

SANGUI BIOTECH INTERNATIONAL INC
Form 10-Q
November 13, 2018

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: **September 30, 2018**

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

(Registrant's Telephone Number, including area code)

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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

Emerging Growth 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 November 14, 2018, there were 197,951,503 shares of the issuer's Common Stock, no par value, issued and 197,897,747 shares outstanding.

SANGUI BIOTECH INTERNATIONAL, INC.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended September 30, 2018

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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 September 30, 2018 and the audited balance sheet as of June 30, 2018, our unaudited condensed consolidated statements of operations and comprehensive income (loss) for the three - month period ended September 30, 2018, and 2017, and our unaudited condensed consolidated statements of cash flows for the three - month period ended September 30, 2018, and 2017 are attached hereto.

SANGUI BIOTECH INTERNATIONAL, INC.
Condensed Consolidated Balance Sheets

ASSETS

	September 30, 2018 (unaudited)	June 30, 2018
CURRENT ASSETS		
Cash	\$ 49,798	\$ 20,943
Prepaid expenses and other assets	27,769	22,774
Tax refunds receivable	100,560	2,143
Accounts receivable, net	476	49,107
Note receivable, related party	815	7,062
Total Current Assets	179,418	102,029
PROPERTY AND EQUIPMENT, Net	-	-
TOTAL ASSETS	\$ 179,418	\$ 102,029

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 200,391	\$ 189,739
Accrued interest - related party	21,061	19,088
Note payable	-	40,025
Notes payable - related party	384,315	204,321
Total Current Liabilities	605,767	453,173

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 192,951,503 and 191,951,503 shares issued and 192,897,747 and 191,897,747 shares outstanding respectively	32,884,893	32,864,356
Additional paid-in capital	4,513,328	4,513,328
Treasury stock, at cost	(19,387)	(19,387)
Accumulated other comprehensive income (loss)	93,306	92,921
Accumulated deficit	(37,270,071)	(37,180,108)
Total Sangui Biotech International, Inc's stockholders's equity	202,069	271,110
Non-controlling interest	(628,418)	(622,254)
Total Stockholders' Equity (Deficit)	(426,349)	(351,144)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 179,418	\$ 102,029

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

SANGUI BIOTECH INTERNATIONAL, INC.Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(unaudited)

	For the Three Months Ended September 30,	
	2018	2017
REVENUES		
License revenues	\$ 11,272	\$ 16,636
COST OF SALES	73	4
GROSS MARGIN	11,199	16,632
OPERATING EXPENSES		
Research and development	7,972	4,629
Professional fees	49,934	39,578
General and administrative	46,791	30,214
Total Operating Expenses	104,697	74,421
OPERATING LOSS	(93,498)	(57,789)
OTHER INCOME (EXPENSE)		
Gain (Loss) of foreign exchange	1,062	(4,494)
Interest expense	(3,691)	(1,868)
Total other income (expense)	(2,629)	(6,362)
LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	(96,127)	(64,151)
Provision for income taxes	-	-
NET LOSS BEFORE NON-CONTROLLING INTEREST	(96,127)	(64,151)
Less: Net loss attributable to non-controlling interest	6,164	3,806
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (89,963)	\$ (60,345)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustments	385	(24,760)

COMPREHENSIVE INCOME (LOSS)	\$	(95,742)	\$	(88,911)
BASIC AND DILUTED LOSS PER SHARE	\$	(0.00)	\$	(0.00)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		192,661,180		185,764,406

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

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

	For the Three Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (96,127)	\$ (64,151)
Adjustments to reconcile net loss to net cash used by operating activities:		
Foreign currency exchange transactions	(1,062)	4,053
Changes in operating assets and liabilities		
Trade accounts receivable	48,430	-
Prepaid expenses and other current assets	(5,299)	3,430
Tax refunds receivable	(98,291)	(1,382)
Accounts payable and accrued expenses	10,416	12,953
Related party advances	6,217	1,923
Related party accounts payable	1,972	-
Net Cash Used in Operating Activities	(133,744)	(43,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party note payable	668,692	-
Prepayment of related party note payable	(488,374)	-
Proceeds from common stock issued for cash	20,537	59,399
Prepayment notes payable	(38,329)	-

