

SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
May 15, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **March 31, 2015**

Commission file number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Registrant as specified in Its Charter)

Colorado
(State or Other Jurisdiction of Incorporation or
Organization)

84-1330732
(I.R.S. Employer Identification No.)

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

(Address of Principal Executive Offices)

011-49-2302-915-204

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(Registrant's Telephone Number, including area code)

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

Yes No

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 No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

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

Yes No

As of May 12, 2015, there were 147,603,056 shares of the issuer's Common Stock, no par value, issued and outstanding.

SANGUI BIOTECH INTERNATIONAL, INC.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended March 31, 2015

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PART I - FINANCIAL INFORMATION

Item 1 - Consolidated Financial Statements

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

Our unaudited condensed consolidated balance sheet as of March 31, 2015 and the audited balance sheet as of June 30, 2014, our unaudited condensed consolidated statements of operations for the three months periods ended March 31, 2015, and 2014, and our unaudited condensed consolidated statements of cash flows for the nine months period ended March 31, 2015, and 2014 are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Balance Sheets

ASSETS

	March 31, 2015 (unaudited)	June 30, 2014
CURRENT ASSETS		
Cash	\$ 107,798	\$ 98,148
Prepaid expenses and other assets	24,398	64,320
Tax refunds receivable	28,957	60,219
Accounts receivable	17,918	3,772
Related party receivables	-	-
Note receivable, related party	-	34,130
Notes receivable	-	-
Total Current Assets	179,071	260,589
PROPERTY AND EQUIPMENT, Net	-	-
TOTAL ASSETS	\$ 179,071	\$ 260,589
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 190,988	\$ 189,342
Related party payables	82,941	63,971
Note payable - related party	108,500	-
Total Current Liabilities	382,429	253,313
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 10,000,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, no par value; 250,000,000 shares authorized, 147,403,056 and 142,300,256 shares issued and 146,218,314 and 141,115,514 shares outstanding, respectively	31,889,105	31,560,801
Additional paid-in capital	4,621,430	4,621,430
Treasury stock	(339,387)	(339,387)
Accumulated other comprehensive income	170,366	130,216
Accumulated deficit	(35,993,225)	(35,455,943)
Total Sangui Biotech International, Inc.'s stockholders' deficit	348,289	517,117
Non-controlling interest	(551,647)	(509,841)
Total Stockholders' Equity (Deficit)	(203,358)	7,276
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 179,071	\$ 260,589

SANGUI BIOTECH INTERNATIONAL, INC.

Condensed Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
REVENUES	\$ 11,654	\$ 29,438	\$ 116,560	\$ 292,117
LESS: COST OF SALES	91	124	489	1,000
GROSS MARGIN	11,563	29,314	116,071	291,117
OPERATING EXPENSES				
Research and development	36,450	32,744	171,427	167,100
Depreciation and amortization	-	118	-	1,000
General and administrative	169,552	736,748	520,830	1,600,000
Operating Expenses	206,002	769,610	692,257	1,768,100
LOSS FROM OPERATIONS	(194,439)	(740,296)	(576,186)	(1,477,000)
OTHER INCOME (EXPENSE)				
Interest expense	(1,127)	(1,718)	(2,938)	(2,938)
Interest income	36	1	36	36
Equity investment	-	-	-	(2,000)
Other Income (Expense)	(1,091)	(1,717)	(2,902)	(2,000)
Loss before income taxes and non-controlling interest	(195,530)	(742,013)	(579,088)	(1,300,000)
Provision for income taxes	-	-	-	-
LOSS	(195,530)	(742,013)	(579,088)	(1,300,000)
Net loss attributable to non-controlling interest	(14,176)	(54,318)	(41,806)	(1,000,000)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (181,354)	\$ (687,695)	\$ (537,282)	\$ (1,200,000)
COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	13,354	(10,344)	40,150	40,150
Other Comprehensive Income (Loss)	13,354	(10,344)	40,150	40,150
COMPREHENSIVE LOSS	\$ (182,176)	\$ (752,357)	\$ (538,938)	\$ (1,200,000)
LOSS AND DILUTED LOSS PER SHARE-SANGUI SHAREHOLDERS	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)
LOSS AND DILUTED WEIGHTED AVERAGE				
NUMBER OF SHARES OUTSTANDING	147,219,540	137,076,124	145,030,271	136,000,000

