CORGENIX MEDICAL CORP/CO
Form 10-Q
November 10, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 000-24541

CORGENIX MEDICAL CORPORATION

(Name of Small Business Issuer in its Charter)

Nevada	**93-1223466**
(State or other jurisdiction of	(I.R.S. Employer Identification No.)

incorporation or organization)

11575 Main Street, Number 400, Broomfield, CO 80020

(Address of principal executive offices, including zip code)

(303) 457-4345

(Issuer s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

The number of shares of Common Stock outstanding was 40,918,853 as of November 2, 2010.

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CORGENIX MEDICAL CORPORATION

September 30, 2010

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PART I

Item 1. Consolidated Financial Statements

CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

	September 30, 2010	June 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,389,274	$ 494,096
Accounts receivable, less allowance for doubtful accounts of $30,000 as of September 30, 2010 and June 30, 2010	1,097,054	1,269,795
Other receivables	163,599	139,174
Inventories	2,523,598	2,499,557
Prepaid expenses	58,855	77,425
Total current assets	5,232,380	4,480,047
Equipment		
Capitalized software costs	264,418	258,947
Machinery and laboratory equipment	1,069,635	1,061,357
Furniture, fixtures, leaseholds & office equipment	1,857,559	1,862,179
	3,191,612	3,182,483
Accumulated depreciation and amortization	(2,119,439)	(2,014,327)
Net equipment	1,072,173	1,168,156
Intangible assets:		
Licenses	339,076	340,934
Other assets:		
Deferred financing costs net of amortization of $2,003,730 and $1,966,739	753	55,879
Other assets	98,586	109,749
Total assets	$ 6,742,968	$ 6,154,765
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of notes payable, net of discount (Note 7)	$ 63,437	$ 43,953
Current portion of capital lease obligations	59,437	70,758
Inventory loan payable	202,534	306,556
Due to factor (Note 6)	581,153	826,955
Accounts payable	476,513	487,576
Accrued payroll and related liabilities	251,213	291,831
Accrued liabilities-other	602,193	306,488
Total current liabilities	2,236,480	2,334,117
Notes payable, net of discount, less current portion (Note 7)	59,629	23,742
Capital lease obligations, less current portion	24	8,612
Deferred facility lease payable, excluding current portion (Note 2)	397,628	452,266
Total liabilities	2,693,761	2,818,737
Redeemable common stock, $0.001 par value. 220,070 and 302,600 shares issued and outstanding, aggregate redemption value of $125,000,and $171,877 (Note 4)		122,306

Redeemable preferred stock, $0.001par value. 36,680 and 236,680 shares issued and outstanding, aggregate redemption value of $9,170 and 59,170, net of unaccreted dividends of $2,649 and $18,672 (Note 4)		9,089		57,066
Stockholders equity (Note 5):				
Common stock, $0.001 par value. Authorized 200,000,000 shares; Issued and outstanding 39,250,343 and 30,982,803 at September 30 and June 30, respectively		39,029		30,680
Additional paid-in capital		19,923,894		18,724,906
Accumulated deficit		(15,921,079)		(15,566,597)
Accumulated other comprehensive income		(1,726)		(32,333)
Total stockholders equity		4,040,118		3,156,656
Total liabilities and stockholders equity	$	6,742,968	$	6,154,765

See accompanying notes to consolidated financial statements.

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CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

	Three Months Ended	
	September 30, 2010	**September 30, 2009**
	(Unaudited)	
Net sales	$ 1,978,224	$ 2,044,967
Cost of sales	873,348	929,349
Gross profit	1,104,876	1,115,618
Operating expenses:		
Selling and marketing	369,363	409,517
Research and development	105,381	150,359
General and administrative	503,284	471,939
Costs associated with exit or disposal activities (note 8)	366,639	
Total expenses	1,344,667	1,031,815
Operating income (loss)	(239,791)	83,803
Other income (expense)		
Interest income	223	141
Loss on early extinguishment of debt		(22,000)
Interest expense	(108,662)	(68,696)
Net loss	(348,230)	(6,752)
Accreted dividends on redeemable preferred and redeemable common stock	(6,252)	(10,885)
Net loss attributable to common stockholders	$ (354,482)	$ (17,637)
Net loss per share, basic and diluted	$ (0.01)	$ (0.00)*
Weighted average shares outstanding, basic and diluted	37,921,408	30,305,855
Net loss	$ (348,230)	$ (6,752)
Other comprehensive income (loss)-foreign currency translation	30,607	(31,514)
Total comprehensive loss	$ (317,623)	$ (38,266)

See accompanying notes to consolidated financial statements.

*Less than ($0.01) per share

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CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

For the three months ended September 30, 2010

(Unaudited)

	Common Stock, Number of Shares	Common Stock, $0.001 par	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders Equity
Balances at June 30, 2010	30,982,803	$ 30,680	$ 18,724,906	$ (15,566,597)	$ (32,333)	$ 3,156,656
Issuance of common stock for services	1,440	1	157			158
Issuance of common stock for cash	8,333,334	8,333	1,241,667			1,250,000
Issuance cost for common stock offering			(89,975)			(89,975)
Compensation expense recorded as a result of stock options issued			5,479			5,479
Issuance of common stock for license	15,296	15	1,362			1,377
Issuance of warrants for license			3,412			3,412
Accreted dividend on redeemable common and redeemable preferred stock				(6,252)		(6,252)
Warrant extension as a result of MBL Agreement amendment			36,886			36,886
Cancellation of redeemable common stock upon note pay down	(82,530)					
Foreign currency translation					30,607	30,607
Net loss				(348,230)		(348,230)
Balances at September 30, 2010	39,250,343	$ 39,029	$ 19,923,894	$ (15,921,079)	$ (1,726)	$ 4,040,118

See accompanying notes to consolidated financial statements.

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CORGENIX MEDICAL CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Three months Ended	
	September 30, 2010	**September 30, 2009**
Cash flows from operating activities:		
Net loss	$ (348,230)	$ (6,752)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	108,567	107,459
Accretion of discount on note payable		1,795
Common stock issued for services	158	1,622
Compensation expense recorded for stock options issued	5,479	10,492
Amortization of deferred financing costs	36,991	11,449
Changes in operating assets and liabilities:		
Trade and other receivables, net	168,057	137,130
Inventories	(19,937)	71,141
Prepaid expenses and other assets, net	49,906	(27,415)
Accounts payable	(15,309)	(12,258)
Accrued payroll and related liabilities	(49,888)	21,618
Accrued interest and other liabilities	199,327	(118,414)
Net cash provided by operating activities	135,121	197,867
Cash flows used in investing activities:		
Proceeds from sale of equipment	15,673	
Additions to equipment	(15,580)	(5,951)
Net cash provided by (used in) investing activities	93	(5,951)
Cash flows from financing activities:		
Increase (decrease) in amount due to factor	(245,802)	(409,391)
Increase (decrease) in inventory loan	(104,022)	351,454
Proceeds from issuance of common stock, net of financing costs	1,160,025	
Proceeds from issuance of notes payable		125,000
Payments on notes payable	(34,278)	(20,142)
Payments on capital lease obligations	(20,825)	(41,133)
Net cash provided by financing activities	755,098	5,788
Net increase (decrease) in cash and cash equivalents	890,312	197,704
Impact of exchange rate changes on cash	4,866	(774)
Cash and cash equivalents at beginning of period	494,096	785,466
Cash and cash equivalents at end of period	$ 1,389,274	$ 982,396
Supplemental cash flow disclosures:		
Cash paid for interest	$ 85,112	$ 56,338
Noncash investing and financing activities		
Issuance of warrants for license	$ 3,412	$ 3,903
Issuance of stock for license	$ 1,377	$ 2,548
Accrued redemption of redeemable convertible preferred stock	$ 50,000	$

Conversion of redeemable common stock to note payable	$	125,000	$	
Common stock issued for accrued stock-based compensation	$		$	70,025
Warrant extensions as a result of note modification	$	36,887	$	
Accreted dividends on redeemable common and redeemable preferred stock	$	6,252	$	10,884

See accompanying notes to consolidated financial statements.

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CORGENIX MEDICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

(a) Outlook

In fiscal 2011, we will be focused on expanding our relationship with the ELITech group (Elitech) including completion of the Joint Product Development agreement between our two companies, accelerating the market launch of our AspirinWorks assay, beginning the market launch of our Anti-AtherOx Test Kit, submission of a 510(k) Premarket Notification to the FDA for our AtherOx Test Kit, completing further clinical studies for our Hyaluronic Test Kit, and a Fibromyalgia test kit, and continuing the development and strategic collaboration towards the development of a group of products to detect potential bio-terrorism agents.

