SANGUI BIOTECH INTERNATIONAL INC
Form 10KSB
August 27, 2008

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

FORM 10-KSB

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

For the fiscal year ended: June 30, 2007

Commission File Number: 0-21271

SANGUI BIOTECH INTERNATIONAL, INC.
(Name of Small Business Issuer in Its Charter)

Colorado (State or Other Jurisdiction of Incorporation or Organization)	84-1330732 (I.R.S. EmployerIdentification No.)
Alfred Herrhausen Street 44, Witten Germany (Address of principal executive offices)	58455 (Zip Code)

49 (2302) 915-200
(Issuer's Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, no par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. o

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15 (d) of the Securities 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 x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information

statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

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 Issuer's revenues for the most recent fiscal year ended June 30, 2007, were approximately $372,015.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on August 21, 2008 based upon the average of the bid and ask price of the common stock on the pinksheets.com market segment for such date, was approximately $10,000,000.

The number of shares of the Registrant's common stock issued and outstanding on August 21, 2008 was 50,000,000.

Transitional Small Business Disclosure Format. Yes o No x

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CAUTIONARY STATEMENT

Some of the statements contained in this Form 10-KSB for Sangui Biotech International, Inc. (the "Company" or "SGBI") discuss future expectations, contain projections of results of operation or financial condition or state other "forward-looking" information. These statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Important factors that may cause actual results to differ from projections include, for example:

- the success or failure of management's efforts to implement their business strategy;
- the ability of the Company to raise sufficient capital to meet operating requirements;
- the uncertainty of consumer demand for our product;
- the ability of the Company to protect its intellectual property rights;
- the ability of the Company to compete with major established companies;
- the effect of changing economic conditions;
- the ability of the Company to attract and retain quality employees; and
- other risks which may be described in future filings with the SEC.

Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and variations of such words and s expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth herein under "Risk Factors" as well as those noted in the documents incorporated herein by reference. Unless required by law, the Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART 1

ITEM 1. DESCRIPTION OF BUSINESS

HISTORY

Sangui BioTech, Inc. was incorporated in Delaware on August 2, 1996, and began operations in October 1996. Shortly after the formation of Sangui BioTech, Inc., the shareholders of SanguiBioTech AG and GlukoMediTech AG agreed to a share swap in which all of the outstanding shares held by the shareholders would be exchanged for shares of Sangui BioTech, Inc., thereby making SanguiBioTech AG and GlukoMediTech AG wholly owned subsidiaries of Sangui BioTech, Inc. In August 1997, a publicly held company, Citadel Investment System, Inc., a Colorado corporation (Citadel), acquired one hundred percent (100%) of the outstanding common shares of Sangui BioTech, Inc., and as a result, Sangui BioTech, Inc. became a wholly owned subsidiary of Citadel. Thereafter, Citadel changed its name to Sangui BioTech International, Inc. (the Company or SGBI).

On March 30, 2000, SGBI acquired all the outstanding common stock of Felnam Investments, Inc., a Nevada corporation (Felnam). The transaction was funded through the issuance of 100,000 shares of SGBI's stock valued at $0 per share due to SGBI treating the transaction as a recapitalization of SGBI. In conjunction with the transaction, SGBI incurred approximately $180,000 of transaction costs that were charged to operations.

Until the end of fiscal year 2002, SGBI's business operations were conducted through its four wholly owned subsidiaries: Sangui BioTech, Inc., SanguiBioTech AG, GlukoMediTech AG, and Sangui Biotech Singapore Pte Ltd.

Sangui BioTech, Inc.

Sangui, BioTech, Inc. (SBT) was principally engaged in the development and manufacturing of immunodiagnostic kits, which were sold by SBT in niche markets in the United States and Europe. During the first quarter of the 2003 fiscal year, SBT sold its assets, and commenced a wind-down of its U.S. business operations. SBT was merged with and into SGBI effective December 31, 2002.

Sangui Biotech Singapore Pte Ltd.

Sangui Biotech Singapore Pte Ltd. (Sangui Singapore) was incorporated as a wholly owned subsidiary of SGBI in Singapore on May 15, 1999. Sangui Singapore was the Asian regional office for SGBI and was engaged in animal experiments in conjunction with the German subsidiaries. Effective as of January 31, 2003, Sangui Singapore was wound down and closed. On February 25, 2004, the Registry of Companies and Businesses of the Republic of Singapore informed the company, that it would announce the projected strike-off from its register in its official Gazette on March 31, 2004 and that three months following the name of Sangui Singapore would be struck off the register without further notice. The company assumes, therefore, that the strike-off was executed on or about June 30, 2004.

GlukoMediTech AG

GlukoMediTech AG (Gluko AG) was established and organized under the laws of Germany in Mainz, Germany on July 15, 1996. Gluko AG was developing long-term implantable glucose sensors, by-products thereof, and diverse other sensors. Since additional financing for the next planned step of product development could not be secured, Gluko AG was merged with Sangui AG effective June 30, 2002. While further development work in this area was halted, Sangui GmbH (see below) is working to secure the key patents relating to the existing Glucose Sensors and will continue to seek out potential strategic financial or industry partners.

SanguiBioTech AG

SanguiBioTech AG (Sangui GmbH) was established and organized under the laws of Germany in Mainz, Germany on November 25, 1995. Effective November 4, 2003, SanguiBioTech AG was converted into SanguiBioTech GmbH, a limited liability company under German law. Sangui GmbH develops hemoglobin-based artificial oxygen carriers for use as blood additives, blood volume substitutes and variant products thereof. Sangui GmbH has also developed an anti-aging cosmetic and a number of related products aimed at improving oxygen supply to the skin. Enhanced oxygen supply is the key to improved wound healing, therefore the company has extended its product portfolio to contain wound pads and other wound management products with these goals in mind. The facilities of Sangui GmbH are located on the premises of the Forschungs- und Entwicklungszentrum of the University of Witten/Herdecke, Witten, Germany.

To date, neither SGBI nor any of its subsidiaries has had profitable operations. The Company has never been profitable, and through June 30, 2007, SGBI's accumulated deficit has exceeded $22.4 million. The Company expects to continue to incur substantial losses over the next several years as it pursues its research and development efforts, testing activities and other growth operations. SGBI's most promising potential products are still in early development stages. As such the Company will need to obtain substantial additional capital to fulfill its business plan.

The Company has adopted a program aimed at cost reductions and at refocusing SGBI’s funds to accelerate time to market for its most promising and mature products. Effective as of August 31, 2004, the company reduced any extraneous activities for cost saving purposes. The Company’s current key focus is on selling its cosmetics and wound management products to distribution partners, identifying additional industrial and distribution partners for its patents and products, and on obtaining the additional financial resources necessary to finalize the certification processes of its development products. No assurance can be given that SGBI’s program will be successful.

BUSINESS OF THE COMPANY

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 due to 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. In addition, Sangui GmbH is a co-filer for a PCT for the production and use of glycosaminoglycans based on Chitosan and its derivatives.

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, 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. In October 2006, 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 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.

According to regulatory requirements, all drugs must complete preclinical and clinical trials before approval (e.g. Government Regulation; No Assurance of Product 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, by way of the blood, 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 support the regeneration of the skin by improving its oxygen supply. The products Sangui GmbH are currently focussing on are: (1) an anti-aging formulation and treatment; and, (2) 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 in September of 2006.

Sales of the anti-cellulite products began in August of 2005 via two German TV shop programs. Additionally, distribution partners in Argentina and Mexico have purchased quantities in November of 2005, and July of 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 has delivered large quantities of the wound pad product to a Czech distribution partner through summer 2006.

PUBLIC GRANTS

Sangui GmbH was granted a subsidy amounting to $1,535,300 for the period from April 8, 1998 to March 31, 2001 for research and development in association with the project known as "Development of a procedure for the production of synthetic oxygen carriers on the basis of hyperpolymer hemoglobins as a blood additive and a so-called blood substitute." In March 2001, an application to have the subsidy period extended to June 30, 2002 was approved. In March 2002, SGBI submitted a second application to the project authority, Jülich (PtJ), to have the subsidy period extended again; this was approved for the period up to December 31, 2002 in the notification of alteration dated July 2, 2002. Funds in the amount of $1,166,210 were received in regard to this project through December 31, 2002.

On September 1, 1999, Gluko AG was granted $1,864,383 over a period of three years to promote the project known as "Development of a permanently implantable glucose sensor and a controllable insulin pump for diabetics into a technical beta cell." In October 2001, an application was submitted to the project authority, Jülich (PtJ), to have the subsidy period extended until December 31, 2002; this was approved in a notification of alteration dated November 28, 2001. SGBI had received funds in regard to this project amounting to $563,775 through December 31, 2002.

All remaining funds from both of the above-subsidized projects were returned as of December 31, 2002.

In the fourth quarter of our fiscal year ended June 30, 2005, a final project review was carried out by the state authorities of Northrhine-Westfalia. The review resulted in a final accounting in our favor totalling to approximately $195,850 for both projects. $148,810 of this amount was received in the fourth quarter of our fiscal year ended June 30, 2005, for the oxygen carrier project, and in the first quarter of the fiscal year ended June 30, 2006 for the glucose sensor project. The remaining $47,040 was received in the first quarter of the 2006 fiscal year.

PATENTS AND PROPRIETARY RIGHTS

The Company seeks patent protection for all of its research and development, and all modifications and improvements thereto. As of June 30, 2007 Sangui GmbH had been granted 18 patents. Furthermore, it has applied for several additional patents, most of which have been filed in Germany (DE), the United States of America (US), and as an international patent application with the European Patent Office (EP). Global patent applications are marked PCT. Two (2) patent applications are related to progress made in the final development stages of the external application of the artificial oxygen carriers. Below are listed the most pertinent of the rights held by the Company.

1. Haemoglobin-Polymers

EP-P 0 685 492	"Process for the preparation of haemoglobin hyperpolymers of uniform molecular weight" (Patent Granted)
US-A 10/878,724	

US-P 5,985,332 EP-P 0857 733	"Hemoglobins provided with ligands protecting the oxygen binding sites for use as artificial oxygen carriers for direct application in medicine and biolgy, and method for the preparation thereof" (Patent Granted)
US-O 2004/0014641 EP-O 1 299 457	"Mammalion haemoglobin compatible with blood plasma, cross-linked and conjugated with polyalkylene oxides as artificial medical oxygen carriers, production and use thereof" (Patent Pending)
US-O 2004/0023851 EP-O 1 249 385	"Method for the production of artificial oxygen carriers from covalently cross linking haemoglobin with improved functional properties of haemoglobin by cross-linking in the presence of chemically non-reacting effectors of the oxygen affinity of the haemoglobin" (Patent Pending)
US-O 2004/0029780 EP-O 1294386	"Synthetic oxygen transport made from cross-linked modified human or porcine haemoglobin with improved properties, method for a preparation thereof from purified material and use thereof" (Patent Pending)
PCT-A 103 52 692 EP 2004/012363	"Use of hypo-oncotic solutions of hyperpolymerised haemoglobins to be added to the human blood circulation in treatment of lung oedema" (Patents Pending)

2. GlucoTector

US-P 4,775,514	“Luminescent layers for use in apparatus for determining the oxygen concentration in gases and the like” (Patent Granted)
DE-P 198 15 932	“Miniaturisation of a polarimetre for the analysis of low concentration components in liquid test materials on an optical basis as well as a device to perform the pertinent tests” (Patent Granted)
US-P 6,577,393 DE-P 198 26 294	“Polarimetric procedure for determining the (main) vibration plane of polarized light to about 0.1 m° and miniaturized device for its implmentation” (Patents Granted)
DE-P 199 11 265	“Method for the measurement of the concentration of glucose in aequous solutions containing proteins, i.e. in interstitial tissue fluids in particular, as well as implantable devices for carrying out said method” (German Patent Granted)
EP-A 01 940 355 DE-P 100 20 615	“Method for the long-term stable and well-reproducible spectrometric measurement of the concentrations of components of aqueous solutions, and device for carrying out said method” (German Patent Granted)
DE-P 100 20 613	“Method and Device for reproducible polarimetric measurement of the concentration of the components of aequous solutions” (German Patent Granted)
EP-A 01 953 958 DE-P 100 30 927	“Refractometric method for carrying out long-term stable accurate measurements of the concentrations of dissolved substances and miniaturizable device for carrying out said method” (German Patent Granted; EP Patent Pending)
US-A 10/312,142 PCT-O WO 02/01202 DE-P 100 30 920	“Device for combined and simultaneous use of several measuring methods for analysing components of a liquid mixture of several substances” (German Patent Granted; EP and US Patents Pending)

