4,490			4,500
Foreign currency translation					(1,435)	(1,435)
Net loss				(384,635)		(384,635)
Balance at December 31, 2005	9,375,305	$ 8,495	$ 9,919,499	$ (5,885,779)	$ (14,498)	$ 4,027,717

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

		Six Months Ended	
		December 31, 2005	December 31, 2004
		(Unaudited)	
Cash flows from operating activities:			
Net loss	$	(384,635)	(292,237)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization		71,869	94,033
Accretion of discount on notes payable		382,796	148,127
Common stock issued for services		59,710	5,120
Common stock issued for interest		45,982	
Amortization of deferred financing costs		161,934	
Changes in operating assets and liabilities			
Accounts receivable, net		(206,315)	71,718
Inventories		(145,539)	(163,098)
Prepaid expenses and other assets, net of warrants issued forfinance costs		(241,371)	(6,489)
Accounts payable		(199,318)	213,675
Accrued payroll and related liabilities		20,515	5,963
Accrued liabilities, including accrued interest		(47,937)	15,131
Net cash provided by (used in) operating activities		(482,309)	91,943
Cash flows used in investing activities:			
Purchases of equipment		(28,867)	(12,635)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock		2,000,000	
Proceeds from exercise of stock options		4,500	
Proceeds from exercise of warrants		6,900	
Proceeds from issuance of notes payable, net of original issue discount		1,363,635	
Payments on notes payable		(20,000)	(100,283)
Proceeds from preferred stock deposited in escrow		(2,000,000)	
Payments on capital lease obligations		(13,332)	(30,760)
Net cash (used in) provided by financing activities		1,341,703	(131,043)
Net increase (decrease) in cash and cash equivalents		830,527	(51,735)
Impact of exchange rate on cash		(4,213)	8,076
Cash and cash equivalents at beginning of period		1,281,966	468,954
Cash and cash equivalents at end of period	$	2,108,280	425,295
Supplemental cash flow disclosures:			
Cash paid for interest	$	84,241	25,179
Noncash investing and financing activity			
Equipment acquired under capital leases	$		
Issuance of stock for debt	$	112,834	45,400-
Placement warrants issued in connection with financings	$	360,969	
Conversion of redeemable common stock to note payable	$	250,000	

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Corgenix Medical Corporation (Corgenix or the Company) is engaged in the research, development, manufacture, and marketing of in vitro (outside the body) diagnostic products for use in disease detection and prevention. We currently sell 51 diagnostic products on a worldwide basis to hospitals, clinical laboratories, commercial reference laboratories, and research institutions.

Our corporate headquarters is located in Westminster, Colorado. We have two wholly owned operating subsidiaries:

Corgenix, Inc., (Corgenix, Inc.) (formerly REAADS), established in 1990 and located in Westminster, Colorado. Corgenix, Inc. is responsible for sales and marketing activities for North America, and also conducts product development, product support, regulatory affairs and product manufacturing of the diagnostic products.

Corgenix (UK) Ltd., (Corgenix UK), incorporated in the United Kingdom in 1996 (formerly REAADS Bio-Medical Products (UK) Limited), is located in Peterborough, England. Corgenix UK manages the diagnostic products business international sales and marketing activities except for distribution in North America, which is under the responsibility of Corgenix, Inc.

We continue to use the REAADS trademark and trade name in the sale of products that we manufacture.

Recent Developments

Corgenix entered into agreements on December 28, 2005 to complete two separate private placement financings with certain institutional and other accredited investors.

The first financing was a private placement to Barron Partners, L.P., or Barron, a New York based private partnership, consisting of two million shares of Series A Convertible Preferred Stock. The shares of Series A Convertible Preferred Stock were sold at $1.00 per share for gross proceeds of $2,000,000. The shares of preferred stock are convertible initially into 2.8571428571 shares of the Company s common stock. In addition, Corgenix issued warrants to Barron to acquire up to an additional 15,000,000 shares of Corgenix common stock, of which 5,000,000 are exercisable at $0.40 per share, 5,000,000 are exercisable at $0.50, and 5,000,000 are exercisable at $0.60. The warrants are exercisable for five years from the date of issuance.

The exercise prices of the warrants, and the conversion rate and price of the shares of preferred stock, are subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The conversion right as contained in the preferred stock certificate of designations and the exercise rights contained in the warrants provide that a holder will not convert an amount of preferred stock or exercise warrants to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its warrants immediately prior to conversion, would exceed 4.9% of the Company s issued and outstanding common stock.