(b) Recent Developments

On October 8, 2010, we closed the Second Tranche of the Common Stock Purchase Agreement (the Common Stock Purchase Agreement) with Elitech, a société par actions simplifiée organized under the laws of France, and Wescor, Inc., a Utah corporation and subsidiary of Elitech (Wescor), effective as of October 1, 2010. As a condition to closing the Second Tranche, we transferred our product distribution activity outside of North America from our subsidiary, Corgenix U.K. Ltd., (Corgenix UK) to Elitech UK Limited, (Elitech UK), pursuant to the Assignment and Assumption Agreement, effective as of October 1, 2010 by and among us, Corgenix U.K.and Elitech UK. As an additional condition to closing the Second Tranche, Wescor purchased 1,666,667 shares of our common stock (the Second Tranche Shares) for $250,000, or $0.15 per share. For no additional consideration, we issued a warrant to Wescor to purchase 833,333 shares of our common stock at $0.15 per share (the Second Tranche Warrant).

The foregoing descriptions of the Common Stock Purchase Agreement, the Assignment and Assumption Agreement and the Second Tranche Warrant are not complete descriptions of all the terms of those agreements. For a complete description of all the terms, we refer you to the full text of the Common Stock Purchase Agreement, the Assignment and Assumption Agreement and the Second Tranche Warrant, copies of which were filed as Exhibits 10.1, 10.2 and 10.3, respectively, to the Form 8-K filed on October 12, 2010.

On October 8, 2010, we also completed a repurchase of 200,000 shares of our Series B Convertible Preferred Stock (the Repurchased Shares) held by CAMOFI Master LDC, a Cayman Islands company (CAMOFI), for a purchase price of $50,000. Pursuant to the Second Modification of Secured Convertible Term Notes dated January 29, 2009 by and between us and CAMOFI, the Repurchased Shares bore a $50,000 liquidation preference and were convertible into 800,000 shares of our common stock at the option of CAMOFI. The repurchase was funded in part by cash on hand and in part by proceeds from the sale of the Second Tranche Shares.

On October 4, 2010, Corgenix UK entered into a letter agreement with Faunus Group International, Inc. (FGI), pursuant to which, among other things, Corgenix UK and FGI agreed to terminate that certain Receivables Finance Agreement dated March 29, 2010 by and between Corgenix UK and FGI (as amended, the Agreement), effective as of September 30, 2010.

Under the Agreement, Corgenix UK agreed to sell to FGI all of Corgenix UK s right, title and interest in and to specified accounts receivable and all merchandise represented by those accounts. In exchange, FGI advanced funds to the Company.

Contemporaneously with the termination of the Agreement, each of following agreements were terminated effective as of September 30, 2010: (a) Guaranty dated March 29, 2010 by and between the Company and FGI, (b) Guaranty dated March 29, 2010 by and between Corgenix Inc. and FGI, and (c) Debenture Agreement dated March 29, 2010 by and between Corgenix UK and FGI. Corgenix UK paid FGI a termination fee of $25,000.

On July 12, 2010 we entered into the Common Stock Purchase Agreement with Elitech and Wescor. In accordance with the Common Stock Purchase Agreement, Wescor will purchase up to $2,000,000 of the Company s common stock in three installments (subject to various conditions) and will receive warrants to purchase additional shares. Also, in connection with the Common Stock Purchase Agreement, we entered into (i) a distribution agreement (Master Distribution Agreement) with Elitech UK and (ii) a joint product development agreement (Joint Product Development Agreement) with Elitech. The details of the Common Stock Purchase Agreement, Master Distribution Agreement, and Joint Product Development Agreement are outlined below.

The investment by Wescor will take place over a maximum of three tranches:

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First Tranche under the Common Stock Purchase Agreement Pursuant to the First Tranche of the Common Stock Purchase Agreement, on July 16, 2010, Wescor invested $1,250,000 to purchase 8,333,334 shares of the Company s common stock valued at $0.15 per share. For no additional consideration the Company issued a warrant to Wescor to purchase 4,166,667 shares at $0.15 per share. The Company entered into the Master Distribution Agreement with Elitech UK Limited and the Joint Product Development Agreement with Elitech, contemporaneously with the issuance of the First Tranche Shares.

Second Tranche under the Common Stock Purchase Agreement Pursuant to the Second Tranche of the Common Stock Purchase Agreement, Wescor invested $250,000 to purchase 1,666,667 shares of our common stock valued at $0.15 per share. For no additional consideration we issued a warrant to Wescor to purchase 833,333 shares at $0.15 per share. As a condition to the closing of the Second Tranche, the Company will have effectively transferred its product distribution activity outside of North America from our subsidiary, Corgenix U.K. Ltd., to Elitech UK Limited.

Third Tranche under the Common Stock Purchase Agreement Pursuant to the Third Tranche of the Common Stock Purchase Agreement, Wescor will invest $500,000 to purchase 3,333,333 shares of our common stock valued at $0.15 per share. For no additional consideration we will issue a warrant to Wescor to purchase 1,666,667 shares at $0.15 per share. As a condition to the closing of the Third Tranche, the Executive Committee established under the Joint Product Development Agreement will have determined the feasibility of creating not less than two (2) new Corgenix assays as further described in the Joint Product Development Agreement.

In connection with the Common Stock Purchase Agreement, at the initial closing, which occurred on July 16, 2010, we entered into the Master Distribution Agreement with Elitech UK, and we entered into the Joint Product Development Agreement with Elitech. Under the terms and conditions of the Master Distribution Agreement, and as a condition precedent to the closing of the Second Tranche, Elitech UK became the exclusive distributor of the Company s Products (as that term is defined therein) outside of North America. Accordingly, we along with Corgenix U.K. assigned and/or transferred the economic benefit to Elitech UK, and Elitech UK assumed all of the obligations of the Company or Corgenix U.K. under all distribution agreements executed by us or Corgenix U.K., as the case may be, related to any distributor whose territory is outside of North America.

Under the terms and conditions of the Joint Product Development Agreement, the Company and Elitech will work towards developing efficient technology for the commercialization of biochemical testing of substances related to human health. The goal of the co-development effort is the modification of certain of our assays for use in Elitech chemistry analyzers, serology instruments or other instruments, and the commercialization of those modified assays by Elitech and its affiliates. Phase I of the co-development is focused on the sharing and licensing of our assay technology to facilitate this purpose. The intent is that, in order to achieve joint development of our assays modified to be used with certain Elitech technology, all of our relevant assay technology will be available to Elitech and its affiliates to establish the broadest common immunoassay technology base to pursue co-development of new Corgenix assay technology. Such technology would include, for example, manufacturing know-how, testing and reliability information, visits to production facilities, and technical consultation, for which the burden of disclosure is reasonable.

Wescor has the right to designate one individual for election or appointment to our Board of Directors, for so long as Wescor owns at least five percent of our outstanding common stock.

After the First Tranche closed, through to the third (3rd) anniversary of the First Tranche s closing date, the rights and responsibilities of Wescor with respect to a potential change of control transaction by us will be governed by the Common Stock Purchase Agreement.

Pursuant to the Common Stock Purchase Agreement, if our board determines to initiate the solicitation of offers or indications of interest in pursuing a Change of Control transaction, as defined therein, (without having first received an unsolicited offer from a third party) then the board will, consistent with its fiduciary duty to maximize shareholder value, design a process in consultation with legal counsel and any financial advisor the board elects. Wescor may participate in the process, on terms established by the Company s board to govern the solicitation of offers process. The terms of the process are further outlined in the Common Stock Purchase Agreement.

Pursuant to the Common Stock Purchase Agreement, if our board receives an unsolicited third-party offer (or indication of interest in making an offer) with respect to a Change of Control transaction, we will provide written notice to Wescor. If our board elects to begin a process that could lead to a Change of Control then we will commence negotiations with the unsolicited bidder and with Wescor to seek the highest value available from those parties. The terms of the process are further outlined in the Common Stock Purchase Agreement.

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(c) Company Overview

Our business includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We currently sell 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 (Other Manufacturers) 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, and cirrhosis).

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 Bio Rad Laboratories, Inc., 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, such as AtherOx.

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.