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	Net Cash Provided by Financing Activities	162,526	59,399
EFFECTS OF EXCHANGE RATES		73	(21,143)
NET INCREASE (DECREASE) IN CASH		28,855	(4,918)
CASH AT BEGINNING OF PERIOD		20,943	56,990
CASH AT END OF PERIOD	\$	49,798	\$ 52,072
CASH FLOW INFORMATION			
CASH PAID FOR:			
	Interest	\$ 2,292	\$ 1,549
NON CASH INVESTING AND FINANCING ACTIVITIES		\$ -	\$ -

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2018 and June 30, 2018

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared without audit in accordance with accounting principles generally accepted in the United States of America and rules of the Securities Exchange Commission 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, 2018. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the three - month period ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Sangui Biotech International, Inc., (Sangui or the Company) was incorporated in Colorado in 1995 and conducts business through its ninety-percent-owned subsidiary, Sangui BioTech GmbH (Sangui GmbH) and its 99.8% owned subsidiary Sangui Know-how und Patentverwertungsgesellschaft mbH & Co. KG (Sangui KG). 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 subsidiaries. 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 average exchange rates for the period.

Exchanges rates used for the preparation of the consolidated balance sheet as of September 30, 2018 and June 30, 2018 and our unaudited consolidated statements of operations for the three month period ended September 30, 2018 and 2017, were calculated as follows:

The Company accounts for the translations denominated in foreign currencies in the Parent Company's books as transaction gains (losses) recognized in Other income / Other expenses.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2018 and June 30, 2018

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk and Uncertainties

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

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has accumulated deficit of \$ 37,270,071 as of September 30, 2018. The Company incurred a net loss before non-controlling interest of \$96,127 during the three months ended September 30, 2018 and used cash in operating activities of \$ 133,744 during the three months ended September 30, 2018. These conditions raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from issuance of the financial statements. 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.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2018 and June 30, 2018

(Unaudited)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company derives revenue primarily from licensing fees on sales of its wound spray product.

The licensing fees are invoiced on a quarterly basis and are recognized as revenues during the quarter for which the sales were reported by the licensee.

The conditions of ASC 606 are met and the Company records revenues when: (i) a valid license arrangement exists, (ii) the license terms are fixed and determinable, (iii) the later of (a) when the licensee makes the subsequent sales or use that trigger the royalty or (b) the performance obligation to which some or all of the sales-based or usage-based royalties has been allocated has been satisfied and (iv) collectability is probable.

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share are 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 September 30, 2018, 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) is limited to the changes in the cumulative foreign currency translation adjustments, which is recorded as components of stockholders' equity.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported losses.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the accompanying consolidated financial statements.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2018 and June 30, 2018

(Unaudited)

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.

Leases

The Company leases office facilities in Witten/Germany from a unrelated third party for Euro 2,460 per month. The office lease contracts are maintained on a month-to-month basis. The Company also leases office facilities in Hamburg/Germany from a unrelated third party for the period from September 1, 2018 to June 30, 2019, with an automatic extension to January 31, 2020, if not terminated 90 days before June 30, 2019 for Euro 670 per month.

The Company also leases an automobile under an operating lease. The lease provides for a lease payment of 538 Euros per month beginning June 2018 expiring May 2020.

NOTE 4 DEBT

Notes Payable Related Parties

Prior to 2016, the Company entered into a note payable with a Company Director for 100,000 Euros (\$116,215 as of September 30, 2018). The note payable accrues interest at 5 percent per annum, is due on June 30, 2019 and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$19,718.

On December 12, 2017 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$465.

On January 19, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$404.

On March 13, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$320.

On July 12, 2018 a Company Director advanced an amount of 420,000 Euros (\$488,103) to the Company. The loan was due on demand, accrues interest annually at 4% and is unsecured. The Company has fully repaid principle and accrued interest (\$759) on July 26, 2018.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2018 and June 30, 2018

(Unaudited)

On July 12, 2018 a Company Director advanced an amount of 80,000 Euros (\$92,832 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 4% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$806. The Company has fully repaid principle and accrued interest on October 23, 2018.

On July 16, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$121.

On September 10, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured. As of September 30, 2018, the note has an accrued interest balance of \$32.

On September 28, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054 as of September 30, 2018) to the Company. The loan is due on demand, accrues no interest and is unsecured. The Company has fully repaid the loan on October 1, 2018.

