SANGUI BIOTECH INTERNATIONAL INC
Form 10QSB
December 07, 2007

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period Ended: **March 31, 2006**; or

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

For the transition period _____ to _____

Commission File Number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.

(Exact name of Small Business Issuer as specified in its charter)

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

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

(Address of principal executive offices)

011-49-2302-915-204

(Issuer's telephone number, including area code)

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 a registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x

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

The number of shares outstanding of the issuer's common stock, no par value, as of November 28, 2007, was 50,000,000

Transitional Small Business Disclosure Format. Yes o No x

SANGUI BIOTECH INTERNATIONAL, INC.

Report on Form 10-QSB

For the Quarter Ended March 31, 2006

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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-QSB 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 consolidated balance sheet as of March 31, 2006 and our unaudited consolidated statements of operations for the three month periods ended March 31, 2006 and 2005, and the unaudited consolidated statements of cash flows for the three month periods ended March 31, 2006 and 2005, are attached hereto and incorporated herein by this reference.

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Balance Sheets

ASSETS

CURRENT ASSETS	March 31, 2006 (Unaudited)	June 30, 2005
Cash	$ 5,413	$ 9,497
Accounts receivable	7,248	4,300
Inventory	12,214	7,063
Prepaid expenses and other assets	68,079	17,421
Total Current Assets	92,954	38,281
FIXED ASSETS, Net		
Property and equipment	7,747	33,608
Total Fixed Assets	7,747	33,608
OTHER ASSETS		
Patents and licenses, net	-	2,490
Other miscellaneous assets	43,003	90,814
Total Other Assets	43,003	93,304
TOTAL ASSETS	$ 143,704	$ 165,193

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2006 (Unaudited)	June 30, 2005
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 238,898	$ 140,899
Notes payable	57,218	24,132
Total Current Liabilities	296,116	165,031
TOTAL LIABILITIES	296,116	165,031
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, no par value; 5,000,000 shares authorized, -0- shares issued and outstanding		-
Common stock, no par value; 50,000,000 shares authorized, 50,000,000 and 47,503,749 shares issued and outstanding, respectively	18,956,571	18,746,100
Additional paid-in capital	1,958,376	1,986,398
Treasury stock	-	(82,357)
Accumulated other comprehensive income	389,061	383,407
Accumulated deficit	(21,456,420)	(21,033,386)
Total Stockholders' Equity (Deficit)	(152,412)	162
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 143,704	$ 165,193

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

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

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2006	2005	2006	2005
REVENUES	$ 41,672	$ 23,163	$ 95,662	$ 33,912
COST OF SALES	17,019	37,301	32,759	44,929
GROSS PROFIT	24,653	(14,138)	62,903	(11,017)
OPERATING EXPENSES				
Research and development	32,960	47,165	82,870	371,122
Depreciation and amortization	6,482	15,086	28,351	48,291
General and administrative	129,468	163,940	375,772	446,934
Total Operating Expenses	168,910	226,191	486,993	866,347
OPERATING LOSS	(144,257)	(240,329)	(424,090)	(877,364)
OTHER INCOME (EXPENSE)				
Interest income	94	427	94	1,972
Interest expense	(3,029)	-	(8,352)	-
Other income (loss)	802	86,737	9,317	141,128
Total Other Income (Expense)	(2,133)	87,164	1,059	143,100
NET LOSS	(146,390)	(153,165)	(423,031)	(734,264)
OTHER COMPREHENSIVE INCOME				
	(7,236)	(102,965)	5,651	4,000

Foreign currency translation adjustments				
Unrealized gain on marketable securities	-	-	-	-
Total Other Comprehensive Income	(7,236)	(102,965)	5,651	4,000
COMPREHENSIVE INCOME (LOSS)	$ (153,626)	$ (256,130)	$ (417,380)	$ (730,264)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	48,503,749	46,475,363	48,332,216	43,417,918

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

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

	For the Nine Months Ended March 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (423,031)	$ (734,264)
Adjustments to reconcile net loss to net cash		
used by operating activities:		
Depreciation, depletion and amortization	28,351	48,291
Common stock issued for services	10,837	104,256
Gain on sale of assets	-	(3,101)
Changes in operating assets and liabilities		
Decrease in accounts receivable	(2,948)	77,740
Decrease (Increase) in inventory	(5,151)	(2,816)
Decrease in prepaid expenses and other assets	51,488	8,032
Increase in accounts payable and accrued expenses	97,999	2,839
Net Cash Used by Operating Activities	(242,455)	(499,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of patent costs	-	(9,151)
Sale of property and equipment	-	2,516
Purchase of property and equipment	-	(6,378)
Net Cash Used by Investing Activities	-	(13,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	57,218	-
Purchase of treasury stock	-	(126,916)
Sales of treasury stock	-	51,069
Sale of common stock for cash	175,502	305,000
Net Cash Provided by Financing Activities	232,720	229,153
EFFECT OF EXCHANGE RATE CHANGES	5,651	4,000