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

	For the Nine Months Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (579,088)	\$ (1,378,826)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	-	350
Common stock issued for services	36,422	273,075
Loss on equity investment	-	244,983
Note receivable transferred for consulting services	-	348,743
Changes in operating assets and liabilities		
Trade accounts receivable	(16,987)	1,042
Royalties receivable	-	(27,356)
Prepaid expenses and other current assets	32,044	(855)
Tax refunds receivable	21,522	5,383
Accounts payable and accrued expenses	41,559	41,569
Related parties accounts payable	18,971	39,700
Net Cash Used in Operating Activities	(445,557)	(452,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of notes receivable, related parties	30,883	-
Investment in equity subsidiary	-	(240,546)
Net Cash Provided by (Used in) Investing Activities	30,883	(240,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable- related party	108,500	-
Proceeds from Common stock issued	291,883	672,200
Net Cash Provided by Financing Activities	400,383	672,200
EFFECTS OF EXCHANGE RATES	23,941	11,822
NET INCREASE (DECREASE) IN CASH	9,650	(8,716)
CASH AT BEGINNING OF PERIOD	98,148	47,764
CASH AT END OF PERIOD	\$ 107,798	\$ 39,048
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	\$ 2,568	\$ -
Income Taxes	\$ -	\$ -
NON CASH INVESTING AND FINANCING ACTIVITIES	\$ -	\$ -

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared without audit in accordance with accounting principles generally accepted in the United States of America for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The unaudited consolidated financial statements and notes should, therefore, be read in conjunction with the consolidated financial statements and notes thereto in the Company's Form 10-K for the year ended June 30, 2014. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the nine months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

Consolidation

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

Foreign Currency Translation

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

Exchanges rates used for the preparation of the consolidated balance sheet as of March 31, 2015 and June 30, 2014 and our unaudited consolidated statements of operations for the nine month periods ended March 31, 2015 and 2014, were calculated as follows:

as of March 31, 2015	USD 1 : EUR 0.9217
as of June 30, 2014	USD 1 : EUR 0.7325
July 1 through March 31, 2015	USD 1 : EUR 0.8095
July 1 through March 31, 2014	USD 1 : EUR 0.7398

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk and Uncertainties

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

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has accumulated deficit of \$35,993,225 as of March 31, 2015. The Company incurred a net loss applicable to common stockholders of \$537,282 during the nine months ended March 31, 2015 and used cash in operating activities of \$445,557 during the nine months ended March 31, 2015. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company expects to continue to incur significant capital expenses in pursuing its business plan to market its products and expand its product line, while obtaining additional financing through stock offerings or other feasible financing alternatives. In order for the Company to continue its operations at its existing levels, the Company will require significant additional funds over the next twelve months. Therefore, the Company is dependent on funds raised through equity or debt offerings. Additional financing may not be available on terms favorable to the Company, or at all. If these funds are not available the Company may not be able to execute its business plan or take advantage of business opportunities. The ability of the Company to obtain such additional financing and to achieve its operating goals is uncertain. In the event that the Company does not obtain additional capital, is not able to collect its outstanding receivables or is not able to increase cash flow through the increase of sales, there is a substantial doubt of its being able to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Cash Equivalents

The Company maintains its cash in bank accounts in Germany. Cash and cash equivalents include time deposits for which the Company has no requirements for compensating balances. The Company has not experienced any losses in its uninsured bank accounts. At December 31, 2014 the Company had no cash equivalents.

Research and Development

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Product sales revenue is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured. Product is shipped FOB origination. Product royalty revenue is recognized when the licensee has reported the product sales to the Company. Product royalty revenue is calculated based upon the contractual percentage of reported sales.

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted earnings (loss) per share give effect to all potential dilutive common shares outstanding during the period of compensation. The computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of March 31, 2015, the Company had no potentially dilutive securities that would affect the loss per share if they were to be dilutive.

Comprehensive Income (Loss)

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

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Indemnities and Guarantees

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

NOTE 4 NOTE PAYABLE, RELATED PARTIES

On March 6, 2015, the Company entered into a note payable with a shareholder for \$108,500. The note payable accrues interest at 5 percent per annum, is due on March 31, 2015 and is unsecured.