Notes payable

On June 15, 2015 the Company entered into an unsecured note for 32,963 Euros and accrues interest annually at 4%. The note was originally entered into with a related-party. As of June 30, 2018, due to a change in nature of relationship with the note holder, the Company has discontinued recording it as a related party obligation. As of June 30, 2018, the principle and accrued interest of the note was \$40,025. The Company has fully repaid principle and accrued interest on July 17, 2018.

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 to date. 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. As of September 30, 2018 and June 30, 2018, the Company had 192,951,503 shares and 191,951,503 shares of common stock issued and 192,897,747 and 191,897,747 shares outstanding, respectively.

During the three months ended September 30, 2018, the Company issued 1,000,000 shares of common stock to one individual for cash proceeds of \$20,537 (\$0.02054 per share).

Treasury Stock - The Company holds 53,756 of its common stock as treasury stock, which is valued at cost of \$19,387 at September 30, 2018.

NOTE 6 SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the Company issued 5,000,000 shares of common stock for cash at \$0.0115 per share to one investor, yielding total cash proceeds of \$57,302.

Subsequent to September 30, 2018 a Company Director advanced an amount of 25,000 Euros (\$29,054; converted with exchange rate of September 30, 2018) to the Company. The loan is due on demand, accrues interest annually at 2% and is unsecured.

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 (Sastomed), a former joint venture company in which we held a share of 25%, as global licensee under the Granulox brand name. Effective end of second quarter of our fiscal year 2016 we sold this stake to SanderStrohmann GmbH.

Sangui GmbH holds distribution rights for our Chitoskin wound pads for the European Union and various other countries. Additionally, 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

Sangui 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.

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.

Our most promising potential product in the area of artificial oxygen carriers, the blood additive is still in an early development stage. In the pursuit of these projects we will need to obtain substantial additional capital to continue their development. As the Company has limited financial resources, we have suspended this project

temporarily in order to focus our attention on our chronic wound research and the products developed in conjunction with their treatment.

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.

In response, we developed nano-emulsion based cosmetic preparations that in their design are able to help support regeneration of the skin by improving its oxygen supply. Our line of cosmetic products was thoroughly tested by an independent research institute and received top marks for skin moisturizing, and enhanced skin elasticity, respectively. However, sales of this series have remained at a low level and during the first quarter of the 2016 financial year we decided to decrease our operations in this particular segment and to abandon the patent protection for this range of products.

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. Sangui GmbH holds various distribution rights for our Chitoskin wound pads, and 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

Sangui 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, the wound spray product we developed bridges the watery wound surface and permits an enhanced afflux of oxygen to the wound ground.

Sangui GmbH has granted SastoMed global distribution rights to this product. Distribution of the wound spray began in the European Union in April 2012 under the brand name Granulox .

In December 2012, product distribution was initiated in Mexico by Sastomed and their local distribution partner Bio-Mac Pharma and international distribution has been expanded since then through cooperation agreements with local distribution partners in the Benelux countries and South Eastern Europe.

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

On November 13, 2017 the Company announced that Infirst Healthcare Ltd has announced that the United States (US) Food and Drug Administration had granted Fast Track designation to Granulox for the treatment of diabetic foot ulcers. It is the first and only hemoglobin spray to receive Fast Track designation - a process designed to facilitate the development, and expedite the review of, new therapies to treat serious conditions and fill an unmet medical need.

Despite the positive reviews of our product, Granulox sales have become more volatile. 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.

In December 2010, Sangui GmbH established a joint venture company with SanderStrothmann GmbH of Georgsmarienhütte, Germany, under the name of SastoMed GmbH. This enterprise was in charge of obtaining the CE mark certification authorizing the distribution of one of SGBI's products in the member states of the European Union. Effective December 31, 2015, Sangui GmbH sold its stake in Sastomed GmbH to SanderStrothmann GmbH.

On or about June 18, 2018, Sangui GmbH together with Sastomed GmbH founded Sangui Know-how- und Patentverwertungsgesellschaft mbH & Co. KG (Sangui KG). Sangui KG is a limited partnership. On June 22, 2018, Sangui KG acquired all the rights in the license agreement made on December 17, 2010 between Sastomed GmbH and Sangui GmbH.

Given the Company's business strength is primarily in research and product development, we have decided to partner with established distribution entities who license our marketable products, or those products that are close to market entry, for sale to end users. In pursuit of this strategy we have licensed the most promising product, a hemoglobin based wound spray technology to Sastomed GmbH, a former joint venture of SGBI, for distribution in several European, Latin American and Asian countries. In addition, we are entering the preclinical testing of hemoglobin based artificial oxygen carriers aiming at the remediation of ischemic conditions in human patients.