NET DECREASE IN CASH		(4,084)		(278,883)
CASH AT BEGINNING OF PERIOD		9,497		310,959
CASH AT END OF PERIOD	$	5,413	$	32,076
SUPPLIMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
CASH PAID FOR:				
Interest	$	-	$	-
Income Taxes	$	-	$	-
NON CASH FINANCING ACTIVITIES:				
Common stock issued for debt	$	24,132	$	-

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

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Consolidated Financial Statements

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 and with the instructions to Form 10-QSB and Item 301 of Regulation S-B. 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-KSB for the year ended June 30, 2005. 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 March 31, 2006 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2006.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Sangui Biotech International, Inc., incorporated in Colorado in 1995, and its wholly owned subsidiaries, Sangui Biotech, Inc., SanguiBioTech AG, GlukoMediTech AG, and Sangui BioTech PTE Ltd., (collectively, the "Company") have been engaged in the research, development, manufacture, and sales of medical and cosmetic products.

On June 30, 2003, GlukoMediTech AG ("Gluko AG") was merged into Sangui BioTech AG ("Sangui AG"). Effective November 4, 2003, Sangui AG was converted into Sangui BioTech GmbH (Sangui GmbH). After completion of the restructuring, 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 of glucose implant sensors.

The operations of Sangui BioTech, Inc. and Sangui BioTech PTE Ltd Singapore, two former wholly-owned subsidiaries, were discontinued and dissolved during 2002.

The operations of Sangui BioTech, Inc. ("Sangui USA") were discontinued during 2002 upon the sale of its in vitro immunodiagnostics business and the subsequent merger of Sangui USA with and into the parent company, Sangui BioTech International, Inc., effective December 31, 2002. Sangui BioTech PTE Ltd ("Sangui Singapore") was a regional office for the Company that carried out research and development projects in conjunction with Sangui GmbH and Sangui Singapore. The Company discontinued the operations of Sangui Singapore in August 2002. The Singapore office was closed effective December 31, 2002.

Consolidation

The consolidated financial statements include the accounts of Sangui BioTech International, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in the three and nine months ended March 31, 2004 have been reclassified to conform to the three and nine months ended March 31, 2006 presentation. These reclassifications have no effect on previously reported net

loss.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Risk and Uncertainties

The Company's line of future pharmaceutical products (artificial oxygen carriers or blood substitute and additives) and in vivo biosensors (glucose implant sensor) 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 and biosensor products, 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.

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 $21,456,420 as of March 31, 2006 and has been significantly reducing its working capital since June 30, 2004. The Company incurred a net loss applicable to common stockholders of $423,031 during the nine months ended March 31, 2006 and used cash in operating activities of $242,455 for the nine months ended March 31, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company expects to continue to incur significant capital expenses in pursuing its business plan to market its products and expand its product line, while obtaining additional financing through stock offerings or other feasible financing alternatives. In order for the Company to continue its operations at its existing levels, the Company will require significant additional funds over the next twelve months. Therefore, the Company is dependent on funds raised through equity or debt offerings. Additional financing may not be available on terms favorable to the Company, or at all. If these funds are not available the Company may not be able to execute its business plan or take advantage of business opportunities. The ability of the Company to obtain such additional financing and to achieve its operating goals is uncertain. In the event that the Company does not obtain additional capital or is not able to increase cash flow through the increase of sales, there is a substantial doubt of its being able to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Cash Equivalents

The Company maintains its cash in bank accounts in Germany. Cash and cash equivalents include time deposits for which the Company has no requirements for compensating balances. The Company has not experienced any losses in its uninsured bank accounts. At March 31, 2006 the Company had no cash equivalents.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

Research and Development

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

Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period of computation. Diluted earnings (loss) per share gives effect to all potential dilutive common shares outstanding during the period of compensation. The computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings. As of March 31, 2006 and 2005, 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.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R "Share Based Payment". This statement is a revision of SFAS Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. SFAS 123R addresses all forms of share based payment ("SBP") awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS 123R, SBP awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will be reflected as compensation cost in the historical financial statements. This statement is effective for public entities as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 *"Accounting Changes and Error Corrections, an amendment of APB Opinion 20 and FASB Statement No. 3,"* which changes the requirements for accounting for and reporting on a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We believe that the adoption of