NOTE 5 CAPITAL STOCK

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

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

During the nine months ended March 31, 2015, the Company issued 552,800 shares of its common stock for services to unrelated parties at an average price of \$0.07 per share. Additionally the Company sold 4,550,000 shares of its common stock for cash to two individuals at an average price of \$0.06 per share.

NOTE 6 SUBSEQUENT EVENTS

On April 7, 2015, the Company issued 200,000 shares of its common stock for cash of \$10,774.

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

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

Forward-looking Statements

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

GENERAL

Our mission is the development of novel and proprietary pharmaceutical, medical and cosmetic products. We develop our products through our German subsidiary, Sangui GmbH. Currently, we are seeking to market and sell our products through partnerships with industry partners worldwide.

Our focus has been the development of oxygen carriers capable of providing oxygen transport in humans in the event of acute and/or chronic lack of oxygen due to arterial occlusion, anemia or blood loss whether due to surgery, trauma, or other causes, as well as in the case of chronic wounds. We have thus far focused our development and commercialization efforts on such artificial oxygen carriers by reproducing and synthesizing polymers out of native hemoglobin of defined molecular sizes. In addition, we have developed external applications of oxygen transporters in the medical and cosmetic fields in the form of sprays for the healing of chronic wounds and of gels and emulsions for the regeneration of the skin. A wound dressing that shows outstanding properties in the support of wound healing, is distributed by SastoMed GmbH, a joint venture company in which we hold a share of 25%, as global licensee under the Granulox brand name.

SanguiBioTech GmbH holds distribution rights for our Chitoskin wound pads for the European Union and various other countries. A European patent has been granted for the production and use of improved Chitoskin wound pads.

Our current key business focuses are: (a) selling our existing cosmetics and wound management products by way of licensing through distribution partners, or by way of direct sale, to end users; (b) identifying additional industrial and distribution partners for our patents, production techniques, and products; and, (c) obtaining the additional certifications on our products in development.

Artificial Oxygen Carriers

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

During the first quarter of our 2013 financial year the European Patent Office granted a patent based on Sangui's application (01 945 245) Mammalian hemoglobin compatible with blood plasma, cross-linked and conjugated with polyalkylene oxides as artificial medical oxygen carriers, production and use thereof .

During the third quarter of our 2013 financial year the company had a feasibility study prepared by external experts inquiring into market potentials and further preclinical and clinical development requirements. The study came to the conclusion that an approval of Sangui's hemoglobin hyperpolymers as a blood additive appears possible, expedient and promising.

During the fourth quarter of our 2014 financial year the company filed a patent application aimed at significantly expanding the protection of our hemoglobin formulations. It will encompass a greater array of ischemic conditions of the human body, for instance in the case of severe dysfunctions of the lung.

During the first quarter of our 2015 financial year, we began together with Excellence Cluster Cardio-Pulmonary System (ECCPS) and TransMIT Gesellschaft für Technologietransfer mbH (TransMIT) to investigate therapeutic approaches to treating septic shock and acute respiratory distress syndrome (ARDS). The approach adopted here by Sangui, ECCPS and TransMIT presupposes that self-perpetuating septic shock, that has so far been highly resistant to treatment, can be interrupted by Sangui's artificial haemoglobin-based oxygen carrier, which would ultimately lower mortality rates. The preclinical trials commenced at ECCPS investigate the effect of various haemoglobin preparations on the oxygen supply of a number of organs in septic shock models and ARDS.

Also during the first quarter we were notified that the period for objection against European Patent EP 2550973, (Wound Spray) elapsed without any objection being raised. The patent, therefore, has become effective and legally binding.

During the second quarter of our 2015 financial year the first phase of preclinical trials was concluded successfully. It could be demonstrated that applying an oxygen-carrying liquid (the hemoglobin hyperpolymer formulation SBT102) in the abdomen did significantly improve the oxygen supply to the intestines. The restoration of intestinal oxygenation will have an impact on tissue integrity and ultimately on patient survival.