3. External applications of artificial oxygen carriers

EP-P 1 301 169 US-O 2004/0022839	“Preparation in the form of an emulsion that contains an oxygen carrier selected from hemoglobin or hemoglobin and myoglobin, for use as a topically applicable cosmetic and for the natural regeneration of the skin in the case of oxygen deficiency” (European Patent Granted)
EP-P 1 303 297 US-O 2003/0180365	“Preparation containing an oxygen carrier for regeneration of the skin in the case of oxygen deficiency” (European Patent Granted)
EP-A 03 740 198	“Microemulsions having a binary phase differentiability and active substance differentiability, the production thereof and their use,

US-A 10/518,667 particularly for the topical supply of oxygen" (Patents Pending)

DE-O 103 60 503 "Combination set and method for the bio-regenerative treatment of skin" (Patents Pending)
PCT-O 2005
/063193

4. Wound Management

EP-A 03 708 173 "Use of one or more natural or modified oxygen carriers, devoid of plasma and cellular membrane constituents,
US-A 10/508,092 for externally treating open, in particular chronic wounds" (Patents Pending)

PCT-O "Therapeutically active wound dressings, production thereof, and use of the same" (Patents Pending)
2005/063311

MANUFACTURING, MARKETING AND DISTRIBUTION

For the manufacturing of our products we rely on certified specialist contract manufacturers who specialize in the fields of cosmetic and medical products. Production processes have been certified and comply with the respective best practices in the industry. Production is constantly being monitored by us and by the respective certifying authorities.

We still have limited experience in the selling and marketing of our products. We are therefore dependent on attracting industry marketing and distribution partners in order to succeed in selling our products in their respective markets.

RESEARCH AND DEVELOPMENT

Research and development are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred. Research and development costs totaled $155,886 and 111,608 during the fiscal years ended June 30, 2007 and 2006, respectively.

GOVERNMENT REGULATION

SGBI and its former United States subsidiary were subject to governmental regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, and other similar laws of general application, as to all of which SGBI believes it and its subsidiaries are in material compliance.

Although it is believed that SGBI and its United States subsidiary were in material compliance with all applicable governmental and environmental laws, rules, regulations and policies, and although no government concerns were put forward during the operation of or after the closing of the Santa Ana operations, there can be no assurance that the business, financial condition, and results of operations of SGBI and its subsidiaries will not be materially adversely affected by future government claims with regard to unlikely, but not impossible, infringements on these or other laws resulting from SGBI's former United States operations.

Additionally, the clinical testing, manufacture, promotion and sale of a significant majority of the products and technologies of the subsidiaries, and to a much less extent of SGBI, if those products and technologies are to be offered and sold in the United States, are subject to extensive regulation by numerous governmental authorities in the United States, principally the Federal Drug Administration (FDA), and corresponding state regulatory agencies. To the extent those products and technologies are to be offered and sold in markets other than the United States, the clinical testing, manufacture, promotion and sale of those products and technologies will be subject to similar regulation by corresponding foreign regulatory agencies. In general, the regulatory framework for biological health care products is more rigorous than for non-biological health care products. Generally, biological health care products must be shown to be safe, pure, potent and effective. There are numerous state and federal statutes and regulations that govern or influence the testing, manufacture, safety, effectiveness, labelling, storage, record keeping, approval, advertising, distribution and promotion of biological health care products. Non-compliance with applicable requirements can result in, among other things, fines, injunctions, seizures of products, total or partial suspension of product marketing, and failure of the government to grant pre-market approval, withdrawal of marketing approvals, product recall and criminal prosecution.

COMPETITION

The market for the products and technologies of SGBI is highly competitive, and SGBI expects competition to increase. Experiments and clinical testing in the field of artificial oxygen carriers are being carried out by Alliance Pharmaceutical Corp. of San Diego, California, as well as Biopure Corp. of Cambridge, Massachusetts. Companies researching into the possibility of developing implantable glucose sensors include Roche Diagnostics, Animas, Corp.,

Frazer, Pennsylvania, and Medtronic Inc. of Sylmar, California. In the fields of anti-aging and anti-cellulite cosmetics, all major cosmetic vendors are actively marketing proprietary formulations. Leading wound pad providers include Johnson & Johnson, Bristol-Myers Squibb, as well as Beiersdorf AG.

DEPENDENCE ON MAJOR CUSTOMERS

As of June 30, 2007, the company entertained business relationships with three major customers, Mercatura Biocosmetics AG, Cosmed-Naturell GmbH and Karl Beese GmbH & Co. No assurance can be given that these companies will be successful in marketing and distributing our products. These three companies combined constitute approximately 70% of the Company's gross revenues for the year ended June 30, 2007.

HUMAN RESOURCES

The Company considers its relations with its employees to be favorable. As of June 30, 2007 SGBI and its subsidiaries had two fulltime employees, neither of whom was involved in research and development. For research and development purposes, the Company had consulting arrangements with five individuals.

DIVIDENDS

The Company anticipates that it will use any funds available to finance its growth and that it will not pay cash dividends to stockholders in the foreseeable future.

REPORTS TO SECURITY HOLDERS

Copies of the Company's reports, as filed with the Securities and Exchange Commission, are available and may be viewed as filed at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549 or by calling 1-800-SEC-0330. Additionally they can be accessed and downloaded via the internet at http://www.sec.gov/cgi-bin/srch-edgar by simply typing in "Sangui Biotech International" or via the web links at the corporate website http://www.sanguibiotech.com.

CERTAIN BUSINESS RISKS

The risks and uncertainties described below are not the only ones facing SGBI and there may be additional risks that are not presently known or are currently deemed immaterial. All of these risks may impair business operations.

The Company's present and proposed business operations will be highly speculative and subject to the same types of risks inherent in any new or unproven venture, as well as risk factors particular to the industries in which it will operate, as well as other significant risks not normally associated with investing in equity securities of United States companies, among other things, those types of risk factors outlined below.

Risk that SGBI's Common Stock may be deemed a “Penny Stock”

The Company's common stock may be deemed to be a “penny stock” as that term is defined in Rule 3a51-1 of the Exchange Act of 1934. Penny stocks are stocks (i) with a price of less than five dollars per share; (ii) that are not traded on a “recognized” national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) of an issuer with net tangible assets of less than US$2,000,000 or US$5,000,000 (if in continuous operation for less than three years), or with average annual revenues of less than US$6,000,000 for the last three years.

A principal exclusion from the definition of a penny stock is an equity security that has a price of five dollars ($5.00) or more, excluding any broker or dealer commissions, markups or markdowns. As of the date of this report SGBI's common stock has a price less than $5.00.

If SGBI's Common Stock is at any time deemed a penny stock, section 15(g) and Rule 3a51-1 of the Exchange Act of 1934 would require broker-dealers dealing in SGBI's Common Stock to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in SGBI's common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be “penny stock.”

Moreover, Rule 15g-9 of the Exchange Act of 1934 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for investors in SGBI's common stock to resell their shares to third parties or to otherwise dispose of them.

Conflicts of Interest; Related Party Transactions

The possibility exists that the Company may acquire or merge with a business or company in which the Company's executive officers, directors, beneficial owners or their affiliates may have an ownership interest. Although there is no formal bylaw, stockholder resolution or agreement authorizing any such transaction, corporate policy does not forbid it and such a transaction may occur if management deems it to be in the best interests of the Company and its stockholders, after consideration of all factors. A transaction of this nature would present a conflict of interest to those parties with a managerial position and/or an ownership interest in both the Company and the acquired entity, and may compromise management's fiduciary duties to the Company's stockholders. An independent appraisal of the acquired company may or may not be obtained in the event a related party transaction is contemplated. Furthermore, because management and/or beneficial owners of the Company's common stock may be eligible for finder's fees or other

compensation related to potential acquisitions by the Company, such compensation may become a factor in negotiations regarding such potential acquisitions. It is the Company's intention that all future transactions be entered into on such terms as if negotiated at arms length, unless the Company is able to receive more favorable terms from a related party.

Limited Operating History of the Company; Losses Are Expected To Continue

There can be no assurance that unanticipated technical or other problems will not occur which would result in material delays in product commercialisation or that the efforts of SGBI will result in successful product commercialisation. SGBI has been operating at a loss and expects its costs to increase as soon as its development efforts and testing activities accelerate. It is currently unknown when profitable operations might be achieved.

Substantial Doubt that the Company Can 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.

Future Capital Needs and Uncertainty of Additional Funding

Although management believes that SGBI's cash position should be sufficient to cover its financing for at least the current fiscal year, substantial funds will be required to effect SGBI's development plans. The Company will require additional cash for: (i) payment of increased operating expenses; (ii) payment of development expenses; and (iii) further implementation of its business strategies. Such additional capital may be raised by additional public or private financing, as well as borrowings and other resources. To the extent that additional capital is received by SGBI by the sale of equity or equity-related securities, the issuance of such securities will result in dilution to SGBI's shareholders. There can be no assurance that additional funding will be available on favorable terms, if at all. SGBI may also seek arrangements with collaborative partners in order to gain additional funding, marketing assistance or other contributions. However, such arrangements may require SGBI to relinquish rights or reduce its interests in certain of its technologies or product candidates. The inability of SGBI to access the capital markets or obtain acceptable financing could have a material adverse effect on the results of operations and financial condition of SGBI. Moreover, if funds are not available from any sources, SGBI may not be able to continue to operate. As of June 30, 2007, the Company has issued all of its common shares of stock as authorized by its Articles. The Company is unable to consummate any additional sales of common stock until additional shares are authorized by the Board of Directors, the shareholders of the Company, and an amendment to the Company’s Articles of Incorporation is completed.

Dependence on Key Personnel

The future success of SGBI will depend on the service of its key scientific personnel and, additionally, its ability to identify, hire and retain additional qualified personnel. There is intense competition for qualified personnel in this industry and there can be no assurance that SGBI will be able to attract and retain personnel necessary for the development of the business of SGBI. Because of the intense competition, there can be no assurance that SGBI will be successful in adding technical personnel if needed to satisfy its staffing requirements. Failure to attract and retain key personnel could have a material adverse effect on SGBI.

SGBI and its subsidiaries are dependent on the efforts and abilities of their senior management. The loss of various members from management could have a material adverse effect on the business and prospects of SGBI. In particular, SGBI will depend on the service of Professor Wolfgang Barnikol because he is instrumental in his expertise in the development of the oxygen carrier and glucose sensor products. There can be no assurance that upon the departure of key personnel from the service of SGBI or its subsidiaries suitable replacements will be available.

Licenses and Consents

The utilization or other exploitation of the products and services developed by SGBI or its subsidiaries may require SGBI or its subsidiaries to obtain licenses or consents from the producers or other holders of patents, trademarks, copyrights or other similar rights (Intellectual Property) relating to the products and technologies of SGBI or its subsidiaries. In the event SGBI or its subsidiaries are unable, if so required, to obtain any necessary license or consent on terms which the management of SGBI or its subsidiaries consider to be reasonable, SGBI or its subsidiaries may be required to cease developing, utilizing, or exploiting products or technologies affected by those Intellectual Property rights. In the event SGBI or its subsidiaries are challenged by the holders of such Intellectual Property rights, there can be no assurance that SGBI or its subsidiaries will have the financial or other resources to defend any resulting legal action, which could be significant.