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(2) Summary of Significant Accounting Policies

(a) Application of New Accounting Standards

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity s fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the financial position, results of operations or cash flows of the Company.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Corgenix Medical Corporation 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 our products in Europe. Transactions are generally denominated in U.S. dollars, but also invoices in Euros and British Pound Sterling. All amounts are converted into U.S. dollars upon consolidation of our financial statements. Inter-company balances and transactions have been eliminated in consolidation.

(c) Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the U.S. 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. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been omitted from these unaudited consolidated financial statements. These unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2010. The results of operations for the three months ended September 30, 2010 and September 30, 2009 are not necessarily indicative of the operating results for the full year. In the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made to present fairly our financial position at September 30, 2010 and the results of operations and our cash flows for the three months ended September 30, 2010 and 2009.

(d) Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with original 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 our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. We review our allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any off-balance sheet credit exposure related to customers.

We have adhered to the guidance set forth in the *Sale of Accounts Receivable* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings.

Pursuant to the provisions of this Topic, we have reflected the sales of accounts receivable to the factors as secured borrowings. We have also established an accounts receivable from the factors for the retained amounts, less the costs of the transactions, less any anticipated future loss in the value of the retained asset. The retained amounts are equal to 15% of the total accounts receivable invoice sold to the factors. The periodic interest expense and administrative fees assessed by the factors on the amounts owing, are charged to interest expense, and are credited against the accounts receivable due from them.

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(f) ***Inventories***

Inventories consist of raw materials, work in process and finished goods and are recorded at the lower of average 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 September 30, 2010 or September 30, 2009. Components of inventories as of September 30 and June 30 are as follows:

	September 30, 2010	June 30, 2010
Raw materials	$ 437,328	$ 431,235
Work-in-process	782,784	883,272
Finished goods	1,303,486	1,185,050
	$ 2,523,598	$ 2,499,557

(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 $15,580 and $0 for the quarters ended September 30, 2010 and 2009, respectively. Depreciation and amortization expense, which totaled $108,567 and $107,458 for the quarters ended September 30, 2010 and September 30, 2009, 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 our web site development, our R & D statistical software, which were and are both amortized over three years, and our accounting software, which is being amortized over five years, beginning in March 2008.

(h) ***Intangible Assets***

Intangible assets consist of purchased licenses. Purchased licenses are amortized using the straight-line method over the shorter of 15 years or the remaining life of the license. We have adopted the provisions of the *Goodwill and Other Intangible Assets* Topic of the FASB ASC. Pursuant to these provisions, goodwill and intangible assets acquired in a purchase business combination and determined to have indefinite lives and licenses acquired with no definite term 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 the Accounting for Impairment or *Disposal of Long Lived Assets* Topic as set forth in the FASB ASC.

On March 1, 2007, we executed an exclusive license agreement (the License Agreement) with Creative Clinical Concepts, Inc. (CCC). The License Agreement provides that CCC license to us certain products and assets related to determining the effectiveness of aspirin and / or anti-platelet therapy (collectively, Aspirin Effectiveness Technology, or the Licensed Products). The Aspirin Effectiveness Technology includes US trademark registration number 2,688,842, which includes the term AspirinWorks ® and related designs.

The License Agreement imposes caps on the total amount of cash, common stock, and warrant payments from us to CCC from the date of execution through to and including the third anniversary payment. Under that cap limitation, the total of all anniversary payments will not exceed $200,000 in cash, with each anniversary cash payment determined by multiplying $50,000 by an anniversary ratio which is the ratio of cumulative revenue at the respective anniversary date divided by the cumulative sales target for the same period of time. Likewise, the total of all anniversary common stock payments will not exceed $300,000 in value of shares of common stock (as valued on the date of issue), with the number of shares for each anniversary stock issuance determined by dividing 75,000 by the closing stock price as of the respective anniversary date and multiplying that result by the anniversary ratio noted above. Finally, the total of all anniversary warrant payments will not exceed 300,000 warrants, with the value of each anniversary warrant issuance determined by multiplying 75,000 (the number of warrants to be issued) by a newly calculated Black Scholes value per warrant as of the fiscal year end. As of September 30, 2010, we had accrued $2,646 with respect to the cumulative amount due to CCC, and had a negative accrual of less than $1,000 as of September 30, 2009. For the quarter ended September 30, 2010, we issued to CCC 23,164 shares of our common stock and 75,000 warrants with an exercise price of $0.35 versus 15,296 shares and 75,000 warrants issued in the prior year s quarter ended September 30, 2009, pursuant to this license agreement.

The License Agreement also requires that, for all sales of the Licensed Products subsequent to the execution of the agreement, we pay CCC a quarterly royalty fee equal to seven percent of net sales of the Licensed Products during the immediately preceding quarter. The License Agreement s caps on payments from us to CCC do not apply to royalty payments.

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(i) Advertising Costs

Advertising costs are expensed when incurred, and are included in Selling and Marketing expensesand totaled $13,321 and $10,071 for the quarters ended September 30, 2010 and September 30, 2009, 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 carry forwards 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 that 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. When revenue is received by a customer in advance of shipment of products, in exchange for a discount, it is credited to deferred revenue and taken into revenue upon eventual shipment of the products. We also have arrangements in which we manufacture products for other companies. Revenue under these arrangements is recognized when the manufacturing process is complete and risk of ownership has passed.

(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 totaled $105,381 and $150,359 for the quarters ended September 30, 2010 and September 30, 2009, 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 2010 and 2009 provided for fees to us based on time and materials in exchange for performing specified research and development functions. Contract research and development revenues totaled $202,525 and $64,473 for the quarters ended September 30, 2010 and September 30, 2009, respectively. Research and development contracts are generally short term with options to extend, and can be cancelled under specific circumstances.

(m) Long-Lived Assets

We review 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. We evaluate 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) Deferred Facility Lease Payable

Prior to occupying our headquarters facility in Broomfield, Colorado, the landlord expended a total of $1,052,140 for the tenant improvements. This amount was recorded as a charge to leasehold improvements and a credit to deferred facility lease payable, which is being amortized against rent expense over the 84 month period of the lease.

(o) Stock-Based Compensation

In accordance with the guidance of the *Share-Based Payment* Topic of the FASB ASC, we account for share-based payments by measuring and recognizing the amount of compensation expense for all share-based payment awards made to employees, officers, directors, and consultants, including employee stock options based on estimated fair values. Pursuant to this guidance, we estimate the

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fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the required service period in our Statements of Operations. Stock-based compensation is based on awards ultimately expected to vest and is reduced for estimated forfeitures. In further adherence to this guidance, we estimate any future forfeiture at the time of grant and revise these estimates, as necessary, in subsequent periods if actual forfeitures differ from those estimates.

For purposes of determining the estimated fair value of share-based payment awards on the date of grant, and as allowed by the guidance of the *Share-Based Payment* Topic in the FASB ASC, we use the Black-Scholes option-pricing model (Black Scholes Model). The Black Scholes Model requires the input of highly subjective assumptions. Because our employee stock options may have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models may not provide a reliable single measure of the fair value of our employee stock options. Management will continue to assess the assumptions and methodologies used to calculate estimated fair value of share-based compensation. Circumstances may change and additional data may become available over time, which result in changes to these assumptions and methodologies, which could materially impact our fair value determination.

The application of the accounting principles set forth in the guidance of the *Share-Based Payment* Topic of the FASB ASC may be subject to further interpretation and refinement over time. There are significant differences among option valuation models, and this may result in a lack of comparability with other companies that use different models, methods and assumptions. If factors change and we employ different assumptions in the application of these accounting principles in future periods, or if we decide to use a different valuation model, the compensation expense that we record in the future under these principles may differ significantly from what we have recorded in the current period and could materially affect our loss from operations, net loss and net loss per share.

(p) Earnings (loss) per Share

Basic 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. Options and warrants to purchase common stock, totaling 37,969,844 and 36,334,637 shares as of September 30, 2010 and September 30, 2009, respectively, are not included in the calculation of weighted average common shares-diluted below, as their effect would be to lower the net loss per share and thus be anti-dilutive. Redeemable common stock is included in the common shares outstanding for purposes of calculating net loss per share.

	3 Months ended September 30, 2010	3 Months ended September 30, 2009
Net loss attributable to common stockholders	$ (354,482)	$ (17,637)
Common and common equivalent shares outstanding:		
Historical common shares outstanding at beginning of period	30,982,803	30,294,505
Weighted average common equivalent shares issued during the period	6,938,605	11,350
Weighted average common shares basic and diluted	37,921,408	30,305,855

Net loss per share	basic and diluted	$	(0.01)	$	(0.00)*

*Less than ($0.01) per share

(q) ***Foreign Currency Transactions and Comprehensive Income (Loss)***

The accounts of our 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.