During the third quarter of our 2015 financial year the preclinical trials were concluded successfully, the final results did fully confirm the interim results obtained in the second quarter.

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

Nano Formulations for the Regeneration of the Skin

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

diabetes mellitus or by chronic venous insufficiency, can also lead to insufficient oxygen supply and the resulting skin damage.

Sales of this series have remained at a low level throughout the first nine months of our 2015 fiscal year. It is the strategy of the company to find industry partners ready to acquire or license this product range as a whole.

Chitoskin Wound Pads

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

It is the strategy of the company to find industry partners ready to acquire or license this product range as a whole.

Hemospray Wound Spray

SanguiBioTech GmbH has developed a novel medical technology supporting the healing of chronic wounds. Lack of oxygen supply to the cells in the wound ground is the main reason why those wounds lose their genuine healing power. Based on its concept of artificial oxygen carriers, our wound spray product bridges the watery wound surface and permits an enhanced afflux of oxygen to the wound ground.

In December 2010, SanguiBioTech GmbH established SastoMed GmbH, a joint venture company with SanderStrothmann GmbH of Georgsmarienhütte, Germany. SanguiBioTech GmbH has granted SastoMed GmbH global distribution rights. SastoMed GmbH started to distribute the product in Germany after having obtained the CE mark authorizing the distribution of the wound spray in the countries of the European Union in April 2012.

In August, 2012, Sangui BioTech GmbH and SastoMed GmbH cordially adjusted the existing sales strategy. In consideration of corresponding contributions the existing licensing contract was partially complemented resulting in the following conditions: As licensor SanguiBioTech GmbH is awarded a fixed licensing fee as a percentage of each and every external revenues incurred by SastoMed from sales of the Granulox product (based on SastoMed selling prices). The percentage ranges in the uppermost zone of what is usually granted in the pharmaceutical and medical products industries. In addition and complementing this basic agreement the percentage will be permanently

increased by one fourth of the current rate as soon as cumulated sales revenues at SastoMed will have exceeded the total of 50,000,000.

Since December 2013 international distribution outside Germany was initiated in collaboration with local partners in more than 40 countries in Europe and Latin American.

It has to be noted, however, that Granulox sales by our distribution joint venture SastoMed GmbH have become more volatile in the course of our 2015 financial year with a strong first quarter being followed by two weak quarters. We remain confident, however, that SastoMed will be able to considerably increase its sales along with more international markets entering actual distribution of the product.

FINANCIAL POSITION

Our current assets decreased approximately \$81,518 from June 30, 2014 to \$179,071 at March 31, 2015. This is mainly attributed to a reduction in tax receivables, prepaid expenses and the redemption of a note receivable. The decrease in these positions was partly offset by an increase in cash and accounts receivable.

We funded our operations primarily through our existing cash reserves and cash received from the issuance of shares of common stock. Our stockholders' equity decreased by \$210,634 from \$7,276 at June 30, 2014 to (\$203,358) at March 31, 2015. The primary factor behind this was the net loss for the period increasing the accumulated deficit.

RESULTS OF OPERATIONS

Three months ended March 31, 2015 and 2014:

REVENUES - Revenues during the three months ended March 31, 2015 amounted to \$11,654. The decrease by \$17,784 from the revenues in the comparable period of our 2014 financial year can be traced back to a decrease in royalties from the licensing agreement with SastoMed GmbH. Cost of sales in the second quarter of the 2015 financial year amounted to \$91 compared to \$124 the year before.

RESEARCH AND DEVELOPMENT - Research and development expenses increased \$3,706 to approximately \$36,450 in the third quarter of our 2015 financial year from approximately \$32,744 in the comparable period of the previous year. This is mainly attributed to R&D expenses relating to activities in the pursuit of our artificial oxygen

carriers, in particular related to the preclinical tests of our hemoglobin hyperpolymers.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased \$567,196 to approximately \$169,552 in the quarter ended March 31, 2015, from approximately \$736,748 in the respective period of the previous year. In 2014, this position included the loss incurred from the write down of a loan extended to an unrelated party.

DEPRECIATION AND AMORTIZATION - Depreciation decreased \$118 to approximately \$-0- in the quarter from approximately \$118.