The transaction with Barron also included a Registration Rights Agreement in which the Company has agreed to file a registration statement on Form SB-2 covering the shares of common stock issuable upon the exercise of the warrants or the conversion of the preferred stock. If the registration statement is not declared effective or is otherwise ineffective or incomplete on the time schedule cited in the Registration Rights Agreement, the Company shall pay the holders of the preferred stock or warrants liquidated damages in the amount of 30,000 shares of preferred stock. However, in no event will the Company be required to pay any liquidated damages in an amount

exceeding, together with any other adjustments, 14% of the number of shares of preferred stock originally issued to Barron.

At the closing, the Company reimbursed Barron $15,000 for due diligence expenses. In addition, Ascendiant Securities, LLC acted as a financial advisor to the Company. As compensation for its services, the Company will pay to Ascendiant a success fee equal to 8% of the initial gross proceeds ($160,000), which fee would be paid from escrow if and when those funds are released to Corgenix from escrow. If funds are not released to Corgenix, then no cash fee will be paid to Ascendiant. If and when the Barron warrants are exercised, then Corgenix would pay Ascendiant 8% of those gross proceeds. Three warrants were issued to Ascendiant, each for the purchase of up to 552,380 shares, or 8% of the securities issued in the transaction, at $.40, $.50, and $.60 with net exercise rights.

As currently constituted, the Company has 40 million shares of common stock authorized, of which approximately 9.3 million shares are issued and outstanding, and approximately 30.7 million are reserved for issuance to accommodate the exercise or conversion of warrants, options, and convertible debt that is currently outstanding. If all of the shares of preferred stock and warrants issued to Barron in the recent financing were converted or exercised today, then approximately 20.7 million shares of common stock would be needed to satisfy such activity.

The Company does not currently have enough shares of common stock authorized to satisfy the exercise of the warrants or conversion of the preferred stock issued to Barron. As a result, the $2,000,000 in gross proceeds from Barron have been placed into an escrow account, and will be released to Corgenix if the shareholders of the Company approve an amendment to the Company s articles of incorporation increasing the authorized common shares. To that end, the Company has filed a proxy statement calling a special meeting of the shareholders of the Company on March 24, 2006, to vote upon an amendment to the Articles increasing the number of authorized shares of Common Stock from the current 40 million to 100 million (the Share Increase Amendment). If by July 1, 2006, the Share Increase Amendment has not been adopted or approved by the Company s shareholders, then the escrow agent would be instructed to return the $2,000,000 in escrow funds to Barron, the preferred stock certificates would be canceled, and the Company would be obligated to pay Barron an amount equal to one percent (1%) of the escrow funds, or $20,000, for each thirty (30) day period during which the funds were held in escrow. If the Share Increase Amendment is adopted or approved by the Company s shareholders before July 1, 2006, then the $2,000,000 plus accrued interest would be released to the Company, and the preferred stock certificates would be issued from escrow to Barron.

If the Share Increase Amendment were adopted or approved by the Company s shareholders, then Company will immediately reserve and keep available shares of common stock for the purpose of enabling the Company to issue the shares of common stock underlying the preferred stock and warrants issued to Barron.

With the Barron funding described above, if the funds are released from escrow, the Company plans to use the net proceeds, after transaction fees and expenses, for key strategic initiatives, working capital and other general corporate purposes.

Corgenix granted to Barron the right to participate in any subsequent financings by the Company on a pro rata basis at one hundred percent (100%) of the offering price; provided that any such right to participate shall be effective if and only if the right of first refusal in favor of the Company s current convertible debt investors has not been exercised.

If the funds in escrow are released to the Company prior to June 30, 2006 due to shareholder approval of the Share Increase Amendment, and if the Company s EBITDA for the audited fiscal year ended June 30, 2006, as calculated based upon the audited financial statements filed with the Company s Form 10-KSB filed with the Securities and Exchange Commission, is less than $1,150,000, then the Company must issue to Barron such number of additional shares of preferred stock equal to 2,000,000 multiplied by the percentage by which EBITDA is less than $1,150,000, expressed as a positive number; provided that in no event will the number of additional shares of preferred stock issued due to this EBITDA

adjustment exceed 14% of the number of shares of Preferred Stock originally issued to Barron, or 280,000 shares. For example if EBITDA is $920,000 (20% decline) then the

Company would issue to the Investor an additional 14% (i.e. 280,000) shares of preferred stock; provided that at the time Barron continues to hold all 2,000,000 shares of preferred stock originally issue on the Closing. EBITDA is defined in the Preferred Stock Purchase Agreement as net income of the Company, before interest, taxes, depreciation, amortization and one time charges, including, but not limited to, loss on the extinguishment of debt.