Technological Factors

The market for the products and technology developed by SGBI is characterized by rapidly changing technology, which could result in product obsolescence or short product life cycles. Similarly, the industry is characterized by continuous development and introduction of new products and technology to replace outdated products and

technology. Accordingly, the ability of SGBI to compete will be dependent upon the ability of SGBI to provide new and innovative products and technology. There can be no assurance that competitors will not develop technologies or products that render the proposed products and technology of SGBI obsolete or less marketable. SGBI will be required to adapt to technological changes in the industry and develop products and technology to satisfy evolving industry or customer requirements, any of which could require the expenditure of significant funds and resources, and SGBI does not have a source or commitment for any such funds and resources. Development efforts relating to the technological aspects of the various products and technologies to be developed by SGBI are not substantially completed. Accordingly, SGBI will continue to refine and improve those products and technologies. Continued refinement and improvement efforts remain subject to the risks inherent in new product development, including unanticipated technical or other problems, which could result in material delays in product commercialisation or significantly increased costs. In addition, there can be no assurance that those products and technologies will prove to be sufficiently reliable or durable in wide spread commercial application. The products or technologies sought to be developed by SGBI will be the result of significant efforts, which may result in errors that become apparent subsequent to widespread commercial utilization. In such event, SGBI would be required to modify such products or technologies and continue with additional research and development, which could delay the plans of SGBI and cause SGBI to incur additional cost.

Early Stage of Product Development; Lack of Commercial Products; No Assurance of Successful Product Development

The Company's primary efforts are devoted to the development of proprietary products involving artificial oxygen carriers and glucose sensors.

The potential products of SGBI will require additional pre-clinical and clinical development, regulatory approval and additional investment prior to commercialisation, either by SGBI independently or by others through collaborative arrangements. Potential products that appear to be promising at early stages of development may be ineffective or be shown to cause harmful side effects during pre-clinical testing or clinical trials, fail to receive necessary regulatory approvals, be difficult to manufacture, be uneconomical to produce, fail to achieve market acceptance or be precluded from commercialisation by proprietary rights of others. There can be no assurance that any potential products will be successfully developed, prove to be safe and efficacious in clinical trials, satisfy applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or achieve commercial acceptance.

All products and technologies under development by SGBI will require significant commitment of personnel and financial resources. Several products will require extensive evaluation and pre-marketing clearance by the Federal Drug Administration and comparable agencies in other countries prior to commercial sale. SGBI regularly re-evaluates its product development efforts. On the basis of these re-evaluations, SGBI may abandon development efforts for particular products. No assurance can be given that any product or technology under development will result in the successful introduction of any new product. The failure to introduce new products into the market on a timely basis could have a material adverse effect on the business, financial conditions or results of operation of SGBI.

There can be no assurance that human testing of potential products based on such technologies will be permitted by regulatory authorities or, even if human testing is permitted, that products based on such technologies will be shown to be safe and efficacious. Potential products based on the technologies of SGBI are at an early stage of testing and there can be no assurance that such products will be shown to be safe or effective.

Market Acceptance

There can be no assurance that the products and technologies of SGBI will achieve a significant degree of market acceptance, and that acceptance, if achieved, will be sustained for any significant period or that product life cycles will be sufficient (or substitute products developed) to permit SGBI to achieve or sustain market acceptance which could have a material adverse effect on the business, financial condition, and results of operations of SGBI.

Government Regulation; No Assurance of Product Approval

The clinical testing, manufacture, promotion, and sale of biotechnology and pharmaceutical products are subject to extensive regulation by numerous governmental authorities in the United States, principally the Federal Drug Administration (FDA), and corresponding state and foreign regulatory agencies prior to the introduction of those products. Management of SGBI believes that many of the potential products of SGBI will be regulated by the FDA, subject to the then current regulations of the FDA. Other federal and state statutes and regulations may govern or influence the testing, manufacture, safety, effectiveness, labeling, storage, record-keeping, approval, advertising, distribution and promotion of certain products developed by SGBI. Non-compliance with applicable requirements can result in, among other things, fines, injunctions, seizure of products, suspensions of regulatory approvals, product recalls, operating restrictions, re-labeling costs, delays in sales, cessation of manufacture of products, the imposition of civil or criminal sanctions, total or partial suspension of product marketing, failure of the government to grant pre-market approval, withdrawal of marketing approvals and criminal prosecution.

The FDA's requirements include lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. In particular, human therapeutic products are subject to rigorous pre-clinical and clinical testing and other approval requirements by the FDA, and other like agencies in Germany, Singapore and other countries. Although the time required for completing such testing and obtaining such approvals is uncertain, satisfaction of these requirements typically takes a number of years and varies substantially based on the type, complexity and novelty of each product. Neither SGBI nor its subsidiaries can accurately predict when product applications or submissions for FDA or other regulatory review may be submitted. Management of SGBI has no experience in obtaining regulatory clearance on these types of products. The lengthy process of obtaining regulatory approval and ensuring compliance with applicable law requires the expenditure of substantial resources. Any delays or failure by SGBI or its subsidiaries to obtain regulatory approval and ensure compliance with appropriate standards could adversely affect the commercialization of such products, the ability of SGBI to earn product or royalty revenue, and its results of operations, liquidity and capital resources.

Pre-clinical testing is generally conducted in laboratory animals to evaluate the potential safety and effectiveness of a drug. The results of these studies are submitted to the FDA, which must be approved before clinical trials can begin. Typically, clinical evaluation involves a time consuming and costly three-phase process. In Phase I, clinical trials are conducted with a small number of subjects to determine the early safety profile, the pattern of drug distribution and metabolism. In Phase II, clinical trials are conducted with groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In Phase III, large-scale, multi-center, comparative trials are conducted with patients afflicted with a target disease in order to provide enough data to demonstrate the efficacy and safety required by the FDA. The FDA closely monitors the progress of each of the three phases of clinical trials and may, at its discretion, re-evaluate, alter, suspend or terminate the testing based upon the data which have been accumulated to that point and its assessment of the risk/benefit ratio to the patient.

Clinical trials and the marketing and manufacturing of products are subject to the rigorous testing and approval processes of the FDA and foreign regulatory authorities. The process of obtaining FDA and other required regulatory approvals is lengthy and expensive. There can be no assurance that SGBI will be able to obtain the necessary approvals to conduct clinical trials for the manufacturing and marketing of products, that all necessary clearances will be granted to SGBI or their licensors for future products on a timely basis, or at all, or that FDA review or other

actions will not involve delays adversely affecting the marketing and sale of the products or SGBI. In addition, the testing and approval process with respect to certain new products which SGBI may seek to introduce is likely to take a substantial number of years and involve the expenditure of substantial resources. There can be no assurance that pharmaceutical products currently in development will be cleared for marketing by the FDA. Failure to obtain any necessary approvals or failure to comply with applicable regulatory requirements could have a material adverse effect on the business, financial condition or results of operations of SGBI. Further, future government regulation could prevent or delay regulatory approval of the products of SGBI.

There can be no assurance as to the length of the clinical trial period or the number of patients the FDA will require to be enrolled in the clinical trials in order to establish the safety and effectiveness of the products of SGBI. SGBI may encounter significant delays or excessive costs in their efforts to secure necessary approvals, and regulatory requirements are evolving and uncertain. Future United States or foreign legislative or administrative acts could also prevent or delay regulatory approval of the products of SGBI. If commercial regulatory approvals are obtained, they may include significant limitations on the indicated uses for which a product may be marketed. In addition, a marketed product is subject to continual FDA review. Later discovery of previously unknown problems or the failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product, or even the removal of the product from the market, as well as possible civil or criminal sanctions. Failure of SGBI to obtain marketing approval for any of their products under development on a timely basis, or FDA withdrawal of marketing approval once obtained, could have a material adverse effect on the business, financial condition and results of operations of SGBI.

Any party that manufactures therapeutic or pharmaceutical products is required to adhere to applicable standards for manufacturing practices and to engage in extensive record keeping and reporting. Any of the manufacturing facilities of SGBI are subject to periodic inspection by state and federal agencies, including the FDA and comparable agencies in foreign countries.

The effect of governmental regulation may be to delay the marketing of new products for a considerable period of time, to impose costly requirements on the activities of SGBI or to provide a competitive advantage to other companies that compete with SGBI. There can be no assurance that FDA or other regulatory approval for any products developed by SGBI will be granted on a timely basis, if at all or, if granted, that compliance with regulatory standards will be maintained. Adverse clinical results by SGBI could have a negative impact on the regulatory process and timing. A delay in obtaining, or failure to obtain, regulatory approvals could preclude or adversely affect the marketing of products and the liquidity and capital resources of SGBI. The extent of potentially adverse governmental regulation that might result from future legislation or administrative action cannot be predicted.

Additionally, SGBI will be subject to regulatory authorities in Germany and other countries governing clinical trials and product sales. Even if FDA approval is obtained, approval of a product by the comparable regulatory authorities of other countries must be obtained prior to the commencement of marketing the product in those countries. The approval process varies from country to country and the time required may be longer or shorter than that required for FDA approval. The foreign regulatory approval process includes all of the risks associated with obtaining FDA approval set forth above, and approval by the FDA does not ensure approval by the health authorities of any other country. There can be no assurance that any foreign regulatory agency will approve any product submitted for review by SGBI.

SGBI is subject to various federal, state and local laws, regulations and recommendations relating to safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with its research work. The extent and character of governmental regulation that might result from future legislation or administrative action cannot be accurately predicted.

Intense Competition

Competition in the biotechnology, pharmaceutical and cosmetic industries is intense and is expected to increase. In the field of its medical and cosmetic products SGBI and its subsidiaries compete directly with the research departments of biotechnology and pharmaceutical companies, chemical companies and, possibly, joint collaborations between chemical companies and research and academic institutions. Management of SGBI is aware that other companies and businesses have developed and are in the process of developing technologies and products, which may be competitive with the products and technologies developed and offered by SGBI. Eventually, this might include the field of blood additives where there is no direct competition at present. The biotechnology and pharmaceutical industries continue to undergo rapid change. There can be no assurance that competitors have not or will not succeed in developing technologies and products that are more effective than any which have been or are being developed by SGBI or which would render the technology and products of SGBI obsolete. Many of the competitors of SGBI have substantially greater experience, financial and technical resources and production, marketing and development capabilities than SGBI. Accordingly, certain of those competitors may succeed in obtaining regulatory approval for products more rapidly or effectively than SGBI.

Uncertainties Associated With Patents and Proprietary Rights

The success of SGBI and its subsidiaries may depend in part on their ability to obtain patents for their technologies and products, if any, resulting from the application of such technologies, to defend patents once obtained and to maintain trade secrets, both in the United States and in foreign countries.

The success of SGBI will also depend upon avoiding the infringement of patents issued to competitors. There can be no assurance that SGBI will be able to obtain patent protection for products based upon the technology of SGBI. Moreover, there can be no assurance that any patents issued to SGBI or its subsidiaries will not be challenged, invalidated or circumvented or that the rights granted there under will provide competitive advantages to SGBI. Litigation, which could result in substantial cost to SGBI, may be necessary to enforce the patent and license rights of SGBI or to determine the scope and validity of its and others' proprietary rights.

Due to the length of time and expense associated with bringing new products through development and the length of time required for the governmental approval process, the biotechnology and pharmaceutical industries have traditionally placed considerable importance on obtaining and maintaining patent and trade secret protection for significant new technologies, products and processes. The enforceability of patents issued to biotechnology and pharmaceutical firms can be highly uncertain. U.S. Federal court decisions establishing legal standards for determining the validity and scope of patents in the field are in transition. In addition, there can be no assurance that patents will be issued or, if issued, any such patents will afford SGBI protection from infringing patents granted to

others.