OTHER INCOME AND EXPENSES - Other income and expenses contains interest expenses for the quarter in the amount of \$1,127. During the third quarter of our 2014 financial year the company incurred interest expenses of \$1,718.

NET LOSS - As a result of the above factors, our consolidated net loss attributable to common stockholders was \$181,354, or \$(0.00) per common share, for the three months ended March 31, 2015, compared to \$687,695, or \$(0.01) per common share, during the comparable period in our 2014 financial year.

Nine months ended March 31, 2015 and 2014:

REVENUES - Revenues during the nine months ended March 31, 2015 amounted to \$116,560, an increase of 29.9% over the revenues of \$89,741 in the comparable period of our 2014 financial year. Revenues as of the period covered by this report include accrued receivables from the licensing agreement with SastoMed GmbH. Cost of sales in the first nine months of the 2015 financial year amounted to \$489 compared to \$536 the year before.

RESEARCH AND DEVELOPMENT - Research and development expenses increased \$31,499 to \$171,427 in the first nine months of our 2015 financial year from \$139,978 in the comparable period of the previous year. This is mainly attributed to enhanced R&D activities in particular related to the preclinical tests of our hemoglobin hyperpolymers.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased \$554,562 to \$520,830 in the nine months period ended March 31, 2015, from \$1,075,392 in the respective period of the previous year. In 2014, this position included the loss incurred from the write down of a loan extended to an unrelated party.

DEPRECIATION AND AMORTIZATION - Depreciation decreased \$350 to \$-0- in the none months from approximately \$350.

OTHER INCOME AND EXPENSES - Other expenses decreased to \$2,902 from \$252,311 in the first nine months of the 2014 financial year. In the previous year, other expenses contained an expense of \$244,983 which relates to an investment of the company into its 25% owned joint venture, SastoMed GmbH, which had been impaired in full as of March 31, 2014.

NET LOSS - As a result of the above factors, our consolidated net loss attributable to common stockholders was \$537,282, or \$(0.00) per common share, for the nine months ended March 31, 2015, compared to \$1,257,727, or \$(0.01) per common share, during the comparable period in our 2014 financial year.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2015, net cash used in operating activities decreased to \$445,557, from \$452,192 in the corresponding period of the previous year.

We had a working capital deficit of \$203,358 at March 31, 2015, a decrease of \$196,082 from June 30, 2014, largely due to the note payable related party entered into during the nine month period. At March 31, 2015, we had cash of approximately \$107,798. We will need substantial additional funding to fulfill our business plan and we intend to explore financing sources for our future development activities. No assurance can be given that these efforts will be successful.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

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

Item 4 - Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable

assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (a) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (b) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (c) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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

Item 1a - Risk Factors

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

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

During the six months ended December 31, 2014, the Company issued 352,800 shares of its common stock for services to unrelated parties at an average price of \$0.07 per share. Additionally the Company sold 4,350,000 shares of its common stock for cash at an average price of \$0.06 per share. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

During the three months ended March 31, 2015, the Company issued 200,000 shares of its common stock for services valued at \$12,230, and 200,000 shares of its common stock for cash at an average price of \$0.055 per share. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

After the period covered by this report, in April, 2015 the company issued 200,000 shares of its common stock for cash to one individual at an average price of \$0.05. No underwriters were used. The securities were sold pursuant to an exemption from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933. The certificate representing the shares contained a restricted legend.

Item 3 - Defaults Upon Senior Securities

None.

Item 5 - Other Information

None.

Item 6 Exhibits

1. Financial Statements. The unaudited condensed consolidated Balance Sheet of Sangui Biotech International, Inc. as of March 31, 2015 and the audited balance sheet as of June 30, 2014, the unaudited condensed consolidated Statements of Operations for the three month periods ended March 31, 2015 and 2014, and the unaudited condensed consolidated Statements of Cash Flows for the nine-month periods ended March 31, 2015 and 2014, together with the notes thereto, are included in this Quarterly Report on Form 10-Q.

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

Exhibit

Number Description of Exhibit

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

SIGNATURES

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

SANGUI BIOTECH INTERNATIONAL, INC.

Dated: May 15, 2015

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer

Dated: May 15, 2015

/s/ Joachim Fleing

By: Joachim Fleing

Chief Financial Officer