The Company has agreed to ensure that a majority of the members of the board of directors, and a majority of the compensation and audit committees, are qualified independent directors, as defined by the NASD, within 90 days after December 28, 2005. If the board fails to meet either the majority board or majority committee requirement, then in each instance the Company will pay to Barron $20,000 for each month during which this requirement has not been met, which may be paid, at the Company s election, in cash or additional shares of preferred stock.

The foregoing is a summary of the terms of the Barron Preferred Stock Purchase Agreement, the Barron Common Stock Purchase Warrants, the Barron Registration Rights Agreement, the Barron Escrow Agreement, and the Barron Lockup Agreements. Such summary does not purport to be complete and is qualified in its entirety by reference to the full text of each such agreement, copies of which are attached hereto and incorporated herein by reference.

The second financing, also completed on December 28, 2005, was a private placement financing with certain institutional and other accredited investors that had previously invested in the Company, including Truk International Fund, LP, Truk Opportunity Fund, LLC and CAMOFI Master LDC (f/k/a DCOFI Master LDC), representing net proceeds to the Company of $1,363,635. This financing was made pursuant to the exercise of an additional investment right by such institutional investors that was granted to them pursuant to a financing on substantially similar terms completed on May 19, 2005.

This private placement includes $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,800,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

The interest rate on the Secured Convertible Term Notes is the greater of (i) prime rate plus 3% or (ii) 12%, except for the portion of the note proceeds that is held in the restricted cash account, which amount accrues interest at the prime rate. However, (i) if the Company has registered the shares of common stock underlying the Secured Convertible Term Notes and the AIR Warrants, and that registration is declared effective, and (ii) the market price of the common stock for the five consecutive trading days preceding the last business day of each month exceeds the conversion price (as adjusted) by 25%, then the interest rate for the next calendar month is reduced by 25 basis points for each incremental 25% increase in the market price above the fixed conversion price.

Amortizing payments of the principal amount begin on June 1, 2006 and such payments are due on the first day of each month thereafter until the maturity date in December 2008, at which time any outstanding principal shall be due and payable. Interest payments begin January 1, 2006, and such interest payments are due on the first day of each subsequent month until the principal amount is paid in full.

The Secured Convertible Term Notes may be prepaid, but any prepayment must be 125% of the portion of the principal amount to be prepaid, together with accrued but unpaid interest thereon and any other sums due. The holders of the Secured Convertible Term Notes may accelerate all sums of principal, interest and other fees then remaining unpaid upon the occurrence of an event of default (as defined in the Secured Convertible Term Notes) beyond any applicable grace period. In the event of such acceleration, the amount due and owing the holder shall be 125% of the outstanding principal amount (plus accrued and unpaid interest and fees, if any). As part of the financing terms, a blanket lien filed in connection with the May 19, 2005 financing covering all of the Company s assets extends to this financing.

The number of shares of common stock to be issued upon conversion of a Secured Convertible Term Note is determined by dividing that portion of the principal amount, interest and fees to be converted by the then applicable conversion price, which is initially set at $0.30. The conversion price may be adjusted to account for certain events, such as stock splits, combinations, dividends and share issuances below the then current conversion price.

The conversion right as contained in the Secured Convertible Term Notes provide that a holder will not convert an amount of a Note that would be convertible into shares of common stock to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its AIR Warrants immediately prior to conversion, would exceed 4.99% of the Company s issued and outstanding common stock.

The Company also issued AIR Warrants to acquire approximately 3,800,000 shares of the Company s common stock. The AIR Warrants are exercisable for seven years from the date of issuance at an exercise price of $0.23 per share. The exercise price is also subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The transaction also included a Registration Rights Agreement in which the Company has agreed to file a registration statement on Form SB-2 covering the shares of common stock issuable upon the exercise of the AIR Warrants and the conversion of the Secured Convertible Term Notes. If the registration statement is declared effective or is otherwise ineffective or incomplete on the time schedule cited in the Registration Rights Agreement, the Company shall pay the holders of the Secured Convertible Term Notes or AIR Warrants liquidated damages in the amount of 1.5% on the original principal amount of Secured Convertible Term Notes for each 30-day period that elapses until the registration statement is declared effective.