We adhere to the guidance set forth in the *Reporting Comprehensive Income* Topic of the FASB ASC, which establishes standards for reporting and displaying comprehensive income (loss) and its components. Comprehensive income (loss) includes all changes in equity during a period from non-owner sources.

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(r) Cost of Sales and Operating Expenses

Cost of sales includes costs associated with manufacturing, including labor, raw materials, freight-in, manufacturing administration, quality assurance and quality control, repairs and maintenance, scrap and other indirect costs.

Selling and marketing expenses consist primarily of shipping and handling costs, wages and benefits for sales and marketing support personnel, travel, sales commissions, business insurance, promotional costs, as well as other indirect cots.

Research and development expenses consist primarily of the labor-related costs, the cost of clinical studies and travel expenses, laboratory supplies and product-testing expenses related to the research and development of new and existing diagnostic products.

General and administrative expenses consist primarily of wages and benefits associated with management and administrative support departments, business insurance costs, professional fees, outside services, office facility related expense, and other general support costs.

(s) Liquidity

At September 30, 2010, our working capital increased by $849,970 to $2,995,900 from $2,145,930 at June 30, 2010, and concomitantly, our current ratio (current assets divided by current liabilities) increased from 1.92 to 1 at June 30, 2010 to 2.34 to 1 at September 30, 2010. This increase in working capital is primarily attributable to the $1,250,000 strategic investment by ELITech.

At September 30, 2010, trade and other receivables were $1,260,653 versus $1,408,969 at June 30, 2010. Accounts payable, accrued payroll and other accrued expenses increased by a combined $244,024 from June 30, 2010. At September 30, 2010, inventories were $2,523,598, a slight increase versus $2,499,557 at June 30, 2010.

For the quarter ended September 30, 2010, cash provided by operating activities amounted to $135,121, versus cash provided by operating activities of $197,867 for the quarter ended September 30, 2009. The reduction in the cash provided by operations for the current quarter resulted primarily from the increase in the net loss for the period, a slight increase in inventories plus a decrease in accounts payable and accrued payroll and related liabilities.

Net cash provided by investing activities, the proceeds from the sale of fixed assets, offset by the purchase of laboratory equipment, leasehold improvements and computer equipment, was $93 for the quarter ended September 30, 2010, compared to $5,951 net cash used for investing activities for the quarter ended September 30, 2009.

Net cash provided by financing activities amounted to $755,098 for the quarter ended September 30, 2010 compared to $5,788 net cash provided by investing activities for the quarter ended September 30, 2009. This increase versus the comparable prior year was primarily due to the proceeds from the $1,250,000 strategic investment by ELITech.

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception, net of dividends on redeemable common and redeemable preferred stock, have aggregated $13,519,815 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. Historically, we have financed our operations primarily through long-term debt, factoring of accounts receivables, and the sales of common stock, redeemable common stock, and preferred stock. We have also financed operations through sales of diagnostic products and agreements with strategic partners. We have developed and are continuing to modify an operating plan intended to eventually achieve sustainable profitability, positive cash flow from operations, and an adequate level of financial liquidity. Key components of this plan include consistent revenue growth and the cash to be derived from such growth, as well as the expansion of our strategic alliances with other biotechnology and diagnostic companies, securing diagnostic-related government contracts and grants, improving operating efficiencies to reduce our cost of sales as a percentage of sales, thereby improving gross margins, and lowering our overall operating expenses. If our sales were to decline, are flat, or achieve very slow growth, we would undoubtedly incur operating losses and a decreasing level of liquidity for that period of time. In view of this, and in order to further improve our liquidity and operating results, we entered into the ELITech collaboration and investment, described above.

The $1,250,000 ELITech common stock investment in addition to the Summit $1,750,000 September 30, 2009 credit facility, in conjunction with our current revised forecasts, should provide adequate resources to continue operations for longer than 12 months.

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(t) Recently Issued Accounting Pronouncements

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity s fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the financial position, results of operations or cash flows of the Company.

As of July 1, 2008, we adopted the guidance set forth in the *Fair Value Measurements* Topic of the FASB ASC. This guidance established a framework for measuring fair value in GAAP and clarified the definition of fair value within that framework. The guidance does not require any new fair value measurements in GAAP. The guidance further introduced, or reiterated a number of key concepts which form the foundation of the fair value measurement approach to be utilized for financial reporting purposes. The fair value of our financial instruments reflect the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The guidance also established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs.

The adoption of these provisions did not have a material effect on our financial condition and results of operations, but introduced new disclosures about how we value certain assets and liabilities. Much of the disclosure requirement is focused on the inputs used to measure fair value, particularly in instances where the measurement uses significant unobservable (Level 3) inputs. Our financial instruments are valued using quoted prices in active markets or based upon other observable inputs. The following table sets forth the fair value of our financial assets that were measured on a recurring basis as of September 30, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,100,951			$ 1,100,951
Total	$ 1,100,951			$ 1,100,951

We have adopted the guidance set forth in the *Fair Value Option for Financial Assets and Financial Liabilities* Topic of the FASB ASC. Pursuant to the guidance of this Topic, we are allowed the irrevocable option to elect fair value for the initial and subsequent measurements for specified financial assets and liabilities on a contract-by-contract basis. We did not elect to adopt the fair value option included in this Topic. The provisions of the *Non-controlling Interests in Consolidated Financial Statements* Topic of the FASB ASC change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. These provisions will change the

accounting and reporting for minority interests, which will be recharacterized as non-controlling interests and classified as a component of equity. These provisions are effective for both public and private companies for fiscal years beginning on or after December 15, 2008 (the fiscal year ended June 30, 2010 for our company). The provisions will be applied prospectively. The provisions also require retroactive adoption of the presentation and disclosure guidance for existing minority interests. All other guidance under this Topic will be applied prospectively. Early adoption is prohibited for both standards. Management has evaluated the guidance under this Topic and has determined that there is no impact on our financial statements.

The provisions of the *Interim Disclosures about Fair Value of Financial Instruments* Topic of the FASB ASC, which is effective for interim periods ending after June 15, 2009, require the disclosures of fair value of financial instruments in interim financial statements as well as in annual financial statements. We have adopted these provisions and believe that they do not have a significant impact on our financial position, cash flows, or disclosures.

The *Subsequent Events* Topic of the FASB ASC established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Recognized subsequent events should be recognized in the financial statements since the condition existed at the date of the balance sheet. Non recognized subsequent events are not recognized in the financial statements since the conditions arose after the balance sheet date but before the financial statements are issued or are available to be issued. The guidance in this Topic, is effective for interim or annual periods ending after June 15, 2009. In connection with the preparation of our consolidated financial statements, we have evaluated subsequent events after the balance sheet date of September 30, 2010, through the filing of this report.

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3. SEGMENT INFORMATION

Our diagnostic medical products are sold in North America (the U.S., Canada and Mexico) directly and through independent sales representatives, to hospital laboratories, laboratory chains, independent laboratories, university laboratories and reference laboratories. Internationally, our diagnostic medical products are sold wholesale through distributors, except in the UK, where they are sold direct. Management has chosen to organize our business around the two geographic segments of business: North American and International operations. The following table sets forth selected financial data for these segments for the three and nine month periods ended September 30, 2010 and 2009.

		Three Months Ended September 30,		
		North America	International	Total
Net sales	2010	$ 1,464,730	$ 513,494	$ 1,978,224
	2009	$ 1,520,641	$ 524,326	$ 2,044,967
Net loss	2010	$ (96,596)	$ (251,634)	$ (348,230)
	2009	$ (129,099)	$ 122,347	$ (6,752)
Depreciation and	2010	$ 101,958	$ 6,609	$ 108,567
Amortization	2009	$ 101,805	$ 5,654	$ 107,459
Interest expense, net	2010	$ (105,783)	$ (2,879)	$ (108,662)
	2009	$ (67,063)	$ (1,633)	$ (68,696)
Segment assets:				
September 30,	2010	$ 6,037,534	$ 705,434	$ 6,742,968
June 30,	2010	$ 5,385,912	$ 768,853	$ 6,154,765

4. REDEEMABLE COMMON STOCK AND REDEEMABLE CONVERTIBLE PREFERRED STOCK

(a) Redeemable Common Stock and Warrants

On July 1, 2002, as part of the Medical & Biological Laboratories Co., Ltd. (MBL) Stock Purchase 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 (the Purchased Shares) at a price of $.568 per share, which is equal to an aggregate amount of $500,000. These warrants were due to expire on July 3, 2009 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, 2008). 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.