A number of biotechnology and pharmaceutical companies, and research and academic institutions, have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of SGBI and its subsidiaries. Some of these technologies, applications or patents may conflict with the technologies of SGBI. Such conflicts could also limit the scope of the patents, if any, that SGBI or its subsidiaries may be able to obtain or result in the denial of the patent applications of SGBI.

Many of the competitors of SGBI are, have, or are affiliated with companies having, substantially greater resources than SGBI, and such competitors may be able to sustain the costs of complex patent litigation to a greater degree and for longer periods of time than SGBI. Uncertainties resulting from the initiation and continuation of any patent or related litigation could have a material adverse effect on the ability of SGBI to compete in the marketplace pending resolution of the disputed matters. Moreover, an adverse outcome could subject SGBI to significant liabilities to third parties and require SGBI to license disputed rights from third parties or cease using the technology. In the event that third parties have or obtain rights to intellectual property or technology used or needed by SGBI, there can be no assurance that any licenses would be available to SGBI or would be available on terms reasonably acceptable to SGBI.

SGBI may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable. Although SGBI has taken steps to protect their unpatented trade secrets and technology, in part through the use of confidentiality agreements with their employees, consultants and certain of its contractors, there can be no assurance that: (i) these agreements will not be breached; (ii) SGBI would have adequate remedies for any breach; or (iii) the proprietary trade secrets and know-how of SGBI will not otherwise become known or be independently developed or discovered by competitors.

Risk of Product Liability; Potential Unavailability of Insurance

The business of SGBI will expose it to potential product liability risks that are inherent in the testing, manufacturing and marketing of human pharmaceutical and therapeutic products. SGBI does not currently have product liability insurance, and there can be no assurance that SGBI will be able to obtain or maintain such insurance on acceptable terms or, if obtained, that such insurance will be adequate to cover potential product liability claims or that a loss of insurance coverage or the assertion of a product liability claim or claims would not materially adversely affect the business, financial condition and results of operations of SGBI. SGBI faces an inherent business risk of exposure to product liability and other claims in the event that the development or use of its technology or products is alleged to have resulted in adverse effects. Such risk exists even with respect to those products that are manufactured in licensed and regulated facilities or that otherwise possess regulatory approval for commercial sale. There can be no assurance that SGBI will avoid significant product liability exposure.

While SGBI has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that it will avoid significant liability exposure. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products developed by SGBI. A product liability claim could have a material adverse effect on the business, financial condition and results of operations of SGBI.

Uncertainties Relating to Pricing and Third-Party Reimbursement

The operating results of SGBI may depend in part on the availability of adequate reimbursement for the products of SGBI from third-party payers, such as government entities, private health insurers and managed care organizations. Third-party payers are increasingly seeking to negotiate the pricing of medical services and products. In some cases, third-party payers will pay or reimburse a user or supplier of a product for only a portion of the purchase price of the product. In the case of the products of SGBI, payment or reimbursement by third-party payers of only a portion of the cost of such products could make such products less attractive, from a cost perspective, to users, suppliers and physicians. There can be no assurance that reimbursement, if available, will be adequate. Moreover, certain of the products of SGBI may not be of the type generally eligible for third-party reimbursement. If adequate reimbursement levels are not provided by government entities or other third-party payers for the products of SGBI, the business, financial condition and results of operations of SGBI would be materially adversely affected. A number of legislative and regulatory proposals aimed at changing the United State's health care system have been proposed in recent years. While SGBI cannot predict whether any such proposals will be adopted, or the effect that any such proposal may have on its business, such proposals, if enacted, could have a material adverse effect on the business, financial condition or results of operations of SGBI.

Risk of Product Recall; Product Returns

Product recalls may be issued at the discretion of SGBI, the FDA or other government agencies having regulatory authority for product sales and may occur due to disputed labeling claims, manufacturing issues, quality defects or other reasons. No assurance can be given that product recalls will not occur in the future. Any product recall could materially adversely affect the business, financial condition or results of operations of SGBI. There can be no assurance that future recalls or returns would not have a material adverse effect upon the business, financial condition and results of operations of SGBI.

Risks of International Sales and Operations

SGBI's results of operations are subject to fluctuations in the value of the Euro against the U.S. Dollar due to SGBI's German subsidiaries. Although management of SGBI will monitor exposure to currency fluctuations, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the results of operations or financial condition of SGBI. In the future, SGBI could be required to sell its products in other currencies, which would make the management of currency fluctuations more difficult and expose SGBI to greater risks in this regard.

The products of SGBI will be subject to numerous foreign government standards and regulations that are continually being amended. Although SGBI will endeavor to satisfy foreign technical and regulatory standards, there can be no assurance that the products of SGBI will comply with foreign government standards and regulations, or changes thereto, or that it will be cost effective for SGBI to redesign its products to comply with such standards or regulations. The inability of SGBI to design or redesign products to comply with foreign standards could have a material adverse effect on SGBI's business, financial condition and results of operations.

Lack of Commercial Manufacturing and Marketing Experience

SGBI has not yet manufactured its products in commercial quantities. The Company and its manufacturing contractors and partners will be engaged in manufacturing pharmaceutical products which will be subject to stringent regulatory requirements. No assurance can be given that the Company, on a timely basis, will be able to make the transition from manufacturing clinical trial quantities to commercial production quantities successfully or be able to arrange for contract manufacturing. SGBI and its subsidiaries have no experience in the sales, marketing and distribution of products. There can be no assurance that SGBI will be able to establish sales, marketing and distribution capabilities or make arrangements with collaborators, licensees or others to perform such activities or that such effort will be successful.

The manufacture of the products of SGBI involves a number of steps and requires compliance with stringent quality control specifications imposed by SGBI and by the FDA or similar regulatory bodies under the law of the respective countries. Moreover, SGBI's products can only be manufactured in a facility that has undergone a satisfactory inspection by the FDA. For these reasons, SGBI would not be able to quickly replace its manufacturing capacity if one of its manufacturing contractors or partners were unable to use their manufacturing facilities as a result of a fire, natural disaster, equipment failure or other difficulty, or if such facilities are deemed not in compliance with the FDA's Good Manufacturing Practice (GMP) requirements and the non-compliance could not be rapidly rectified. The inability or reduced capacity of SGBI to manufacture their products would have a material adverse effect on SGBI's business and results of operations.

SGBI has entered and may enter into arrangements with contract manufacturing companies to expand its production capacities in order to satisfy requirements for its products, or to attempt to improve manufacturing efficiency. If SGBI chooses to contract for manufacturing services and encounters delays or difficulties in establishing relationships with manufacturers to produce, package and distribute its finished products, clinical trials, market introduction and subsequent sales of such products would be adversely affected. Further, contract manufacturers must also operate in compliance with the FDA's GMP requirements; failure to do so could result in, among other things, the disruption of product supplies.

Currently, SGBI has its products manufactured by contract manufacturers in Germany and anticipates future production in Mexico. No assurance can be given, that these vendors will be willing or able to produce the products in the required quality or quantitities or at prices which will enable SGBI to sell the end products as requested by its customers.

Hazardous Materials And Environmental Matters

The research and development processes of SGBI involve the controlled storage, use and disposal of hazardous materials. SGBI is subject to federal, state and local laws and regulations governing the use, generation, manufacturing, storage, handling, and disposal of such materials and certain waste products. Although SGBI does not currently manufacture commercial quantities of its product candidates, it produces limited quantities of such products for its clinical trials or comparable testing and SGBI may eventually intend to manufacture commercial quantities of its products. Although SGBI has passed the ISO 9001:2000 (General Quality Management System) and ISO 13485:2003 (Quality Management System Medical Products) audits, and obtained the respective certifications, and although it believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, SGBI could be held liable for any damages that result, and any such liability could exceed the resources of SGBI. There can be no assurance that SGBI will not be required to incur significant costs to comply with current or future environmental laws and regulations nor that the operations, business or assets of SGBI will not be materially or adversely affected by current or future environmental laws or regulations.

Fluctuations in Foreign Currency Exchange Rates could have an Adverse Impact.

Because a portion of our total revenue is derived from international operations that are conducted in foreign currencies, changes in value of these foreign currencies relative to the US dollar may affect our results of operation and financial position. If for any reason exchange or price controls or other restriction on the conversion of foreign currencies were imposed, our business could be adversely affected.

ITEM 2. PROPERTIES

The Company leases its office and laboratory facilities and is housed in approximately 8,600 square feet based in the Forschungs-und Entwicklungszentrum of the University Witten/Herdecke, Germany. Rent expense was approximately $78,000 and $68,000 during the years ended June 30, 2007 and 2006, respectively.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to our security holders for approval during the period covered by this Report.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

As of June 30, 2007, SGBI's common stock was traded on www.pinksheets.com under the symbol SGBI as well as on the OTC market of the Hamburg stock exchange in Germany.

The following table sets forth the high and low closing prices for shares of SGBI common stock for the fiscal periods noted, as reported by www.pinksheets.com. Quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

		CLOSING PRICES (US$)	
FISCAL YEAR	PERIOD	HIGH	LOW
2007	July - September	0.16	0.11
	October - December	0.30	0.12
	January - March	0.27	0.175
	April – June	1.01	0.20
2006	July - September	0.22	0.13
	October - December	0.15	0.10
	January - March	0.20	0.11
	April – June	0.16	0.10

In addition to freely tradable shares, SGBI has numerous shares of common stock outstanding that could be sold pursuant to Rule 144. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, including one of our affiliates, who has beneficially owned restricted shares of common stock for at least one year is entitled to sell, in certain brokerage transactions, within any three-month period, a number of shares that does not

exceed the greater of 1% of the total number of outstanding shares of the same class, or the average weekly trading volume during the four calendar weeks immediately preceding the sale. A person who presently is not and who has not been an affiliate for at least three months immediately preceding the sale and who has beneficially owned the shares of common stock for at least two years is entitled to sell such shares under Rule 144 without regard to any of the volume limitations described above.

At June 30, 2007, the number of record holders of the Company's common stock was approximately 875. The Company did not pay any cash dividends during the past two fiscal years and does not contemplate paying dividends in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES

Sales of Securities

In January, 2006, the company sold 1,496,251 shares of common stock to one Swiss investor yielding a cash contribution in the amount of $135,758. The issuance was not involving a public offering the offer and sale of the shares occurred outside of the United States and the shares were sold and issued to individuals who reside outside of the United States, pursuant to an exemption from registration under Rule 901, Regulation S of the Securities Act of 1933, as amended.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATIONS

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

CRITICAL ACCOUNTING POLICIES Our significant accounting policies are described in Note 1 to the consolidated financial statements for the year ended June 30, 2007. The following are our critical accounting policies:

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 are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred. Research and development costs totaled $155,886 and $111,608 during the fiscal years ended June 30, 2007 and 2006, respectively.

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.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R "Shared 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 shared 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.

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. The Company is currently evaluating the impact of applying the various provisions of SFAS 157.

FINANCIAL POSITION

The Company’s current assets increased by $89,198, or 126%, from June 30, 2006 to $160,127 at June 30, 2007. The increase is primarily attributable to a significant increase in inventory, prepaid expenses, and accounts receivable.

The Company's net property and equipment decreased $7,178 or 61%, from June 30, 2006 to $4,530 at June 30, 2007. The decrease is primarily attributable to the current year depreciation of approximately $21,540, partially offset by $14,110 in purchases of new property and equipment during the year.

The Company funded its operations primarily through borrowings on promissory notes payable. The Company’s stockholders’ equity increased $27,114, to a deficit of $410,818. The primary increase is caused by the Company's current year net loss of $721,562.

REVENUES. Revenues increased 171% to $372,015 during the year ended June 30, 2007 from $137,257 during 2006. This increase is due primarily to the company’s increased emphasis on sales and exploitation of existing research and development. The Company incurred Cost of Sales totaling $256,805 during the 2007 fiscal year, a 118% increase over the prior year.