Our Business

Introduction

Our business includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We sell 51 diagnostic products on a worldwide basis to hospitals, clinical testing laboratories, universities, biotechnology and pharmaceutical companies and research institutions. We have developed and we manufacture most of our products at our Colorado facility, and we purchase what we refer to as OM Products from other healthcare manufacturers for resale by us. All of these products are used in clinical laboratories for the diagnosis and/or monitoring of three important areas of health care:

Autoimmune disease (diseases in which an individual creates antibodies to one s self, for example systemic lupus erythematosus (SLE) and rheumatoid arthritis (RA);

Vascular disease (diseases associated with certain types of thrombosis or clot formation, for example antiphospholipid syndrome, deep vein thrombosis, stroke and coronary occlusion); and

Liver diseases (fibrosis, cirrhosis and transplanted organ rejection).

In addition to our current products, we are actively developing new laboratory tests in other important diagnostic testing areas. See Other Strategic Relationships. We manufacture and market to clinical laboratories and other testing sites worldwide. Our customers include large and emerging health care companies such as Instrumentation Laboratories, Helena Laboratories and Diagnostic Grifols, S.A.

Most of our products are based on our patented and proprietary application of Enzyme Linked ImmunoSorbent Assay or ELISA technology, a clinical testing methodology commonly used worldwide. Most of our current products are based on this platform technology in a delivery format convenient for clinical testing laboratories. The delivery format, which is referred to as Microplate, allows the testing of up to 96 samples per plate, and is one of the most commonly used formats, employing conventional testing equipment found in virtually all clinical laboratories. The availability and broad acceptance of ELISA Microplate products reduces entry barriers worldwide for our new products that employ this technology and delivery format. Our products are sold as test kits that include all of the materials required to perform the test, except for routine laboratory chemicals and instrumentation. A test using ELISA technology involves a series of reagent additions into the Microplate, triggering a complex immunological reaction in which a resulting color occurs. The amount of color developed in the final step of the test is directly proportional to the amount of the specific marker being tested for in the patient or unknown

sample. The amount of color is measured and the results calculated using routine laboratory instrumentation. Our technology specifies a process by which biological materials are attached to the fixed surface of a diagnostic test platform. Products developed using this unique attachment method typically demonstrate a more uniform and stable molecular configuration, providing a longer average shelf life, increased accuracy and superior specificity than the products of our competitors.

Some of the OM products which we obtain from other manufacturers and sell through our distribution network utilize technologies other than our patented and proprietary ELISA technology.

Our diagnostic tests are intended to aid in the identification of the causes of illness and disease, enabling a physician to select appropriate patient therapy.

Internally and through collaborative arrangements, we are developing additional products that are intended to broaden the range of applications for our existing products and to result in the introduction of new products.

Since 1990, our sales force and distribution partners have sold over 12 million tests worldwide under the REAADS and Corgenix labels, as well as products sold under other manufacturers labels, referred to as OEM products. An integral part of our strategy is to work with corporate partners to develop market opportunities and access important resources. We believe that our relationships with current and potential partners will enable us to enhance our menu of diagnostic products and accelerate our ability to penetrate the worldwide markets for new products.

We currently use the REAADS and Corgenix trademarks and trade names in the sale of the products which we manufacture. These products constitute the majority of our product sales.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Significant assumptions inherent in the preparation of the accompanying financial statements include, but are not limited to, revenue recognition and allowances for doubtful accounts, the provision for excess and obsolete inventories, and commitments and contingencies. Actual results could differ from those estimates.

2. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding, increased for potentially dilutive common shares outstanding during the period. The dilutive effect of stock options and their equivalents is calculated using the treasury stock method. No stock options were granted in the most recent quarter or six months ended December 31, 2005 or 2004. Options and warrants to purchase common stock totaling 33,221,103 shares for the quarter and six months ended December 31, 2005, and totaling 1,370,920 shares for the quarter and six months ended December 31, 2004 are not included in the calculation of weighted average common shares-diluted below as their effect is anti-dilutive. Redeemable common stock is included in the common shares outstanding for purposes of calculating net loss per share.