As previously reported, on August 1, 2005 the Company and MBL entered into an Amendment to the Common Stock Purchase Agreement and Warrant (the Amendment) wherein one-half, or 440,141, of the Purchased Shares were exchanged for a three-year promissory note in the principal amount of $250,000 payable with interest at the prime rate plus two percent (the First Note) with payments having commenced in September 1, 2005. The Amendment also extended the Warrants to August 31, 2008 or until the principal balance of the First Note was paid in full and re-priced the Warrants from $0.568 per share to $0.40 per share. The First Note has been paid in full and all of the 440,041 Purchased Shares exchanged for the First Note have been returned to the

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Company. Pursuant to the Amendment, the remaining 440,141 Purchased Shares not exchanged for the First Note were originally due to be redeemed by the Company at $0.568 per share on August 1, 2008 unless MBL was able to sell the remaining Purchased Shares on the open market.

As previously reported, on August 1, 2008, the Company and MBL entered into a Second Amendment to the Common Stock Purchase Agreement and Warrant (the Second Amendment) wherein one-half, or 220,070, of the remaining Purchased Shares were exchanged for a two-year promissory note in the principal amount of $125,000 payable with interest at the prime rate plus two percent (the Second Note) with payments having commenced in September 1, 2008. The Second Amendment also extended the Warrants to August 1, 2010 or until the principal balance of the Second Note was paid in full. As of the date of this report, no unpaid principal balance remained on the Second Note, and the 220,070 Purchased Shares exchanged for the Second Note have been returned to the Company. Pursuant to the Second Amendment, the remaining 220,071 Purchased Shares not exchanged for the Second Note were originally due to be redeemed by the Company at $0.568 per share on August 1, 2010 unless MBL was able to sell the remaining Purchased Shares on the open market.

On August 27, 2010, the Company entered into a Third Amendment to the Common Stock Purchase Agreement and Warrant dated August 1, 2010 (the Third Amendment) among the Company and MBL, wherein the remaining 220,070 Purchased Shares were exchanged for a two-year promissory note in the principal amount of $125,000, payable with interest at the prime rate plus two percent (the Third Note) with payments having commenced on September 1, 2010. The Third Amendment also extended the Warrants to August 1, 2012.

As of September 30, 2010, a total of 660,212 shares have been returned to us pursuant to the two notes payable.

(b) Redeemable Convertible Preferred Stock

On February 3, 2009, we entered into two agreements (the Restructuring Agreements) to restructure the debt evidenced by convertible term notes that Truk Opportunity Fund, LLC, a Delaware company; Truk International Fund, LP, a Cayman Islands company (collectively, Truk); and CAMOFI Master LDC, a Cayman Islands company, formerly named DCOFI Master LDC, (CAMOFI) purchased on May 19, 2005 and December 28, 2005. The Restructuring Agreements suspended all amortizing principal amount payments otherwise due under each note, beginning November 1, 2008 and ending on the earlier of (i) the first day of the month next succeeding the closing of any new financing transaction or (ii) May 1, 2009 (the Repayment Date), at which time payments would again have become due and payable on the first day of each subsequent month until September 30, 2010 (the Maturity Date). Payments would be equal to the amount of principal outstanding divided by the number of months from the Repayment Date until the Maturity Date. On the Maturity Date, the amortizing principal amount for each of the term notes and all other amounts due and owing must be repaid in full, whether by payment of cash, or at Truk s or CAMOFI s option, by the conversion into common stock.

Under the Restructuring Agreements, Truk and CAMOFI agreed that their security interest in our accounts receivable and inventory would only be subordinated to that of the lenders in any new financing, but that their security interest in all of our other assets will remain a perfected first security interest.

Simultaneously with the execution of the Restructuring Agreements:

(1) We paid $22,466 to Truk and CAMOFI for accrued and unpaid interest from November 1, 2008 to February 3, 2009 with respect to term notes held by each;

(2) We extended the expiry dates of common stock purchase warrants held by the note-holders (warrants dated May 19, 2005 were extended to expire May 19, 2017, rather than May 19, 2012, and common stock purchase warrants dated December 28, 2005 were extended to expire December 28, 2015, rather than December 28, 2010);

(3) We issued to CAMOFI 200,000 shares of our Series B Convertible Preferred Stock (Series B), with a liquidation preference of $50,000, which is convertible into 800,000 shares of our common stock at the rate of $0.25 per share; and

(4) We issued to Truk 36,680 shares of Series B, with a liquidation preference of $9,170, which is convertible into 146,720 shares of our common stock at the rate of $0.25 per share. The calculated cost of items (2) through (4) above, were charged to deferred finance costs and is being amortized over nine months through December 2009.

On October 8, 2010, we completed a repurchase of 200,000 shares of our Series B Convertible Preferred Stock (the Repurchased Shares) held by CAMOFI Master LDC, a Cayman Islands company (CAMOFI), for a purchase price of $50,000. Pursuant to the Second Modification of Secured Convertible Term Notes dated January 29, 2009 by and between us and CAMOFI, the Repurchased Shares bore a $50,000 liquidation preference and were convertible into 800,000 shares of our common stock at the option of CAMOFI. The repurchase was funded in part by cash on hand and in part by proceeds from the sale of the Second Tranche Shares.

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5. STOCKHOLDERS EQUITY

(a) Employee Stock Purchase Plan

Effective January 1, 1999, we adopted an Employee Stock Purchase Plan to provide eligible employees an opportunity to purchase shares of our common stock through payroll deductions, up to 10% of eligible compensation. On April 26, 2007, Shareholders approved our Second Amended and Restated Employee Stock Purchase Plan. These plans fully comply with 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 600,000 common shares have been registered with the Securities and Exchange Commission (SEC) for purchase under the two plans. In the quarter ended September 30, 2010, 1,440 shares were issued under the plans. In the quarter ended September 30, 2009, 27,673shares were issued under the plans.

(b) Incentive Stock Option Plan

Stock Options as of September 30, 2010

Our Amended and Restated 1999 Incentive Stock Plan and the 2007 Incentive Compensation Plan (the Plan) provides for two separate components. The Stock Option Grant Program, administered by the Compensation Committee (the Committee) appointed by our Board of Directors, provides for the grant of incentive and non-statutory stock options to purchase common stock to employees, directors or other independent advisors designated by the Committee. The Restricted Stock Program administered by the Committee, provides for the issuance of Restricted Stock Awards to employees, directors or other independent advisors designated by the Committee. The following table summarizes stock options outstanding as of September 30, 2010, and changes during the three months then ended:

	Outstanding Options			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in months)	Aggregate Intrinsic Value
Options outstanding at June 30, 2010	2,440,000	$ 0.32	41.3	$
Granted	(440,000)	$ 0.10	83.5	
Exercised		$		
Cancelled, expired or forfeited	(40,000)	$ 0.39	38.5	
Options outstanding at September 30, 2010	2,840,000	$ 0.29	44.3	$
Options exercisable at September 30, 2010	2,840,000	$ 0.29	44.3	$

The total intrinsic value as of September 30, 2010 measures the difference between the market price as of September 30, 2010 and the exercise price. No options were exercised during the three months ended September 30, 2010. Consequently, no cash was received, nor did we realize

any tax deductions related to exercise of stock options during the period.

There was no estimated unrecognized compensation cost from unvested stock options as of September 30, 2010.

The weighted average per share fair value of stock options granted during the quarter ending September 30, 2010 was $0.102. The weighted average per share fair value of stock options granted during the quarter ending September 30, 2009 was $0.095. The fair value was estimated as of the grant date using the Black-Scholes option pricing model with the following assumptions:

	Quarters Months Ended September 30,	
Valuation Assumptions	**2010**	**2009**
Expected life	**7years**	**7 years**
Risk-free interest rate	**2.69%**	**2.69%**
Expected volatility	**135.8%**	**84.7%**
Expected dividend yield	**0%**	**0%**

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Effective September 8, 2008, we adopted a One Year Short-term Incentive Compensation Plan to provide the executive officers an opportunity to earn shares of our common stock as a bonus and in lieu of cash compensation upon the achievement by us of certain stipulated and targeted EBITDA amounts. The shares of common stock to be issued under this plan were based upon the closing stock price of our common stock as of June 30, 2009, which was $0.095. Based upon the reported EBITDA figures for the fiscal year ended June 30, 2009, 737,099 shares of our common stock were earned by the Executive Officers and were issued to the corporate officers at the end of September 2009. Under both issuances, the shares immediately vested upon issuance.