FINANCIAL POSITION

During the three months ended September 30, 2018, our total assets increased \$77,389 from \$102,029 at June 30, 2018 to \$179,418 at September 30, 2018. An increase in the cash on hand and tax funds receivable from June 30, 2018 to September 30, 2018, respectively of \$28,855 and \$98,417 were primarily responsible for the increase in the total assets.

We funded our operations primarily through our existing cash reserves and cash received from the issuance of shares of common stock and notes payables from related parties. Our stockholders' equity (deficit) increased by \$75,205 from (\$351,144) at June 30, 2018 to (\$426,349) at September 30, 2018. The primary factor behind this was net loss attributable to common stockholders of \$89,963, offset by the issuance of stock for cash in the amount of \$20,537.

RESULTS OF OPERATIONS

For the three-month period ended September 30, 2018 and 2017:

REVENUES Revenues reported were \$11,272 and \$16,636 for the three months ended September 30, 2018 and 2017 respectively. Revenues decreased by \$5,364 for the three months ended September 30, 2018. The decrease of \$5,364 can be traced back to a decrease in royalties from the licensing agreement with SastoMed. Cost of sales were \$73 and \$4 for the three months ended September 30, 2018 and 2017 respectively.

RESEARCH AND DEVELOPMENT Research and development expenses increased by \$3,343 to \$7,972 from \$4,629 for the three-month periods ending September 30, 2018 and 2017. This increase is mainly attributed to higher fees for patents.

GENERAL AND ADMINISTRATIVE AND PROFESSIONAL FEES The combined accumulated general and administrative expenses and professional fees increased \$26,933 to \$96,725 in the first three months ended September 30, 2018, from \$69,792 in the respective period of the previous year mainly due to higher professional fees and higher costs for vehicles leased.

INTEREST EXPENSE - interest expenses for the three-month period ended September 30, 2018 and 2017 were \$3,691 and \$1,868, an increase of \$1,823. The increase relates to the increase of interest-bearing debt financing.

NET LOSS - As a result of the above factors, the net loss attributed to common shareholders increased to a loss of \$89,963 compared to a loss of \$60,345 for the three months ended September 30, 2018 and 2017 respectively. The

loss per share was \$(0.00).

Our consolidated net loss before non-controlling interest was \$96,127, or \$(0.00) per common share, for the three months ended September 30, 2018, compared to \$64,151 or \$(0.00) per common share, during the comparable period in our 2017 financial year.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended September 30, 2018, net cash used in operating activities increased \$90,570 to \$(133,744), compared to \$(43,174) in the corresponding period of the previous year mainly due to the increase of the operating loss of approximately \$31,976 from a loss of \$(64,151) in 2017 to a loss of \$(96,127) in 2018 and to the increase of the tax refunds receivables of approximately \$98,417.

The Company funded its business in the first three months ended September 30, 2018 by raising notes payable totaling 575,000 Euros (\$ 668,692) and issuing 1,000,000 shares of common stock, yielding total cash proceeds of \$20,537. The Company repaid notes payable in the first three month totaling 452,963 Euros (\$488,374).

We had a working capital deficit of approximately \$426,350 at September 30, 2018, an increase of approximately \$75,205 from June 30, 2018.

At September 30, 2018 compared to June 30, 2018, we had cash of \$49,798 compared to \$20,943, prepaid expenses of \$27,769 compared to \$22,774 and accounts receivable of \$476 compared \$49,107. 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

On July 27, 2018, the Company issued 1,000,000 shares of its common stock for cash to one individual at a stock price of \$0.02054. 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.

Subsequent to the period of this report, on October 23, 2018, the Company issued 5,000,000 shares of its common stock for cash to one individual at a stock price of \$0.0115. 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 September 30, 2018 and the audited balance sheet as of June 30, 2018, the unaudited condensed consolidated Statements of Operations for the three month period ended September 30, 2018 and 2017, and the unaudited condensed consolidated Statements of Cash Flows for the three month period ended September 30, 2018 and 2017, 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 principal financial officer 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: November 13, 2018

/s/ Thomas Striepe

By: Thomas Striepe

Chief Executive Officer