RESEARCH AND DEVELOPMENT. Research and development expenses increased 40% to $155,886 during the year ended June 30, 2007 from $111,608 during the 2006 fiscal year. This increase is due primarily to the Company working to improve and perfect its current inventory items in addition to further developing various new inventory products utilizing its existing technology and production methods.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased 9% to $665,884 in 2007 from $609,949 in 2006. This increase of $55,935 is attributed to increases in legal and accounting expenses, as well as expenses incurred in pursuing new international markets for the Company’s products, as well as in the US dollar weakening against the EURO.

NET LOSS. As a result of the above factors, the Company's consolidated net loss was approximately $722,000, or $0.02 per common share in 2007, compared to $731,000, or $0.02 per common share, in 2006.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended June 30, 2007, net cash used in operating activities increased to $755,925 from $282,936 for the year ended June 30, 2006, primarily related to significant changes in prepaid expenses, inventory, and in current liabilities during the 2007 fiscal year.

For the year ended June 30, 2007, net cash flows from investing activities decreased to an outflow of $20,328, from a outflow of $7,530 for the year ended June 30, 2006. The principal reason for the decrease was the purchase of equipment items during the 2007 fiscal year.

The Company had a working capital deficit of $515,437 at June 30, 2007, compared to working capital deficit of $436,681 at June 30, 2006, an overall decrease of $78,756, due primarily to the Company’s net loss for the year.

The Company incurred a net loss applicable to common stockholders of $721,562 and used cash in operating activities of $755,925 for the year ended June 30, 2007. These and other 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.

Sales of our anti-aging formulation started in early 2005, sales of our product skin regeneration as well as wound pad products started in the course of the first quarter of 2007. The current state of the different sales efforts has induced management to believe that revenues from these products may be obtainable in the course of the current fiscal year. However, 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 7. FINANCIAL STATEMENTS

SANGUI BIOTECH INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007

MOORE & ASSOCIATES, CHARTERED
ACCOUNTANTS AND ADVISORS
PCAOB REGISTERED

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Sangui Biotech International, Inc.

We have audited the accompanying consolidated balance sheet of Sangui Biotech International, Inc. as of June 30, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended June 30, 2007 and June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conduct our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sangui Biotech International, Inc. as of June 30, 2007, and the related statements of operations, stockholders' equity and cash flows for the years ended June 30, 2007 and June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred a net loss applicable to common stockholders of $721,562 and used cash in operating activities of $755,925 for the year ended June 30, 2007, which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Moore & Associates, Chartered

Moore & Associates Chartered
Las Vegas, Nevada
July 30, 2008

2675 S. Jones Blvd. Suite 109, Las Vegas, NV 89146 (702) 253-7499 Fax (702) 253-7501

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Balance Sheet

ASSETS

		June 30, 2007
CURRENT ASSETS		
Cash	$	18,497
Accounts receivable		36,387
Inventory		88,353
Prepaid expenses and other assets		16,890
Total Current Assets		160,127
FIXED ASSETS, Net		4,530
OTHER ASSETS		
Tax refunds receivable		6,218
Deposits		93,871
Total Other Assets		100,089
TOTAL ASSETS	$	264,746

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

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

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

		June 30, 2007
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	427,688
Notes payable - related		134,742
Notes payable		113,134
Total Current Liabilities		675,564
TOTAL LIABILITIES		675,564
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 shares issued and outstanding		18,969,358
Additional paid-in capital		1,958,376
Treasury stock		-
Accumulated other comprehensive income		1,147,882
Accumulated deficit		(22,486,434)
Total Stockholders' Equity (Deficit)		(410,818)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	264,746

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

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SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Statements of Operations

	For the Years Ended June 30,	
	2007	2006
REVENUES	$ 372,015	$ 137,257
COST OF SALES	256,805	118,018
GROSS PROFIT	115,210	19,239
OPERATING EXPENSES		
Research and development	155,886	111,608
Depreciation and amortization	21,540	36,876
General and administrative	665,884	609,949
Total Operating Expenses	843,310	758,433
OPERATING LOSS	(728,100)	(739,194)
OTHER INCOME (EXPENSE)		
Interest income	90	96
Interest expense	(23,676)	(12,087)
Other income (loss)	30,124	19,699
Total Other Income (Expense)	6,538	7,708
NET LOSS BEFORE INCOME TAXES	(721,562)	(731,486)
PROVISION FOR INCOME TAXES	-	-
NET LOSS	(721,562)	(731,486)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustments	1,147,882	70,027
Unrealized gain on marketable securities	-	-
Total Other Comprehensive Income (Loss)	1,147,882	70,027
COMPREHENSIVE INCOME (LOSS)	$ 426,320	$ (661,459)

BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	50,000,000	48,751,875

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

SANGUI BIOTECH INTERNATIONAL, INC.
Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit
Balance, June 30, 2005	47,503,749	$ 18,746,100	$ 1,986,398	$ 82,357	$ 383,407	$ (21,033,386)
Common shares issued for cash at $0.0875 per share	1,000,000	87,500	-	-	-	-
Common shares issued for prepaid consulting fees at $0.0908 per share	1,496,251	135,758	-	-	-	-
Sale of treasury stock	-	-	(28,022)	(82,357)	-	-
Currency translation adjustment	-	-	-	-	70,027	-
Net loss for the year ended June 30, 2006	-	-	-	-	-	(731,486)
Balance, June 30, 2006	50,000,000	18,969,358	1,958,376	-	453,434	(21,764,872)
Currency translation	-	-	-	-	694,448	-

adjustment						
Net loss for the year ended June 30, 2007	-	-	-	-	-	(721,562)
Balance, June 30, 2007	50,000,000	$ 18,969,358	$ 1,958,376	$ -	$ 1,147,882	$ (22,486,434)

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

SANGUI BIOTECH INTERNATIONAL, INC.
Statements of Cash Flows

	For the Years Ended June 30,	
	2007	2006
OPERATING ACTIVITIES		
Net loss	$ (721,562)	$ (731,485)
Adjustments to reconcile net loss to net cash		
used by operating activities:		
Depreciation, depletion and amortization	21,288	36,876
Changes in operating assets and liabilities		
Increase in accounts receivable	(19,786)	(12,301)
Increase in inventory	(73,633)	(7,657)
Increase in prepaid expenses and other assets	(54,432)	244,488
Increase in accounts payable and accrued expenses	92,200	187,143
Net Cash Used by Operating Activities	(755,925)	(282,936)
INVESTING ACTIVITIES		
Purchases of patents and licenses	(6,218)	-
Purchases of fixed assets	(14,110)	(7,530)
Net Cash Used by Investing Activities	(20,328)	(7,530)
FINANCING ACTIVITIES		
Change in notes payable	(58,988)	147,990
Change in notes payable - related	134,742	-
Sale of common stock for cash	-	87,500
Net Cash Provided by Financing Activities	75,754	235,490
EFFECTS OF EXCHANGE RATES	694,448	70,027
NET DECREASE IN CASH	(6,051)	15,051
	24,548	9,497

CASH AT BEGINNING OF PERIOD		
CASH AT END OF PERIOD	$ 18,497	$ 24,548
SUPPLIMENTAL DISCLOSURES OF		
CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest	$ -	$ -
Income Taxes	$ -	$ -

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

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND 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 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 haemoglobin, blood substitutes and blood additives) and in the development of glucose implant sensors.

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 (see Note 7). 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.

The Company incurred a net loss applicable to common stockholders of $721,562 and used cash in operating activities of $755,925 for the year ended June 30, 2007. These, and other 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 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Consolidation

The consolidated financial statements include the accounts of Sangui BioTech International, Inc. and its wholly owned domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective reporting period. Actual results could differ from those estimates. Significant estimates made by management are, among others, the realization of receivables and long-lived assets, and valuation allowance on deferred tax assets.

Risks and Uncertainties

The Company's line of future pharmaceutical and cosmetic products (artificial oxygen carriers or blood substitute and additives) as well as other medical 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 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.

Financial Instruments

The Company has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis. The Company's financial instruments consist of its cash and cash equivalents, marketable securities, and accounts payable and accrued expenses. The carrying amount of the Company's cash and cash equivalents and accounts payable and accrued expenses approximate their estimated fair values due to the short-term nature of these financial statements. Marketable securities are stated at fair value based upon quoted market prices and are classified as available-for-sale securities.

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.

Cash and Cash Equivalents

The Company maintains its cash in uninsured 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. The Company had no cash equivalents outstanding as of June 30, 2007.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are recorded at cost and are depreciated or amortized using the straight-line method over the expected useful lives, which range from three to five years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the related lease terms. Depreciation expense for the years ended June 30, 2007 and 2006 was $21,540 and $36,876, respectively. Expenditures for normal maintenance and routine repairs are charged to expense, and significant improvements are capitalized. The cost and related accumulated depreciation of assets are removed from the accounts upon retirement or other disposition; any resulting gain or loss is reflected in the statement of operations.

Patents and Licenses

Patents and licenses are recorded at cost and are amortized using the straight-line method over their estimated useful lives, which range from four to eight years. Amortization expense for the years ended June 30, 2007 and 2006 was $-0-.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles to be held and used by an entity are reviewed by the management of the Company for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. As of June 30, 2007, management of the Company believes that no impairment has been indicated. There can be no assurances, however, that market conditions will not change or demand for the Company's products will continue which could result in impairment on long-lived assets in the future.

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 are charged to operations as they are incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred. Research and development costs totaled $155,886 and $111,608 during the fiscal years ended June 30, 2007 and 2006, respectively.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for certain deferred tax assets when it is more likely than not that such tax assets will not be realized through future operations.

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SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 June 30, 2007 and 2006, the Company had no potentially dilutive securities that would effect 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 cash equivalents and are recorded as components of stockholders' equity.

Segments of an Enterprise and Related Information

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way public companies report information about segments of their business in their annual financial statements and requires them to report selected segment information in their quarterly reports issued to stockholders. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenues and its major customers, if any. As of June 30, 2007, the Company has only one segment of enterprise which is medical products manufacturing and sales.

Inventory

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market value. At June 30, 2007 all inventory consists of finished goods. Inventory is evaluated periodically by management for potential impairment. During the years ended June 30, 2007 and 2006, the Company recognized no impairment expense pertaining to inventory. As of June 30, 2007 inventory consisted of the following:

Raw materials	$ -
Finished goods	88,353
Work in process	-
Total	$ 88,353

Trade Receivables

The Company periodically reviews its trade receivables for potential collectability issues. The Company has implemented the policy to charge-off trade receivables older than 120 days outstanding as bad-debt expense. As of June 30, 2007, the Company had an allowance for doubtful accounts of $-0-.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements

During the year ended December 31, 2007, the Company adopted the following accounting pronouncements:

SFAS No. 157, Fair Value Measurements - This Statement does not require any new fair value measurements, but rather, it provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. However, the application of this Statement may change how fair value is determined. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. As of December 1, 2007 the FASB has proposed a one-year deferral for the implementation of the Statement for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The implementation of this pronouncement had no material effect on the Company's financial statements.

SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R) - This Statement requires that employers measure plan assets and obligations as of the balance sheet date. This requirement is effective for fiscal years ending after December 15, 2008. The other provisions of the Statement were effective as of the end of the fiscal year ending after December 15, 2006, for public companies. The implementation of this pronouncement had no material effect on the Company's financial statements.

SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 - This Statement provides all entities with an option to report selected financial assets and liabilities at fair value. The Statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007, with early adoption available in certain circumstances. The implementation of this pronouncement had no material effect on the Company's financial statements.

SOP No. 07-01, Clarification of the Scope of the Audit and Accounting Guide "Investment Companies" and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies - SOP 07-01 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies. The provisions of the SOP are effective for fiscal years beginning on or after December 15, 2007, with earlier application encouraged. As of December 1, 2007 the FASB has proposed an indefinite deferral of this SOP. The implementation of this pronouncement had no effect on the Company's financial statements.