The components of basic and diluted loss per share are as follows:

	6 months ended December 31, 2005	6 months ended December 31, 2004
Net loss available to common shareholders	$ (384,635)	$ (335,515)
Common and common equivalent shares outstanding:		
Historical common shares outstanding for basic income (loss) per share at beginning of period	8,172,435	5,321,319
Weighted average common shares issued during the period	528,839	9,619
Weighted average common shares-basic and diluted	8,701,274	5,330,938
Net loss per share-basic and diluted	$ (0.05)	$ (0.06)

3. INCOME TAXES

A valuation allowance was provided for deferred tax assets, as the Company is unable to conclude under relevant accounting standards that it is more likely than not that deferred tax assets will be realizable.

4. SEGMENT INFORMATION

The Company has two segments of business: North American and international operations. North American operations transacts all sales in North America (US, Canada and Mexico). International operations transacts all other sales. The following table sets forth selected financial data for these segments for the three-and six-month periods ended December 31, 2005 and 2004.

SIX MONTHS ENDED DECEMBER 31,

		Domestic	International	Total
Net sales	2005	2,396,204	819,632	3,215,836
	2004	1,878,964	700,678	2,579,642
Net income (loss)	2005	(713,874)	329,239	(384,635)
	2004	(464,903)	172,666	(292,237)
Depreciation and	2005	70,397	1,472	71,869
Amortization	2004	92,900	1,133	94,033
Interest expense, net	2005	(679,443)	(2,873)	(682,316)
	2004	(188,119)	(2,025)	(190,144)
Segment assets	2005	8,012,924	535,743	8,548,667

5. REDEEMABLE COMMON STOCK

On July 1, 2002, as part of the Medical & Biological Laboratories Co., Ltd. (MBL) Agreement, MBL purchased shares of the Company s common stock for $500,000, which, at the time, MBL was permitted to put to the Company for repurchase at the same price if a previously existing distribution agreement with RhiGene, Inc. were terminated. For no additional consideration, MBL was also issued warrants to purchase an additional 880,282 shares of Common Stock at a price of $.568 per share, which is equal to an aggregate amount of $500,000. These warrants originally were set to expire on July 3, 2007 and may be exercised in whole or in part at any time prior to their expiration. The estimated fair value of the warrant upon issuance was calculated as $401,809 using the

Black-Scholes option-pricing model with the following assumptions: no expected dividend yield, 143% volatility, risk free interest rate of 4.2% and an expected life of five years**.** The gross proceeds of $500,000 were allocated $277,221 to redeemable common stock and $222,779 to the related warrants based on the relative fair values of the respective instruments to the fair value of the aggregate transaction. Issuance costs and the discount attributed to the redeemable common stock upon issuance were accreted over the 33-month period to the first date whereupon the put option may be exercised, which was the expiration date of the distribution agreement between the Company and RhiGene, Inc. (March 31, 2005). Furthermore, pursuant to the agreement with MBL, as long as MBL holds at least 50% of the common stock purchased under the MBL agreement, MBL must give its written consent with respect to the payment of any dividend, the repurchase of any of the Company s equity securities, the liquidation or dissolution of the Company or the amendment of any provision of the Company s Articles of Incorporation or Bylaws which would adversely affect the rights of MBL under the stock purchase transaction documents. MBL was granted standard anti-dilution rights with respect to stock issuances not registered under the Securities Act and received standard piggyback registration rights along with certain demand registration rights. MBL did not elect to register its redeemable shares in the SB 2 registration statement filed by the Company on June 25, 2005 and declared effective on August 2, 2005.

On March 31, 2005 our distribution agreement with RhiGene expired, and the Company signed a new distribution and OEM Supply Agreement with MBL International, Inc. (MBLI), a wholly owned subsidiary of MBL, which grants the Company non-exclusive rights to distribute MBL s complete diagnostic line of autoimmune testing products in the United States and exclusive distribution rights to the OEM Label products worldwide excluding the United States, Japan, Korea and Taiwan. In addition, on August 1, 2005 the Company and MBL executed an Amendment to the Common Stock Purchase Agreement and Common Stock Purchase Warrant wherein one-half or 440,141of the original redeemable shares are to be exchanged over time for a three-year promissory note payable with interest at prime (6.75% as of September 30, 2005) plus two percent with payments having commenced in September, 2005. The shares exchanged for the promissory note will be returned to the Company quarterly on a pro rata basis as payments are made on the promissory note. The remaining 440,141 shares must be redeemable by the Company at $0.568 per share as of August 1, 2008 for any shares still owned at that time by MBL and only to the extent that MBL has not realized at least $250,000 in gross proceeds upon the sales of its redeemable shares in the open market for the time period August 1, 2005 through August 30, 2008. Finally, the warrants originally issued to MBL to purchase 880,282 shares have been extended to August 31, 2008 and re-priced from $0.568 per share to $0.40 per share.