6. DUE TO FACTOR

On October 4, 2010, Corgenix UK entered into a letter agreement with Faunus Group International, Inc. (FGI), pursuant to which, among other things, Corgenix UK and FGI agreed to terminate that certain Receivables Finance Agreement dated March 29, 2010 by and between Corgenix UK and FGI (as amended, the Agreement), effective as of September 30, 2010.

Under the Agreement, Corgenix UK agreed to sell to FGI all of Corgenix UK s right, title and interest in and to specified accounts receivable and all merchandise represented by those accounts. In exchange, FGI advanced funds to the Company.

Contemporaneously with the termination of the Agreement, each of following agreements were terminated effective as of September 30, 2010: (a) Guaranty dated March 29, 2010 by and between the Company and FGI, (b) Guaranty dated March 29, 2010 by and between Corgenix Inc. and FGI, and (c) Debenture Agreement dated March 29, 2010 by and between Corgenix UK and FGI. Corgenix UK paid FGI a termination fee of $25,000.

The accounts receivable sold to FGI were treated as a secured borrowing. During the quarter ended September 30, 2010, we sold $207,584 of our accounts receivable invoices to FGI for approximately $176,027. Fees paid to FGI for interest and other services for the same period totaled $36,263.

On September 30, 2009, we, along with our wholly owned subsidiary, Corgenix, Inc., entered into a Financing Agreement, an Addendum to Financing Agreement, a Loan and Security Agreement and a Promissory Note (collectively, the Summit Agreements) with Summit. We are jointly and severally liable for all obligations pursuant to the Summit Agreements. The Agreements with Summit provide us and our subsidiary with a maximum credit line of $1,750,000 pursuant to an account factoring relationship, coupled with a secured line of credit.

Under the Financing Agreement, we agreed to sell all of our right, title and interest in and to accounts identified for purchase by Summit from time to time. The purchase price for each sold account equals the face amount of each account multiplied by the applicable advance rate, minus all interest and fees and charges as described in the Financing Agreement. In addition, interest will accrue on advances made by way of purchased accounts at the rate of prime plus 1.5% per annum until Summit receives payment in full on each account. If Summit does not receive full payment on a purchased account by the due date specified in the Financing Agreement, then we or our subsidiary (as applicable) must repurchase that account, and pay Summit the default interest rate until it is repaid.

Currently, the advance rate on eligible accounts receivable is 85%, and will remain the same unless Summit elects in its discretion to apply a different percentage.

The accounts receivable sold to Summit are also treated as a secured borrowing. During the quarter ended September 30, 2010 we sold $1,140,794 of our accounts receivable invoices to Summit for approximately $969,675. Fees paid to Summit for interest and other services for the same period totaled $43,180.

Other Receivables at September 30, 2010 and September 30, 2009 represent the retained percentages of the factored accounts receivable.

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7. NOTES PAYABLE

Notes payable consist of the following at September 30, 2010 and June 30, 2010:

	September 30, 2010	June 30, 2010
Note payable, unsecured, to redeemable common stockholders, with interest at prime plus 2.0% (5.25% as of September 30, 2010 and June 30, 2010) due in monthly installments with principal payments of $5,200 plus interest through August 2010	$	$ 26,200
Note payable, net of discount of $35,349, unsecured, to redeemable common stockholders, with interest at prime plus 2.0% (5.25% as of September 30, 2010 due in monthly installments with principal payments of $5,200 plus interest through August 2012	84,449	
Note payable, payable to Summit Financial Resources, with interest at prime rate plus 2.75% (6% as of September 30, 2010 and June 30, 2010) due in monthly installments with principal payments of $3,804 plus interest through November 2009 plus interest, and via a note modification dated November 30, 2009, weekly principal payments of $12,500 plus interest, on December 7, 2009 and December 14, 2009, and $21,835 plus interest on December 28, 2009, and then in monthly installments with principal and interest of $1,647, commencing January 31, 2010 through September 30, 2012, collateralized by all assets of Corgenix	38,617	41,494
	123,066	67,694
Current portion, net of current portion of discount	(63,437)	(43,953)
Notes payable, excluding current portion and net of long-term portion of discount	$ 59,629	$ 23,741

8. COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

On July 12, 2010, we announced that under the terms and conditions of the Master Distribution Agreement, and as a condition precedent to the closing of the Second Tranche, Elitech UK became the exclusive distributor of the Company s Products (as that term is defined therein) outside of North America. Accordingly, we along with Corgenix U.K. assigned and/or transferred the economic benefit to Elitech UK, and Elitech UK assumed all of the obligations of the Company or Corgenix U.K. under all distribution agreements executed by us or Corgenix U.K., as the case may be, related to any distributor whose territory is outside of North America. Thus, as a condition to the closing of the Second Tranche investment with the ELITech group, we will have effectively transferred our product distribution activity outside of North America from our subsidiary, Corgenix U.K., to Elitech UK. Pursuant to this plan, beginning October 1, 2010, we anticipate winding down the business activities heretofore carried out by Corgenix UK and permanently closing the business on or about December 31, 2010. In order to accomplish this wind down and closing of Corgenix UK, it is our intent to transfer one of Corgenix UK s seven employees to Elitech UK, terminate the employment of all but two of the remaining Corgenix UK employees at September 30, 2010, retain one of their employees and one consultant until November 30, 2010, and retain the last remaining employee until December 31, 2010. In connection with this reduction in workforce, we expect to incur cash charges of approximately $91,543 for one-time costs associated with the severance of these employees, which will be accounted for on a straight-line basis over the period from notification through each employee s termination date. In order to continue to retain key employees as it winds down its UK business, we may commit to additional cash charges when and if such plans are necessary. We expect that any such additional cash charges would not be material. In addition to the above one-time charges amounting to $91,543, our intent is to sell, where possible, the fixed assets, and transfer the facility lease of Corgenix UK. In that regard, we estimate that we will incur an additional

$76,678 in costs related to the loss on sale or abandonment of fixed assets, and $198,418 of charges relating to facility leases and other fixed obligations. All of these charges, with the exception of the loss on fixed assets, will result in future cash expenditures. Although we believe that our estimates are appropriate and reasonable based on available information, actual results could differ from these estimates. All of the above estimated costs were accrued as of Septemb er 30, 2010.

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Item 2.

Management s Discussion and Analysis of

Financial Condition and Results of Operations

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

(a) Forward-Looking Statements

This 10-Q includes statements that are not purely historical and are forward-looking statements within the meaning of Section 21E of the Securities Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All statements other than historical fact contained in this 10-Q, including, without limitation, statements regarding future capital guidance, acquisition strategies, strategic partnership expectations, technological developments, the development, the availability of necessary components, research and development programs and distribution plans, are forward-looking statements. All forward-looking statements included in this 10-Q 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.

(b) General

Since our 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 52 products covering autoimmune disorders, vascular diseases, infectious 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 direct sales representatives, 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 significant customer order backlog.

Except for the fiscal years ending June 30, 1997 and 2009, 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 OM licensed products to our diagnostic product line. Currently we sell 128 products licensed from or manufactured by third party manufacturers. We expect to expand our relationships with other companies in the future to gain access to additional products.

Although, as previously stated, we have experienced growth in revenues every year since 1990, except for 2009 and 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.