SFAS No. 154 will not have a material impact on our results of operations.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Consolidated Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In March 2006, the FASB issued SFAS No. 156*"Accounting for Servicing of Financial Assets, an amendment of FASB No. 140,"* which modifies the accounting for and reporting of servicing asset and servicing liabilities. This statement is effective as of the beginning of our first fiscal year that begins after September 15, 2006. SFAS No. 156 is not currently applicable to the company and, we believe that the adoption of SFAS No. 156 will not have a material impact on our results of operations.

In June 2006, the FASB issued Financial Interpretation No. (FIN) 48, "*Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109*." FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of applying the various provisions of FIN 48.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*," that provides guidance for using fair value to measure assets and liabilities. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop the assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In addition, SFAS 157 requires that fair value measurements be separately disclosed by level within the fair value hierarchy. This standard will be effective for financial statements issued for fiscal periods beginning after November 15, 2007 and interim periods within those fiscal years. SFAS 157 had no effect on the Company's financial statements for the period ended March 31, 2006.

NOTE 3 - STOCKHOLDERS' EQUITY

During the nine months ended March 31, 2006, the Company issued 2,495,960 restricted shares of its previously unissued common stock in exchange for $175,502 in cash, $10,837 in services, and $24,132 in debts.

NOTE 4 - 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.

SANGUI BIOTECH INTERNATIONAL, INC.

Notes to the Consolidated Financial Statements

NOTE 4 - COMMITMENTS AND CONTINGENCIES (Continued)

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.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

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

GENERAL

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

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

Sangui GmbH holds the exclusive distribution rights for Chitoskin wound pads for the European Union and various other countries. Sangui GmbH has filed a patent cooperation treatment applications (“PCT”) for the production and use of improved Chitoskin wound pads using gelatine instead of collagen as the carrier substance.

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.

In December 1997, Sangui GmbH decided that porcine hemoglobin should be used as the basic material for its artificial oxygen carriers. In March 1999, Sangui GmbH decided which hemoglobin hyperpolymer would go into preclinical investigation and that glutaraldehyde would be utilized as a cross linker, and further that the polymer hemoglobin be chemically masked to prevent protein interaction in blood plasma. The fine adjustment of the molecular formula of the artificial oxygen carriers - optimized for laboratory scale production - was finalized in the summer of 2000.

The experiments completed in Sangui GmbH’s laboratories demonstrated that it is possible to polymerize hemoglobins isolated from porcine blood resulting in huge soluble molecules, so-called hyperpolymers. In August

2000, Sangui GmbH finalized its work on the pharmaceutical formulation of the oxygen carrier for laboratory scale. In February 2001 a pilot production in a laboratory scale was carried out in SGBI's clean room. The resulting product was applied in single volunteers in pilot self-experiments.

The blood additives and blood substitute projects were halted in 2003 due to the lack of financing for the pre-clinical test phase of the blood additives. In October, 2006, subsequent to the period covered by this report, a contract was entered into between Sangui GmbH and ERC Nano Med S.A. de C.V. of Monterrey, Mexico ("ERC"), which provides that ERC will establish a production facility in Mexico to produce sufficient quantities of the blood additive. In cooperation with the medical faculty of Monterrey University and the Mexican National Health Organizations, ERC will initiate all necessary steps to begin the pre-clinical test phase for the products as soon as possible. It is anticipated that this will lead to the FDA authorization process in due course. The authorization process will be managed in cooperation with Medicoforum group of Hannover, Germany, a company specializing in international pharmaceutical and medical product authorizations,

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

NANO FORMULATIONS FOR THE REGENERATION OF THE SKIN

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

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

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

Sales of the anti-cellulite products started subsequent to this report in August, 2005 via two German TV shop programs. Sales figures in this distribution channel are stable, according to information provided by our distribution partner. Additionally, distribution partners in Argentina and Mexico have purchased launch quantities in November, 2005, and July, 2006, respectively.

CHITOSKIN WOUND PADS

In March, 2005, SanguiBioTech GmbH was awarded the CE mark for this product. The CE mark authorizes the company to distribute and sell this medical product in the member countries of the European Union. At the same time Sangui GmbH successfully passed the ISO 9001:2000 (General Quality Management System) and ISO 13485:2003 (Quality Management System Medical Products) audits, and obtained the respective certifications. The “Chitoskin” trademark was already granted to the company for the European countries effective November 1, 2004.