EITF Issue No. 06-1, Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service from the Service Provider - This consensus concludes that if the consideration given by a service provider to a manufacturer or reseller (that is not a customer of the service provider) can be linked contractually to the benefit received by the service provider's customer, the service provider should account for the consideration in accordance with EITF Issue 01-9. The consensus is effective for the first annual reporting period beginning after June 15, 2007. The implementation of this pronouncement had no effect on the Company's financial statements.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements (Continued)

EITF Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements - This consensus concludes that for a split-dollar life insurance arrangement within the scope of this Issue, an employer should recognize a liability for future benefits in accordance with FASB Statement No. 106 (if, in substance, a postretirement benefit plan exists) or APB Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based on the substantive agreement with the employee. The consensus is effective for fiscal years beginning after December 15, 2007, with early application permitted. The implementation of this pronouncement had no effect on the Company's financial statements.

EITF Issue No. 06-8, Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, "Accounting for Sales of Real Estate", for Sales of Condominiums - This consensus concludes that an entity is required to evaluate the adequacy of a buyer's initial and continuing investment for purposes of determining whether it is appropriate to recognize profit from a real estate sale involving a condominium unit or time-sharing interest under the percentage-of-completion method under Statement No. 66. The consensus is effective for the first annual reporting period beginning after March 15, 2007. The implementation of this pronouncement had no effect on the Company's financial statements.

EITF Issue No. 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements - In this Issue, a consensus was reached that an employer should recognize a liability for the postretirement benefit related to a collateral assignment split-dollar life insurance arrangement in accordance with either FASB Statement No. 106 or APB Opinion No. 12, as appropriate, if the employer has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit based on the substantive agreement with the employee. A consensus also was reached that an employer should recognize and measure an asset based on the nature and substance of the collateral assignment split-dollar life insurance arrangement. The consensuses are effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with early application permitted. The implementation of this pronouncement had no effect on the Company's financial statements.

EITF Issue No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards - In this Issue, a consensus was reached that a realized income tax benefit from dividends or dividend equivalents that are charged to retained earnings and are paid to employees for equity-classified nonvested equity shares, nonvested equity share units, and outstanding equity share options should be recognized as an increase in additional paid-in capital. This Issue should be applied prospectively to the income tax benefits that result from dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is permitted. The implementation of this pronouncement had no effect on the Company's financial statements.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements (Continued)

EITF Issue No. 07-3, Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities - In this Issue, a consensus was reached that nonrefundable advance payments for future research and development activities should be deferred and capitalized. This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is not permitted. The implementation of this pronouncement had no effect on the Company's financial statements.

FSP No. FAS 158-1, Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides - This FSP provides conforming amendments to the illustrations in FASB Statements No. 87, 88, and 106 and to related staff implementation guides as a result of the issuance of FASB Statement No. 158. The conforming amendments made by this FSP are effective as of the effective dates of Statement No. 158. The unaffected guidance that this FSP codifies into Statements No. 87, 88, and 106 does not contain new requirements and therefore does not require a separate effective date or transition method. The implementation of this pronouncement had no effect on the Company's financial statements.

FSP No. FIN 39-1, Amendment of FASB Interpretation No. 39 - This FSP amends FASB Interpretation (FIN) No. 39, Offsetting of Amounts Related to Certain Contracts, to permit a reporting entity to offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement that have been offset in accordance with paragraph 10 of FIN 39. The guidance in this FSP is effective for fiscal years beginning after November 15, 2007, with early application permitted. The implementation of this pronouncement had no effect on the Company's financial statements.

FSP No. FIN 46(R)-7, Application of FASB Interpretation No. 46(R) to Investment Companies - This FSP addresses the application of FASB Interpretation (FIN) No. 46 (revised December 2003), Consolidation of Variable Interest Entities, by an entity that accounts for its investments in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, Investment Companies. The provisions of the FSP are effective when the entity adopts SOP 07-01. The implementation of this pronouncement had no effect on the Company's financial statements.

SEC Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value Through Earnings - SAB 109 expresses the current view of the staff that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. SEC registrants are expected to apply the views in Question 1 of SAB 109 on a prospective basis to derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The implementation of this pronouncement had no effect on the Company's financial statements.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Major Customers

During the years ended June 30, 2007 and 2006 the Company had three customers to whom sales exceeded 10% of the Company's total sales for the period. Each customer is an unrelated third party. These three companies combined to constitute approximately 70% of the Company's gross revenues for the years ended June 30, 2007 and 2006, respectively.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2007:

Technical and laboratory equipment	$ 645,214
Leasehold improvements	388,855
Office equipment	164,270
Office furniture	26,962
Other	1,324
Total property and equipment	1,226,625
Less accumulated depreciation and amortization	(1,222,095)
Total property and equipment, net	$ 4,530

NOTE 3 - STOCKHOLDERS' EQUITY

Common Stock - The Company is authorized to issue 50,000,000 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.

Preferred Stock - The Company is authorized to issue 5,000,000 shares of non-voting no par value preferred stock. The Board of Directors has not designated any liquidation value or dividend rates.

Stock Options - From time to time, the Company may issue stock options pursuant to various agreements and other contemporary agreements. At June 30, 2007 and 2006, and during the years ended June 30, 2007 and 2006, no options were issued or outstanding.

Treasury Stock - On July 1, 2004, the Company purchased 100,000 shares of its common stock from an investor for approximately $0.278 per share. The Company purchased an additional 620,000 shares of its common stock on November 11, 2004 for approximately $0.191 per share. During the course of the 2005 fiscal year the Company sold a total of 288,000 of these treasury shares for total proceeds of approximately $63,907, resulting in a loss of

approximately $13,602, which was applied to additional paid-in capital. During the 2006 fiscal year the remainder of these shares were sold, resulting in a loss of approximately $28,022. As of June 30, 2007 the Company held zero shares of treasury stock.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 4 - INCOME TAX PROVISION

No current provision for income taxes for the years ended June 30, 2007 and 2006 is required, since the Company incurred net operating losses through June 30, 2007.

Income tax expense for the years ended June 30, 2007 and 2006 differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent as follows:

	2007	2006
Income tax benefit at U.S. federal statutory rates	$ (281,409)	$ (514,987)
Net operating losses not benefited	281,409	514,987
Common stock issued for services	-	-
State and local income taxes, net of federal income tax effect	-	-
	$ -	$ -

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2007 are presented below:

Deferred tax assets:	
Net operating losses	$ 7,700,000
Less valuation allowance	(7,700,000)
Net deferred tax assets	$ -

As of June 30, 2007, the Company had net operating loss carryforwards of approximately $7.7 million, $3.4 million and $10.2 available to offset future taxable federal, state and foreign income, respectively. The federal and state carryforward amounts expire in varying amounts between 2007 and 2025. The foreign net operating loss carryforwards do not have an expiration period.

NOTE 5 - BASIC AND DILUTED LOSS PER COMMON SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per common share computations for the years ended June 30, 2007 and 2006:

	2007	2006
Numerator for basic and diluted loss per common share –	$ (721,562)	$ (731,486)

net loss		
Denominator for basic and diluted loss per common share – weighted average shares	50,000,000	48,751,875
Basic and diluted loss per common share	$ (0.02)	$ (0.02)

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company has an agreement with Professor Barnikol, the Company's President and CEO, pursuant to which he is entitled to 3% royalties of gross revenues earned with any product based on his inventions. No royalties were paid or earned in fiscal 2007 and 2006.

SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 7 - COMMITMENTS AND CONTINGENCIES

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. The Company has recorded a reserve for indemnities and guarantees of $-0- and $-0- as of June 30, 2007 and 2006, respectively.

Other

On April 14, 2005 the Company entered into a distribution agreement with an unrelated third party. According to the terms of the Agreement, the Company granted exclusive marketing and distribution rights pertaining to the Company’s Chitosan-based wound pads to the third party for a period of five years.

NOTE 8 - STOCK-BASED COMPENSATION

The Company has applied the disclosure provisions of Statement of Financial Accounting Standards No. 123(R), "Share Based Payment,” for the years ended June 30, 2007 and 2006. Released on December 16, 2004, SFAS No. 123(R) supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” There were no common shares or stock options issued or granted to employees during this reporting period.

On April 28, 2004, the company adopted the 2004 Employee Stock Incentive Plan (the Plan). Under the terms of this plan the Board was authorized to issue up to 1,000,000 shares of common stock to certain eligible employees of the company or its subsidiaries.

NOTE 9 - NOTES PAYABLE

During the year ended June 30, 2007 and 2006, the Company borrowed money from four separate European Companies in order to supplement its ongoing operational cash flow. The Company issued notes in exchange for cash pursuant to the following terms. All notes are due and payable on the fifth anniversary of its issuance at a rate of 5% simple interest. The Company has the right to convert these notes, including all unpaid principal and any interest thereon, into shares of the Company’s Common Stock at any time prior to full repayment or the Due Date. The total amount borrowed under these terms, through June 30, 2007 was $113,134.

Loan Agreement with FID Esprit AG

On April 4, 2006, the Company entered into a loan agreement with FID Esprit AG. Pursuant to the terms of the loan agreement, FID Esprit AG loaned the Company approximately $ 48,264 with interest of six percent per annum. The Company has the option of paying the loan and interest in cash or with shares of SanguiBioTech AG common stock, its wholly-owned subsidiary, valued at 50% of the average Hamburg OTC trading price over the four weeks prior to repayment.

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SANGUI BIOTECH INTERNATIONAL, INC.
Notes to the Consolidated Financial Statements
June 30, 2007

NOTE 9 - NOTES PAYABLE (Continued)

Loan Agreement with Feedback AG

On June 9, 2006, the Company entered into a loan agreement with Feedback AG. Dr. Christoph Ludz and Thomas Striepe are signatories for Feedback AG. Pursuant to the terms of the loan agreement, Feedback AG loaned the Company approximately $96,527 with interest of six percent per annum. The Company has the option of paying the loan and interest in cash or with shares of SanguiBioTech AG common stock, its wholly-owned subsidiary, valued at 50% of the average Hamburg OTC trading price over the four weeks prior to repayment.

Second Loan Agreement with Feedback AG

On July 21, 2006, the Company entered into a loan agreement with Feedback AG. Dr. Christoph Ludz and Thomas Striepe are signatories for Feedback AG. Pursuant to the terms of the loan agreement, Feedback AG loaned the Company approximately $18,100 for the purpose of preparing a shareholders meeting. The interest on this loan is set at six percent per annum.

Additional Loans

From July 2006 to January 2007 the Company borrowed money from four separate European companies and their affiliates to supplement its ongoing operational cash flow. The Company issued notes in exchange for cash pursuant to the following terms: All notes are due and payable in the fifth anniversary of issuance at a rate of 5% simple interest. The Company, in its sole discretion, has the right to convert these notes, including all unpaid principal and any interest thereon, into shares of the Company's common stock at the rate of approximately $0.11 per share at any time prior to full repayment or on the Due Date.

Agreements with ERC Nano Med S.A. de C.V.

On October 13, 2006 the Company entered into a Distribution, Collaboration, and Commercialization Agreement with ERC S.A. de C.V., a division of ERC Nano Med. of Mexico ("ERC"). Under the terms of the Agreement, the Company is granting exclusive distribution rights of its 1) hemospray, 2) wound cleaner liquid gel, and 3) bloodadditiv to ERC. In return, ERC is to work with various Mexican Health Authorities necessary to grant government approvals necessary for the products to be sold and distributed in Mexico. All costs for obtaining the necessary approvals in Mexico are to be born by ERC.