(c) Results of Operations

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Net sales. Net sales for the quarter ended September 30, 2010 decreased $66,743 or 3.3% to $1,978,224 versus $2,044,967 in the same quarter of the prior fiscal year. Total North American sales decreased $55,911 or 3.7% to $1,464,730 versus $1,520,641 in the prior year s first quarter, while total sales to international distributors decreased $10,832 or 2.1% to $513,494 versus $524,326 in the prior year s first quarter. With respect to our major revenue categories and product lines, total worldwide Corgenix labeled product sales increased $82,914 or 6.3% to $1,409,842 versus $1,326,929 in the prior year s first quarter. North American Corgenix labeled product sales increased $38,845 or 4.1% to $996,229 versus $957,385 in the prior year s first quarter, whereas international Corgenix labeled product sales increased $44,069 or 11.9% to $413,613 versus $369,544 in the prior year s first quarter. Worldwide category results were as follows: Phospholipids kit sales (including OEM) increased $9,187 or 1.0% to $927,565 versus $918,378 in the prior year s first quarter. Coagulation kit sales decreased $21,239 or 5.4% to $372,219 versus $393,459 in the prior year s first quarter. HA kit sales increased $37,071 or 19.0% to $231,970 versus $194,899 in the prior year s first quarter, while autoimmune kit sales increased $11,541 or 39.4% to $40,831 versus $29,290 in the prior year s first quarter. Additionally, worldwide OEM revenues decreased $5,351 or 2.1% to $247,188 versus $252,539 in the prior year s first quarter, and contract manufacturing revenue decreased $170,893 or 87.7% to $24,000 versus $194,893 in the prior year s first quarter. R & D contract revenue increased $138,052 or

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214.12% to $202,525 versus $64,473 in the prior year s first quarter. Finally, Aspirin Works sales increased $29,705 or 70.5% to $71,951 versus $42,116 in the prior year s first quarter.

Cost of sales. Cost of sales, as a percentage of sales, decreased to 44.1% for the quarter ended September 30, 2010 from 45.4% in the prior year s comparable quarter. The decrease was primarily attributable to a differentiation in the product sales mix, and to a reduction of scrap and rework for the quarter.

Selling and marketing expenses. For the quarter ended September 30, 2010, selling and marketing expenses decreased $40,154 or 9.8% to $369,363 from $409,517 for the quarter ended September 30, 2009. The $40,154 decrease versus the prior year resulted primarily from decreases of $12,081 in Corgenix UK sales and marketing expenses, $17,899 in consulting expenses, and $10,640 in travel related expenses, partially offset by a net increase of $466 in other selling and marketing expenses.

Research and developmentExpenses. Research and development expenses decreased $44,978 or 29.9% to $105,381 for the quarter ended September 30, 2010, from $150,359 for the quarter ended September 30, 2009. The $44,978 decrease versus the prior year resulted primarily from decreases of $36,619 in labor-related expenses, $7,196 in clinical studies expenses, and $5,274 in laboratory supplies, partially offset by a net increase of $4,111 in other research and development expenses.

General and administrative expenses. For the quarter ended September 30, 2010, general and administrative expenses increased 6.6% or $31,345 to $503,284 from $471,939 for the quarter ended September 30, 2009. The $31,345 increase versus the prior year resulted primarily from increases of $14,064 in consulting and outside services expenses, $7,266 in equipment lease expense, $3,451 in bank charges, $3,875 in license fees and miscellaneous taxes, plus $2,689 in other general and administrative expenses.

Interest expense. Interest expense increased $39,966, or 58.2% to $108,662 for the quarter ended September 30, 2010, from $68,696 for the quarter ended September 30, 2009. The $39,966 increase in interest expense was due primarily to the additional interest expense brought about by the FGI borrowings.

(d) ADJUSTED EBITDA

Our adjusted earnings before interest, taxes, depreciation, amortization, non cash expense associated with stock-based compensation and the one-time costs associated with exit or disposal activities (Adjusted EBITDA) increased $59,675 or 32.9% to $241,051 for the three months ended September 30, 2010 compared with $181,376 for the corresponding three month period in fiscal 2010. Although adjusted EBITDA is not a GAAP measure of performance or liquidity, we believe that it may be useful to an investor in evaluating our ability to meet future debt service, capital expenditures and working capital guidance. However, investors should not consider these measures in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining our operating performance or liquidity that is calculated in accordance with GAAP. In addition, because adjusted EBITDA is not calculated in accordance with GAAP, it may not necessarily be comparable to similarly titled measures employed by other companies. A reconciliation of Adjusted EBITDA to net earnings (loss) can be made by adding depreciation and amortization expense, corporate stock-based compensation expense, interest expense, and income tax expense to net income (loss) as in the following table:

	3 months ended September 30, 2010	3 months ended September 30, 2009
RECONCILIATION OF ADJUSTED EBITDA:		
Net income (loss)	$ (348,230)	$ (6,752)
Add back:		
Depreciation and amortization	108,567	107,459
Stock-based compensation expense	5,636	12,114
Interest expense, net of interest income	108,439	68,555
Costs associated with exit or disposal activities	366,639	
Adjusted EBITDA	$ 241,051	181,376

(e) Financing Agreements

On October 8, 2010, we closed the Second Tranche of the Common Stock Purchase Agreement (the Common Stock Purchase Agreement) with Financière Elitech SAS, a société par actions simplifiée organized under the laws of France (Elitech), and Wescor, Inc., a Utah corporation and subsidiary of Elitech (Wescor), effective as of October 1, 2010. As a condition to closing the Second Tranche, we transferred our product distribution activity outside of North America from our subsidiary, Corgenix

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U.K. Ltd., (Corgenix UK) to Elitech UK Limited, (Elitech UK), pursuant to the Assignment and Assumption Agreement, effective as of October 1, 2010 by and among us, Corgenix U.K.and Elitech UK. As an additional condition to closing the Second Tranche, Wescor purchased 1,666,667 shares of our common stock (the Second Tranche Shares) for $250,000, or $0.15 per share. For no additional consideration, we issued a warrant to Wescor to purchase 833,333 shares of our common stock at $0.15 per share (the Second Tranche Warrant).

The foregoing descriptions of the Common Stock Purchase Agreement, the Assignment and Assumption Agreement and the Second Tranche Warrant are not complete descriptions of all the terms of those agreements. For a complete description of all the terms, we refer you to the full text of the Common Stock Purchase Agreement, the Assignment and Assumption Agreement and the Second Tranche Warrant, copies of which were filed as Exhibits 10.1, 10.2 and 10.3, respectively, to the Form 8-K.

On October 8, 2010, we also completed a repurchase of 200,000 shares of our Series B Convertible Preferred Stock (the Repurchased Shares) held by CAMOFI Master LDC, a Cayman Islands company (CAMOFI), for a purchase price of $50,000. Pursuant to the Second Modification of Secured Convertible Term Notes dated January 29, 2009 by and between us and CAMOFI, the Repurchased Shares bore a $50,000 liquidation preference and were convertible into 800,000 shares of our common stock at the option of CAMOFI. The repurchase was funded in part by cash on hand and in part by proceeds from the sale of the Second Tranche Shares.

On October 4, 2010, Corgenix UK entered into a letter agreement with Faunus Group International, Inc. (FGI), pursuant to which, among other things, Corgenix UK and FGI agreed to terminate that certain Receivables Finance Agreement dated March 29, 2010 by and between Corgenix UK and FGI (as amended, the Agreement), effective as of September 30, 2010.

Under the Agreement, Corgenix UK agreed to sell to FGI all of Corgenix UK s right, title and interest in and to specified accounts receivable and all merchandise represented by those accounts. In exchange, FGI advanced funds to the Company.

Contemporaneously with the termination of the Agreement, each of following agreements were terminated effective as of September 30, 2010: (a) Guaranty dated March 29, 2010 by and between the Company and FGI, (b) Guaranty dated March 29, 2010 by and between Corgenix Inc. and FGI, and (c) Debenture Agreement dated March 29, 2010 by and between Corgenix UK and FGI. Corgenix UK paid FGI a termination fee of $25,000.

On July 12, 2010 we entered into the Common Stock Purchase Agreement with Elitech and Wescor. In accordance with the Common Stock Purchase Agreement, Wescor will purchase up to $2,000,000 of the Company s common stock in three installments (subject to various conditions) and will receive warrants to purchase additional shares. Also, in connection with the Common Stock Purchase Agreement, we entered into (i) a distribution agreement (Master Distribution Agreement) with Elitech UK and (ii) a joint product development agreement (Joint Product Development Agreement) with Elitech. The details of the Common Stock Purchase Agreement, Master Distribution Agreement, and Joint Product Development Agreement are outlined below.

The investment by Wescor will take place over a maximum of three tranches:

First Tranche under the Common Stock Purchase Agreement Pursuant to the First Tranche of the Common Stock Purchase Agreement, on July 16, 2010, Wescor invested $1,250,000 to purchase 8,333,334 shares of the Company s common stock valued at $0.15 per share. For no additional consideration the Company issued a warrant to Wescor to purchase 4,166,667 shares at $0.15 per share. The Company entered into the Master Distribution Agreement with Elitech UK Limited and the Joint Product Development Agreement with Elitech, contemporaneously with the issuance of the First Tranche Shares.