Karl Beese GmbH, a leading German vendor and distributor of hospital supplies began marketing and distributing the wound pad product in August, 2005, and has placed several subsequent orders with the company. In addition, Karl Beese will deliver large quantities of the wound pad product to a Czech distribution partner through summer 2006.

FINANCIAL POSITION

The Company's current assets increased approximately $54,673, or 158%, from June 30, 2005 to approximately $92,954 at March 31, 2006. The decrease is primarily attributable to an increase in prepaid expenses and other assets of approximately $50,658.

The Company's net property and equipment decreased approximately $25,861, or 77% from June 30, 2005 to approximately $7,747 at March 31, 2006. The decrease is primarily attributable to current period depreciation.

The Company funded its operations primarily through its existing cash reserves and cash received from the sale of common stock. The Company's stockholders' equity decreased approximately $21,489. The primary decrease is caused by the Company's current period net loss of approximately $423,031.

RESULTS OF OPERATIONS

Three months ended March 31, 2006 and 2005:

RESEARCH AND DEVELOPMENT- Research and development expenses decreased $14,205 to approximately $32,960 in 2006 from approximately $47,165 in 2005. The decrease is mainly attributed to the Company lacking the requisite funding and a reduction in staff. The Company is seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE - General and administrative expenses decreased 18% to approximately $129,468 in 2006 from approximately $163,940 in 2005. This decrease is mainly attributed to the ongoing refocusing program, and a reduction in staff.

DEPRECIATION AND AMORTIZATION - Depreciation decreased $8,604 to approximately $6,482 in 2006 from approximately $15,086 in 2005. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS. As a result of the above factors, the Company's consolidated net loss was approximately $146,390, or approximately $(0.00) per common share, for the three months ended March 31, 2006, compared to approximately $153,165, or $0.00 per common share, during the comparable period in 2005.

Nine months ended March 31, 2006 and 2005:

RESEARCH AND DEVELOPMENT. Research and development expenses decreased $288,252 to approximately $82,870 in 2006 from approximately $371,122 in 2005. The decrease is mainly attributed to the Company lacking the requisite funding, and a reduction in staff. The Company is seeking additional sources to provide financing for additional research and development.

GENERAL AND ADMINISTRATIVE. General and administrative expenses decreased 16% to approximately $375,772 in 2006 from approximately $446,934 in 2005. This decrease is mainly attributed to the ongoing refocusing program, and a reduction in staff.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization decreased $19,940 to approximately $28,351 in 2006 from approximately $48,291 in 2005. This decrease is mainly attributed to the ongoing restructuring of Sangui GmbH.

NET LOSS. As a result of the above factors, the Company's consolidated net loss was approximately $423,031, or approximately $(0.01) per common share, for the nine months ended March 31, 2006, compared to approximately $734,264, or $0.01 per common share, during the comparable period in 2005.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2006, net cash used in operating activities decreased to approximately $242,455, from approximately $499,023 in the corresponding period in 2005, primarily related to an increase in the Company's consolidated net loss as a result of the ongoing refocusing program.

The Company had a working capital deficit of approximately $203,162 at March 31, 2006, an increase of approximately $70,412 from June 30, 2005 due primarily to the Company's net loss for the nine-month period, as well as a significant increase in notes payable. At March 31, 2006, the Company had cash of approximately $5,413. The Company will need substantial additional funding to fulfill its business plan and the Company intends to explore financing sources for its future development activities. No assurance can be given that these efforts will be successful.

ITEM 3 - CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act), as of a date within 90 days of the filing date of this Quarterly Report on Form 10-QSB. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures are have not been effective or designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms. Our principal executive officer and principal financial officer are currently working to streamline our disclosure controls and procedures, so as to adequately comply with such SEC rules and forms.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of evaluation by our principal executive officer and principal financial officer.

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 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended March 31, 2006, the Company issued 2,495,960 restricted shares of its previously unissued common stock in exchange for $175,502 in cash, $10,837 in services, and $24,132 in debts.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

31.1 Certification Pursuant to Rule 13a-14(a) and 15d-14(a), filed herewith.

32.1 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.

Date: November 30, 2007 /s/ Wolfgang Barnikol
By: Wolfgang Barnikol
Chief Executive Officer and Chief Financial Officer