On the same date the Company entered into a separate agreement with ERC pertaining to the Company's chitosin wound pads under the same terms.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON AN ACCOUNTING AND FINANCIAL DISCLOSURE

Subsequent to the period covered by this report, on September 18, 2007, the Board of Directors of the Company dismissed HJ & Associates, LLC (“HJ & Associates”) as the Company's independent auditors. HJ & Associates audited report of the financial statements for the years ended June 30, 2005 and 2004, included language expressing substantial doubt as to the Company's ability to continue as a going concern. The audit report contained no other adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. As such, in connection with these audits of the fiscal years ended June 30, 2005 and 2004 and the subsequent interim period prior to such dismissal, there were (1) no disagreements with HJ & Associates on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of HJ & Associates, would have caused them to make reference thereto in their reports on the financial statements for such periods to the subject matter of the disagreement, and (2) there were no reportable events as that term is defined in Item 304(a)(1)(iv) of Regulation S-B. The change in independent accountants did not result from any dissatisfaction with the quality of professional services rendered by HJ & Associates.

Subsequent to the period covered by this report, on September 18, 2007, the Company engaged of the accounting firm of Moore & Associates, Chartered ("Moore & Associates") as its independent auditors, effective immediately. Moore & Associates have been asked to audit the Company's financial statements for the years ending June 30, 2006 and 2007. During the two most recent fiscal years and the subsequent interim periods prior to the engagement of Moore & Associates, the Company did not consult with Moore & Associates with regard to: (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on the Company's financial statements; and further, Moore & Associates have not provided written or oral advice to the Compnay that was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event (as described in Item 304(a)(1)(iv) of Regulation S-B).

The decision to change principal auditors and the engagement of the new principal auditor was recommended and approved by the Company's Board of Directors.

ITEM 8A. 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 Annual Report on Form 10-KSB. Based on such evaluation, they have concluded that as of such date, our disclosure controls and procedures are ineffective and represent a material weakness. Such controls are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms and that such information is accumulated and communicated to our management, including CEO, President and CFO, to allow timely decisions regarding required disclosure.

(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.

ITEM 8B. OTHER INFORMATION

Loan Agreement with FID Esprit AG

On April 4, 2006, the Company entered into a loan agreement with FID Esprit AG. Pursuant to the terms of the loan agreement, FID Esprit AG loaned the Company $48,264 with interest of six percent per annum. The Company has the option of paying the loan and interest in cash or with shares of SanguiBioTech AG common stock, its wholly-owned subsidiary, valued at 50% of the average Hamburg OTC trading price over the four weeks prior to repayment.

Loan Agreement with Feedback AG

On June 9, 2006, the Company entered into a loan agreement with Feedback AG. Two of the Company's Directors are also signatories for Feedback AG. Pursuant to the terms of the loan agreement, Feedback AG loaned the Company $96,527 with interest of six percent per annum. The Company has the option of paying the loan and interest in cash or with shares of SanguiBioTech AG common stock, its wholly-owned subsidiary, valued at 50% of the average Hamburg OTC trading price over the four weeks prior to repayment.

Second Loan Agreement with Feedback AG

On July 21, 2006, the Company entered into a loan agreement with Feedback AG. Two of the Company's Directors are also signatories for Feedback AG. Pursuant to the terms of the loan agreement, Feedback AG loaned the Company approximately $18,100 for the purpose of preparing a shareholders meeting. The interest on this loan is set at six percent per annum. The Company is to pay the loan and interest off utilizing its common stock following the shareholders meeting, however, if a shareholders meeting has not been held as of July 30, 2007, then the loan and interest are due and payable in cash.

Agreements with ERC Nano Med S.A. de C.V.

On October 13, 2006, the Company entered into a Distribution, Collaboration, and Commercialization Agreement with ERC S.A. de C.V., a division of ERC Nano Med. of Mexico (“ERC”). Under the terms of the agreement the Company is granting the exclusive distribution rights of its i) hemospray, ii) wound cleaner liquid gel, iii) chitoskin wound pads and iv) bloodadditiv to ERC. In return ERC is to work with the various Mexican Health Authorities necessary to grant government approvals necessary for the products to be sold and distributed in Mexico. All costs for obtaining the necessary approvals in Mexico are to be born by ERC.

On the same date the Company entered into a separate agreement with ERC pertaining to the Company’s chitosin wound pads under the same terms.

Additional Loans to the Company

During the year ended June 30, 2007 and 2006, the Company borrowed money from four separate European Companies in order to supplement its ongoing operational cash flow. The Company issued notes in exchange for cash pursuant to the following terms. All notes are due and payable on the fifth anniversary of its issuance at a rate of 5% simple interest. The Company has the right to convert these notes, including all unpaid principal and any interest thereon, into shares of the Company’s Common Stock at any time prior to full repayment or the Due Date. The total amount borrowed under these terms, through June 30, 2007 was $113,134.

Resignation of Dr. Wolfgang Barnikol from positions of Chief Executive Officer and Chief Financial Officer

Subsequent to the period covered by this report, on March 30, 2008, Dr. Wolfgang Barnikol amicably resigned as the Company’s Chief Executive Officer and Chief Financial Officer effective April 3, 2008. Dr. Barnikol's resignation was not due to any disagreement with the Company. Dr. Barnikol remains a Director.

Appointment of Thomas Striepe as Chief Executive Officer

Subsequent to the period covered by this report, on April 8, 2008, the Board of Directors appointed Thomas Striepe to serve as Chief Executive Officer of the Company. He is a current Director of the Company. Mr. Striepe is the Vice President of Accounting and Controlling at Feedback AG, Hamburg, Germany, a financial services company. Prior to joining in 2004, he held management positions in the accounting departments of several German and international corporations. He holds an MBA from Hamburg University. Mr. Striepe does not have an employment agreement with the Company nor have the terms of a severance agreement with the Company been finalized.

Mr. Striepe has no family relationships with any other director or executive officer of the Company or any person nominated to become a director or executive officer of the Company. There are no arrangements or understandings between any of the directors or executive officers, or any other person or person pursuant to which they were selected as directors and/or officers.

Appointment of Joachim Fleing as Chief Financial Officer

Subsequent to the period covered by this report, on April 8, 2008, the Board of Directors appointed Joachim Fleing to serve as Chief Financial Officer of the Company. He is a current Director of the Company. Mr. Fleing is a communications specialist. His professional experience includes the position of a communications officer and the position as an account director at an international PR agency. Mr. Fleing holds a PhD from Wuppertal University. Mr. Fleing does not have an employment agreement with the Company, nor have the terms of any severance agreement with the Company been finalized and are thus not yet available.

Mr. Fleing has no family relationships with any other director or executive officer of the Company or any person nominated to become a director or executive officer of the Company. There are no arrangements or understandings between any of the directors or executive officers, or any other person or person pursuant to which they were selected as directors and/or officers.

Entry into Letter of Intent with HemCon

Subsequent to the period covered by this report, on April 15, 2008 the Company signed a letter of intent with HemCon Medical Techolologies, Inc. to develop technology relating to Chitosan wound care products. The Company will license exclusive worldwide sales and marketing rights in exchange for HemCon managing the submission of the Chitosan wound care products to the United States Food and Drug Administration.

Sale of Capital Securities in Wholly Owned Subsidiary

Subsequent to the period covered by this report, on April 25, 2008 the Company entered into letters of intent with various European investors to sell 10% of the capital securities of its wholly owned subsidiary, Sangui BioTech GmbH, for approximately 722,000 Euros. Payments for the purchase were received in their entirety by the Company by May 16, 2008. The closing of this transaction is subject to German Law and is anticipated to be complete within eight weeks of filing with the German Register of Commercial Companies scheduled for June 11, 2008 in Witten Germany.

One of the investors in this transaction is the current Managing Director of the wholly owned subsidiary; he is receiving his ownership interest in consideration of past services rendered for the Company in the amount of 50,000 Euros.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The following table sets forth the names and ages of the current directors and executive officers of Sangui BioTech International, Inc., their principal offices and positions and the date each such person became a director or executive officer. Our executive officers are elected annually by the Board of Directors. Our directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. There are no family relationships between any of the directors and executive officers. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

The directors as of June 30, 2007 were as follows:

Name	Age	Positions and Offices	Directorship Term	Period of Service as a Director
Prof. Wolfgang Barnikol, M.D., Ph.D:	72	Chief Executive Officer, Chief Financial Officer, and Director*	One Year	Apr 18, 2001
Joachim Fleing, Ph.D.	54	Non-Executive Director	One Year	Dec 13, 2003
Prof. Joachim Lutz, M.D., Ph.D.	73	Non-Executive Director	One Year	Aug, 1997
Thomas Striepe	43	Non-Executive Director	One Year	Feb 7, 2005

*Subsequent to the period covered by this report, Prof Barnikol resigned from his Executive Officer positions. See Item 8B, Other Information above.

None of the Directors are related to one another. None of the independent Directors has a business or professional relationship with SGBI and/or the other Directors and substantial shareholders of SGBI, except as follows:

The Company has an agreement with Professor Barnikol, the Company's President and CEO, pursuant to which he is entitled to 3% royalties of gross revenues earned with any product based on his inventions (See below: Item 12 Certain Relationships and Related Transactions). No royalties were paid or earned in fiscal 2007 and 2006.

Since July, 2002, the Company has an agreement with Joachim Fleing under which the latter serves as a communications specialist on an hourly basis.

The day-to-day operations of SGBI are entrusted to the Executive Directors of SGBI.

The business and working experience of the Directors and key Executive Officers of SGBI as of June 30, 2007, are set out below:

PROFESSOR WOLFGANG K. R. BARNIKOL, M.D., Ph.D., has studied chemistry, physics and medicine at the Universities of Munster, Aachen and Mainz, Germany. In 1961, he received a Diploma in chemistry from University of Mainz, Mainz, Germany. In 1964, he obtained the doctorate in physical chemistry (Dr. rer. nat.) and in 1973 the doctorate in medicine (Dr. med.) both from the University of Mainz, Mainz, Germany. In that same year, he also was appointed professor in medical physiology at University of Mainz, Mainz Germany. In 1996, Dr. Barnikol was awarded a specialist in medical physiology by the medical association of Rheinland-Pfalz Germany. His research interest in physical chemistry focused on the polymerization of styrene and the determination of molecular weights of polymers with the electron microscope. Dr. Barnikol's research areas in medicine are: (i) respiration; and (ii) blood and circulation. In the field of respiration, he works on the functional analysis of the bronchial system and gas exchange. Moreover, he is engaged in the development of respiratory and skin oxygen sensors. In the field of blood and circulation, he works on the development of artificial oxygen carriers for medical use, which are based on polymerised soluble hemoglobins. As a third sphere of work, Dr. Barnikol is engaged in the development of an implantable glucose sensor. Dr. Barnikol has published more than 100 scientific articles, a textbook in physiology and a review on the situation of German universities.

PROFESSOR JOACHIM LUTZ, M.D., is a professor and lecturer in medical physiology in the subject area of the vascular system and venous pressure at the Physiological Institute of the Bavarian-Julius-Maximilian University in Wuerzburg until his retirement in 1998. There he spent years evaluating artificial oxygen carriers in small animal models such as the magneto metric determination of the impairment of the body's own macrophages that are responsible for detoxification. He is a member of the International Advisory Committee on Blood Substitutes (ISABI) as well as the International Society on Oxygen Transport to Tissue (ISOTT). He will accelerate development work as well as the pre-clinical and clinical testing of blood with artificial oxygen carriers with his technical knowledge and experience.

THOMAS STRIEPE, is Vice President Accounting and Controlling at Dr. Ludz GmbH, Hamburg, Germany, a financial services company. Prior to joining Dr. Ludz GmbH in 2004, he held management positions in the accounting departments of several German and international corporations. He holds an MBA of Hamburg University.

JOACHIM FLEING, PhD, is a communications specialist. His professional experience includes the position of a communications officer and the position as an account director at an international PR agency. Joachim Fleing holds a PhD of Wuppertal University.

There are no arrangements or understandings between any of the directors or executive officers, or any other person or person pursuant to which they were selected as directors and/or officers.