Second Tranche under the Common Stock Purchase Agreement Pursuant to the Second Tranche of the Common Stock Purchase Agreement, Wescor will invest $250,000 to purchase 1,666,667 shares of our common stock valued at $0.15 per share. For no additional consideration we will issue a warrant to Wescor to purchase 833,333 shares at $0.15 per share. As a condition to the closing of the Second Tranche, the Company will have effectively transferred its product distribution activity outside of North America from our subsidiary, Corgenix U.K. Ltd., to Elitech UK Limited.

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Third Tranche under the Common Stock Purchase Agreement Pursuant to the Third Tranche of the Common Stock Purchase Agreement, Wescor will invest $500,000 to purchase 3,333,333 shares of our common stock valued at $0.15 per share. For no additional consideration we will issue a warrant to Wescor to purchase 1,666,667 shares at $0.15 per share. As a condition to the closing of the Third Tranche, the Executive Committee established under the Joint Product Development Agreement will have determined the feasibility of creating not less than two (2) new Corgenix assays as further described in the Joint Product Development Agreement.

In connection with the Common Stock Purchase Agreement, at the initial closing, which occurred on July 16, 2010, we entered into the Master Distribution Agreement with Elitech UK, and we entered into the Joint Product Development Agreement with Elitech. Under the terms and conditions of the Master Distribution Agreement, and as a condition precedent to the closing of the Second Tranche, Elitech UK became the exclusive distributor of the Company s Products (as that term is defined therein) outside of North America. Accordingly, we along with Corgenix U.K. assigned and/or transferred the economic benefit to Elitech UK, and Elitech UK assumed all of the obligations of the Company or Corgenix U.K. under all distribution agreements executed by us or Corgenix U.K., as the case may be, related to any distributor whose territory is outside of North America.

(f) Liquidity and Capital Resources

At September 30, 2010, our working capital increased by $849,970 to $2,995,900 from $2,145,930 at June 30, 2010, and concomitantly, our current ratio (current assets divided by current liabilities) increased from 1.92 to 1 at June 30, 2010 to 2.34 to 1 at September 30, 2010. This increase in working capital is primarily attributable to the $1,250,000 strategic investment by ELITech.

At September 30, 2010, trade and other receivables were $1,260,653 versus $1,408,969 at June 30, 2010. Accounts payable, accrued payroll and other accrued expenses increased by a combined $244,024 from June 30, 2010. At September 30, 2010, inventories were $2,523,598, a slight increase versus $2,499,557 at June 30, 2010.

For the quarter ended September 30, 2010, cash provided by operating activities amounted to $135,121, versus cash provided by operating activities of $197,867 for the quarter ended September 30, 2009. The reduction in the cash provided by operations for the current quarter resulted primarily from the increase in the net loss for the period, a slight increase in inventories plus a decrease in accounts payable and accrued payroll and related liabilities.

Net cash provided by investing activities, the proceeds from the sale of fixed assets, offset by the purchase of laboratory equipment, leasehold improvements and computer equipment, was $93 for the quarter ended September 30, 2010, compared to $5,951 net cash used for investing activities for the quarter ended September 30, 2009.

Net cash provided by financing activities amounted to $755,098 for the quarter ended September 30, 2010 compared to $5,788 net cash provided by investing activities for the quarter ended September 30, 2009. This increase versus the comparable prior year was primarily due to the proceeds from the $1,250,000 strategic investment by ELITech.

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception, net of dividends on redeemable common and redeemable preferred stock, have aggregated $13,519,815 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. Historically, we have financed our operations primarily through long-term debt, factoring of accounts receivables, and the sales of common stock, redeemable common stock, and preferred stock. We have also financed operations through sales of diagnostic products and agreements with strategic partners. We have developed and are continuing to modify an operating plan intended to eventually achieve sustainable profitability, positive cash flow from operations, and an adequate level of financial liquidity. Key components of this plan include consistent revenue growth and the cash to be derived from such growth, as well as the expansion of our strategic alliances with other biotechnology and diagnostic companies, securing diagnostic-related government contracts and grants, improving operating efficiencies to reduce our cost of sales as a percentage of sales, thereby improving gross margins, and lowering our overall operating expenses. If our sales were to decline, are flat, or achieve very slow growth, we would undoubtedly incur operating losses and a decreasing level of liquidity for that period of time. In view of this, and in order to further improve our liquidity and operating results, we entered into the ELITech collaboration and investment, described above.

The $1,250,000 ELITech common stock investment in addition to the Summit $1,750,000 September 30, 2009 credit facility, in conjunction with our current revised forecasts, should provide adequate resources to continue operations for longer than 12 months.

(g) Off -Balance Sheet Arrangements

None.

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(h) Contractual Obligations and Commitments

On February 8, 2006, we entered into a Lease Agreement (the Lease) with York County, LLC, a California limited liability company (Landlord) pursuant to which we leased 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. In 2008, the Property was sold to The Krausz Companies, Inc. a California corporation, and is part of Landlord s multi-tenant real property development known as the Broomfield Corporate Center. We use the Property for our headquarters, laboratory research and development facilities and production facilities.

On the following dates, we executed the following amendments to the Lease:

- December 1, 2006- The Second Amendment to the Lease Agreement (the Second Amendment) established July 6, 2006 as the date of the commencement of the Lease

- June 19, 2007- The Second Amendment to the Lease Agreement (the Second Amendment) redefined the amount of available rental space from 32,480 to 32,000 square feet and recalculated the lease rates per square foot, and

- July 19, 2007- The Third Amendment to the Lease Agreement (the Third Amendment) established the base rent matrix for the period 11/28/2013 to 12/05/2013 which was inadvertently omitted in the Second Amendment.

The term of the Lease (the Term) is seven years and five months and commenced on July 6, 2006 with tenant options to extend the Term for up to two five-year periods. We have a one time right of second refusal to lease contiguous premises.

Initially there was no base lease rate payable on 25,600 square feet of the Property, plus estimated operating expenses of $1.61 per square foot.

The base lease rate payable on 25,600 square feet of the Property increased to $4.00 per square foot on January 28, 2007, plus amortization of tenant improvements of $5.24 per square foot, plus estimated operating expenses of $1.61 per square foot. The base lease rate on 25,600 square feet of the Property increases to $5.64 per square foot on January 28, 2008, with fixed annual increases each January 28 thereafter during the initial Term, plus the amortization of tenant improvements of $5.24 per square foot, and estimated operating expenses of $1.61 per square foot.

Initially, there was no base lease rate payable on 6,400 square feet of the Property, plus estimated operating expenses of $1.61 per square foot. The base lease rate on 6,400 square feet of the Property increases to $3.00 per square foot commencing on August 28, 2007, and increases to $3.09 on January 28, 2008, with fixed annual increases each January 28 thereafter during the initial Term, plus estimated operating expenses of $1.61 per square foot.

Thus, the estimated total rent (this is dependent upon the actual operating expenses) on the entire 32,000 square feet of the Property is initially $1.61 per square foot, then increased to approximately $9.00 per square foot on January 28, 2007, then increased to approximately $9.60 per square foot on August 28 2007, then increases to approximately $10.93 per square foot on January 28, 2008, with annual increases in the base lease rate each January 28 thereafter during the initial Term, up to an estimated total rent of $13.18 per square foot during the final year of the initial Term.

The base lease rate for an extension period is 100% of the then prevailing market rental rate (but in no event less than the rent for the last month of the then current Term) and shall thereafter increase annually by 3% for the remainder of the applicable extension period.

We have not invested in any real estate or real estate mortgages.

Item 3.

Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 4.

Controls and Procedures

Under the supervision and with the participation of our President and Chief Financial Officer, our management has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report as defined in Rule 13a-

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15(b) or Rule 15(d)-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). Based on that evaluation, the President and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective and ensure that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to management, including the President and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting as of the end of the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Other Information

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Removed and Reserved

None

Item 5. **Other Information**

None

Item 6. **Exhibits**

a. Index to and Description of Exhibits.

Exhibit Number	Description of Exhibit
3.1*	Amended and Restated Articles of Incorporation, dated June 9, 2008
3.2*	Amended and Restated Bylaws, dated September 30, 2010
31.1*	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officers pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, or adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

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SIGNATURES

In accordance with the guidance of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORGENIX MEDICAL CORPORATION

November 10, 2010

By: /s/ Douglass T. Simpson
Douglass T. Simpson
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ William H. Critchfield
Chief Financial Officer
(Principal Financial and Accounting Officer)