6. STOCK PLANS

The Company accounts for its stock plans in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, SFAS No.148, *Accounting for Stock-Based Compensation-Transition and Disclosure,* and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net loss disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 123.

Had the Company determined compensation cost based on the fair value at the date of grant for its stock options under SFAS No. 123, the Company s net loss would have been increased to the pro forma amounts indicated as follows:

	Six Months Ended December 31, 2005	Six Months Ended December 31, 2004
Net loss available to common stockholders as reported	$ (384,635)	$ (335,515)
Deduct total stock-based employee compensation expense determined under fair-value method for all awards, net of tax	(33,954)	(21,358)
Pro forma net loss available to common stockholders	$ (418,589)	$ (356,873)
Net loss per share basic and diluted as reported	$ (0.04)	$ (0.06)
Net loss per share, basic and diluted pro forma	$ (0.05)	$ (0.07)

As of December 31, 2005, there were also 31,836,226 outstanding warrants issued to institutional investors, consultants and employees outstanding and exercisable ranging in prices from $.23 to $1.25 per share with a weighted average exercise price of $.38 per share. Fair value was determined using the Black Scholes option pricing model with the following assumptions: no expected dividends, volatility of 111.5% in fiscal 2005, risk-free interest rate of 4.39 % in fiscal 2006 and expected lives of five to seven years.

7. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

FAS 123R Disclosure. In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) will be effective for the Company beginning January 1, 2006, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends SFAS No. 95, Statement of Cash Flows. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. The Company does not expect the adoption of FAS 123(R) will have a material impact on the Company s financial statements.

FAS 154 Disclosure. In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3. The statement applies to all voluntary changes in accounting principles, and changes the requirements for accounting for and reporting of a change in accounting principle. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company s financial statements.

In February 2006, the FASB issued SFAS No. 155 Accounting for Certain Hybrid Financial Instruments . This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedgin Activities, and No. 140, Accounting for Transfers and Servicing Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, and establishes a requirement to evaluate interests in securitized

financial assets to identify interests that are freestanding

derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of subordinatin are not embedded derivatives and amends Statement 140 to elimininate the prohibition on a qualifying special-purpose entity from holding a derivative financial instruments that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. The Company has not yet determined the impact of the adoption of FAS 155 on its financial statements, if any.

8. NOTES PAYABLE

Notes payable consist of the following at December 31, 2005

	December 31,2005	June 30, 2005
Secured, amortizing convertible term note payable to institutional investors, net of discount of $842,856, with interest at the greater of 12% or prime plus 3% (12% as of December 31, 2005), interest only from June 1, 2005 through October 1, 2005 and then due in monthly installments of $55,667 plus interest through May 19, 2008, collateralized by commercial security agreements and a partial guaranty by an officer of the company. See discussion of terms below.	$ 714,310	$ 451,892
Secured, amortizing convertible term note payable to institutional investors, net of discount of $1,492,456, with interest at the greater of 12% or prime plus 3% (12% as of December 31, 2005), interest only from December 28, 2005 through June1, 2006 and then due in monthly installments of $50,000 plus interest through December 28, 2008, collateralized by commercial security agreements. See discussion of terms below	7,544	
Secured, non-amortizing convertible term note payable to institutional investors, with interest at the greater of 12% or prime plus 3% (12% as of June 30, 2005), interest only payments commencing June 1, 2005 until May 19, 2008, collaterialized by commercial security agreements. See discussion of terms below.	500,000	500,000
Secured, restricted, non-amortizing convertible term note payable to institutional investors, with interest at prime (6% at June 30, 2005), interest only payments commencing June 1, 2005 until the earlier of May 19, 2008 or the date the proceeds to the company are no longer restricted, collateralized by commercial security agreements. See discussion of terms below.	250,000	250,000
Note payable, unsecured, to redeemable common stockholders, with interest at prime plus 2.0% (8.75% at December 31, 2005) due in monthly installments with principal payments ranging from $5,000 to $10,000 plus interest through August 2008.	230,000	
	1,701,854	1,201,892
Current portion, net of current portion of discount	(507,414)	(221,176)
Notes payable, excluding current portion	$ 1,194,440	980,716