Significant Employees

HUBERTUS SCHMELZ is the General Manager of Sangui GmbH. He was appointed to this position effective December 16, 2003. Prior to joining Sangui he acted as legal and business consultant. During the last decade prior to 2000 he was entrusted with numerous business development projects by the German Treuhandanstalt in restructuring the economy of Eastern Germany. After having studied the Law he acted as Legal Counsel in several positions.

Directorships

No Director of the Company or person nominated or chosen to become a Director holds any other directorship in any company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any other company registered as an investment company under the Investment Company Act of 1940.

Family Relationships

There are no family relationships between any of the directors, officers or employees of the Company.

Involvement in Certain Legal Proceedings

During the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Audit Committee and Audit Committee Financial Expert

The Company has no separately designated standing audit committee nor another committee performing similar functions. The Board of Directors acts as the audit committee. None of the directors qualifies as an Audit Committee Financial Expert.

Material Changes to The Method By Which The Shareholders May Recommend Nominees To The Board Of Directors

None.

Section 16 (a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than ten percent of the Company's Common Stock, to file initial reports of beneficial ownership on Form 3, changes in beneficial ownership on Form 4 and an annual statement of beneficial ownership on Form 5, with the SEC. Such executive officers, directors and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all such forms that they have filed.

Based solely upon a review of copies of the reports filed, SGBI believes that during the year ended June 30, 2007, that all executive officers, directors and persons who own more than ten percent of the Company's Common Stock are in compliance with such regulations.

Code of Ethics

The Company has not as of the date of this report adopted a code of ethics.

ITEM 10. EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary Compensation Table

The table below summarizes all compensation awarded to, earned by, or paid to our Officers for all services rendered in all capacities to us for the fiscal periods indicated.

Name and Principal Position (a)	Year (b)	Salary ($)(1) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total(1) ($) (j)
Prof.	2007	0	0	0	0	0	0	0	0
Wolfgang	2006	0	0	0	0	0	0	0	0
Barnikol	2005	38,134	0	0	0	0	0	0	38,134
CEO, CFO*									

* Subsequent to the period covered by this report, Prof Barnikol resigned from his Executive Officer positions. See Item 8B, Other Information above.

(1) All figures are expressed in United States Dollars (“USD”); for the German management personnel, the EURO or DM was converted to USD as of the fiscal year end of each year.

Narrative Disclosure to Summary Compensation Table

The Company has an agreement with Professor Barnikol, the Company’s CEO and CFO, pursuant to which he is entitled to 3% royalties of gross revenues earned with any product based on his inventions (See below: Item 12 Certain Relationships and Related Transactions). No royalties were paid or earned in fiscal 2007 and 2006.

There are no other employment contracts, compensatory plans or arrangements, including payments to be received from the Company with respect to any executive officer, that would result in payments to such person because of his or her resignation, retirement or other termination of employment with the Company, or its subsidiaries, any change in control, or a change in the person’s responsibilities following a change in control of the Company.

There are no agreements or understandings for any executive officer to resign at the request of another person. None of our executive officers acts or will act on behalf of or at the direction of any other person.

Outstanding Equity Awards at Fiscal Year-End Table and Narative

The Company had no outstanding equity awards at fiscal year-end.

Compensation of Directors

The table below summarizes all compensation awarded to, earned by, or paid to our Directors for all services rendered in all capacities to us for the fiscal periods indicated.

Name (a)	Fees Earned or Paid in Cash (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (j)
Prof.	2007	0	0	0	0	0	0
Wolfgang	2006	0	0	0	0	0	0
Barnikol	2005	0	0	0	0	0	0
Joachim	2007	0	0	0	0	0	0
Lutz	2006	0	0	0	0	0	0
	2005	0	0	0	0	0	0
Thomas	2007	0	0	0	0	0	0
Striepe	2006	0	0	0	0	0	0
	2005	0	0	0	0	0	0
Joachim	2007	0	0	0	0	0	0
Fleing	2006	0	0	0	0	0	0
	2005	0	0	0	0	0	0

Narrative to Director Compensation Table

Directors serve without compensation and there are no standard or other arrangements for their compensation. There are no employment contracts, compensatory plans or arrangements, including payments to be received from the Company with respect to any Director that would result in payments to such person because of his or her resignation with the Company, or its subsidiaries, in the event of any change in control of the Company. There are no agreements or understandings for any Director to resign at the request of another person. None of our Directors or executive officers acts or will act on behalf of or at the direction of any other person.

Other Contracts

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance under Equity Compensation Plans

No securities have been authorized for issuance as part of any Equity Compensation Plan.

Stock Incentive Plan

On April 28, 2004, the company adopted the 2004 Employee Stock Incentive Plan. Under the terms of this plan the Board was authorized to issue up to 1,000,000 shares of common stock to certain eligible employees of the company or its subsidiaries. As of the date of this Report no securities have been authorized for issuance under this plan.

Security Ownership of Certain Beneficial Owners

As of June 30, 2007 the Company is not aware of any person who is the beneficial owner of more than 5% of the issued and outstanding Common Stock of the Company.

Security Ownership of Management

The following table sets forth, as of June 30, 2007, certain information concerning ownership of shares of Common Stock by each director of the Company and by all executive officers and directors of the Company as a group:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Dr. Wolfgang Barnikol Arndstr.8 58453 Witten Germany	1,853,600 (1)	3.7 %
Common Stock	Dr. Joachim Fleing Am Vogelherd 43 35043 Marburg Germany	210,000	0.4 %
Common Stock	Joachim Lutz Alfred Herrhausen Street 44 58455 Witten Germany	0	0.0%
Common Stock	Thomas Striepe Alfred Herrhausen Street 44 58455 Witten Germany	0	0.0%
Common Stock	All Officers and Directors as a Group (4 persons)	2,063,600	4.1%

(1) This amount includes 1,153,600 shares held in the name of Dr. Doris Barnikol-Keuten, Dr. Wolfgang Barnikol's spouse.

Changes In Control

To the best of the Company’s knowledge there are no present arrangements or pledges of the Company's securities, which may result in a change in control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with related persons

Except as otherwise disclosed below, no Director, substantial shareholder or Executive Officer of SGBI was or is an interested party in any transaction undertaken by SGBI or its subsidiaries within the last two years.

Royalty Arrangment With Professor Wolfgang Barnikol

On July 7, 1997, SGBI entered into an agreement with Professor Barnikol pursuant to which Professor Barnikol assigned certain patents to SGBI's German subsidiaries in exchange for a 3% royalty on net revenues on products developed by SanguiBioTech AG or GlukoMeditech AG based on those patents. The royalty expires in 20 years or upon expiration of the patents. Upon the merger of the two former subsidiaries and subsequently upon their conversion into SanguiBioTech GmbH, this agreement was transferred to the respective new legal entities.

Consulting Contract With Joachim Fleing, PhD.

The company signed a consulting contract with Joachim Fleing, PhD, covering certain investor relations services on July 17, 2002. When the latter was appointed a director of the company effective December 16, 2003, the Board of Directors unanimously agreed that this contract should persist. Under this resolution Joachim Fleing, like the other directors will not obtain any remuneration for serving as a director, while those services as rendered under the contract should be remunerated as before.

Parents

Not applicable.

Promoters and Control Persons

Not applicable.

ITEM 13. EXHIBITS

(a) Index to Exhibits

2.1	Exchange Agreement between MRC Legal Services LLC and SanguiBioTech International, Inc., dated of March 31, 2000 (1)
3.1	Articles of Incorporation of the Company (1)
3.2	Bylaws of the Company (1)
4.1	Stock Option Agreement between Professor Wolfgang Barnikol and Sangui Biotech International, Inc. (2)
10.1	Office Lease between Brookhollow Office Park and Sangui Biotech International, Inc. dated September 4, 1996 and as amended 2000 (3)
10.2	Fee Agreement between GlukoMeditech AG and Dr. Sieglinde Borchert dated June 15, 1998 (2)
10.3	Fee Agreement between SanguiBiotech AG and Dr. Sieglinde Borchert dated June 15, 1998 (2)
10.4	Service Contract between GlukoMeditech AG and Dr. Wolfgang Barnikol dated June 30, 1998 (2)
10.5	Service Contract between SanguiBiotech AG and Dr. Wolfgang Barnikol dated June 30, 1998 (2)
10.6	Service Agreement between Axel Kleinkorres Promotionsagentur and Sangui Biotech International, Inc. dated April 26, 1999 (2)
10.7	Amendment to Service Agreement between Axel Kleinkorres Promotionsagentur and Sangui Biotech International, Inc. dated August 18, 2000 (2)
10.8	Appropriation Notice from North-Rhine-Westphalia to GlukoMediTech AG dated November 30, 1998 (2)
10.9	Appropriation Notice from North-Rhine-Westphalia SanguiBiotech AG dated November 30, 1998 (2)
10.10	Lease Contract for Business Rooms between Research and Development Centre, Witten, Germany and GlukoMeditech AG dated June 6, 2000 (2)
10.11	Additional Agreement to Lease Contract between Research and Development Centre, Witten, Germany and GlukoMeditech AG dated June 7, 2000 (2)
10.12	Additional Agreement to Lease Contract between Research and Development Centre,

	Witten, Germany and SanguiBiotech AG dated June 7, 2000 (2)
10.13	Assignment of Patents and Royalty Agreement with Dr. Wolfgang Barnikol (3)
10.14	Prolongation Letter for SanguiBiotech AG Grants (4)
16.1	Auditor Letter from HJ & Associates, LLC (5)
21.1	Subsidiaries of the Company (6)
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

(1) Filed as an exhibit to the report on Form 8-K, filed on or about April 4, 2000

(2) Filed as an exhibit to the report on Form 10-KSB for period ended June 30, 2000, filed on October 13, 2000

(3) Filed as an exhibit to the amended report on Form 10-KSB/A for the period ended June 30, 2000, filed on November 20, 2000

(4) Filed as an exhibit to the report on Form 10-KSB for the period ended June 30, 2001, filed on September 28, 2001

(5) Filed as an exhibit to the report on Form 8-K/A filed on October 9, 2007

(6) Filed as an exhibit to the report on Form 10-QSB for the period ended September 30, 2006, filed on June 10, 2008

ITEM 14. Principal Accountant Fees and Services.

Independent Public Accountants

The Company's independent accountants for the fiscal year ended June 30, 2007 and June 30, 2006 were Moore & Associates, Chartered.

(a) Audit Fees. For the fiscal year ended 2007, the aggregate fees billed by Moore & Associates, Chartered for services rendered for the audits of the annual financial statements and the review of the financial statements included in the quarterly reports on Form 10-QSB or services provided in connection with the statutory and regulatory filings or engagements for those fiscal years were $10,000.

(b) Audit-Related Fees. For the fiscal year ended 2007 fees billed by Moore & Associates, Chartered , were an aggregate $0 for any audit-related services other than as set forth in paragraph (a) above.

(c) Tax Fees. For the fiscal years ended 2007 and 2006, Moore & Associates, Chartered did not bill any fees for tax compliance services. The auditors did not provide tax-planning advice for the fiscal years ended 2007 and 2006.

(d) All Other Fees. None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report on Form 10-KSB to be signed on its behalf by the undersigned hereunto duly authorized.

SANGUI BIOTECH INTERNATIONAL, INC.

/s/ Thomas Striepe
Thomas Striepe
Chief Executive Officer and Director — August 25, 2008

/s/ Joachim Fleing
Joachim Fleing, Ph.D
Chief Financial Officer and Director — August 25, 2008

In accordance with the Exchange Act, this Report has been signed by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Thomas Striepe Thomas Striepe	Chief Executive Officer and Director	August 25, 2008
/s/ Joachim Fleing Joachim Fleing, Ph.D	Chief Financial Officer and Director	August 25, 2008
/s/ Wolfgang Barnikol Wolfgang Barnikol, M.D., Ph.D	Director	August 25, 2008
/s/ Joachim Lutz Joachim Lutz, M.D.	Director	August 25, 2008