The Company completed a second convertible debt financing on December 28, 2005. The financing was a private placement financing with certain institutional and other accredited investors that had previously invested in the Company, including Truk International Fund, LP, Truk Opportunity Fund, LLC and CAMOFI Master LDC (f/k/a DCOFI Master LDC), representing net proceeds to the Company of $1,363,635. This financing was made pursuant to the exercise of an additional investment right by such institutional investors that was granted to them pursuant to a financing on substantially similar terms completed on May 19, 2005.

This private placement includes $1,500,000 in aggregate principal amount of Secured Convertible Term Notes due 2008. Warrants to acquire approximately 3,800,000 shares of the Company s common stock, at $0.23 per share, were also issued to the investors (the AIR Warrants).

The interest rate on the Secured Convertible Term Notes is the greater of (i) prime rate plus 3% or (ii) 12%, except for the portion of the note proceeds that is held in the restricted cash account, which amount accrues interest at the prime rate. However, (i) if the Company has registered the shares of common stock underlying the Secured

Convertible Term Notes and the AIR Warrants, and that registration is declared effective, and (ii) the market price of the common stock for the five consecutive trading days preceding the last business day of each month exceeds the conversion price (as adjusted) by 25%, then the interest rate for the next calendar month is reduced by 25 basis points for each incremental 25% increase in the market price above the fixed conversion price.

Amortizing payments of the principal amount begin on June 1, 2006 and such payments are due on the first day of each month thereafter until the maturity date in December 2008, at which time any outstanding principal shall be due and payable. Interest payments begin January 1, 2006, and such interest payments are due on the first day of each subsequent month until the principal amount is paid in full.

The Secured Convertible Term Notes may be prepaid, but any prepayment must be 125% of the portion of the principal amount to be prepaid, together with accrued but unpaid interest thereon and any other sums due. The holders of the Secured Convertible Term Notes may accelerate all sums of principal, interest and other fees then remaining unpaid upon the occurrence of an event of default (as defined in the Secured Convertible Term Notes) beyond any applicable grace period. In the event of such acceleration, the amount due and owing the holder shall be 125% of the outstanding principal amount (plus accrued and unpaid interest and fees, if any). As part of the financing terms, a blanket lien filed in connection with the May 19, 2005 financing covering all of the Company s assets extends to this financing.

The number of shares of common stock to be issued upon conversion of a Secured Convertible Term Note is determined by dividing that portion of the principal amount, interest and fees to be converted by the then applicable conversion price, which is initially set at $0.30. The conversion price may be adjusted to account for certain events, such as stock splits, combinations, dividends and share issuances below the then current conversion price.

The conversion right as contained in the Secured Convertible Term Notes provide that a holder will not convert an amount of a Note that would be convertible into shares of common stock to the extent that the number of shares held by the holder, when added to the number of shares of common stock beneficially owned by such holder or issuable if the holder exercised one or more of its AIR Warrants immediately prior to conversion, would exceed 4.99% of the Company s issued and outstanding common stock.

The Company also issued AIR Warrants to acquire approximately 3,800,000 shares of the Company s common stock. The AIR Warrants are exercisable for seven years from the date of issuance at an exercise price of $0.23 per share. The exercise price is also subject to adjustment upon the occurrence of certain specified events, including issuance of additional shares of common stock or subdivision or combining of shares of common stock.

The transaction also included a Registration Rights Agreement in which the Company has agreed to file a registration statement on Form SB-2 covering the shares of common stock issuable upon the exercise of the AIR Warrants and the conversion of the Secured Convertible Term Notes. If the registration statement is declared effective or is otherwise ineffective or incomplete on the time schedule cited in the Registration Rights Agreement, the Company shall pay the holders of the Secured Convertible Term Notes or AIR Warrants liquidated damages in the amount of 1.5% on the original principal amount of Secured Convertible Term Notes for each 30-day period that elapses until the registration statement is declared effective.