

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2002**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934
For the transition period from _____ to _____

Commission File Number **000-24541**

CORGENIX MEDICAL CORPORATION

(Name of Small Business Issuer in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

93-1223466
(I.R.S. Employer Identification No.)

12061 Tejon Street, Westminster, Colorado 80234
(Address of principal executive offices, including zip code)

(303) 457-4345
(Issuer's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$.001 Par Value**

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

Check if 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 the issuer'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.

The issuer's revenues for its most recent fiscal year were: \$4,857,682

The aggregate market value of the voting stock held by non-affiliates of the issuer was \$1,289,660 as of September 28, 2002.

The number of shares of Common Stock outstanding was 5,219,076 as of September 20, 2002.

Transitional Small Business Disclosure Format. Yes No

DOCUMENTS INCORPORATED BY REFERENCE

Documents Incorporated by Reference: Items 9, 10 and 11 of Part III are incorporated by reference from the definitive proxy statement of Corgenix Medical Corporation to be filed within 120 days after June 30, 2002.

PART I

Item 1. Description of Business.

Certain terms used herein are defined in the Glossary that follows at the end of this Part.

Company Overview

Corgenix Medical Corporation (“Corgenix” or the “Company”) is engaged in the research, development, manufacture, and marketing of in vitro (outside the body) diagnostic products for use in disease detection and prevention (the “Diagnostics Products Business”). We currently sell 142 Diagnostic Products (the “Diagnostic Products”) on a worldwide basis to hospitals, clinical laboratories, commercial reference laboratories, and research institutions.

Our corporate headquarters is located in Westminster, Colorado. The Company was established in May 1998 resulting from a merger (the “Merger”) between REAADS Medical Products, Inc., (“REAADS”) a Delaware Corporation, and Gray Wolf Technologies, Inc., (“Gray Wolf”) a Nevada corporation. Prior to May 22, 1998, our business was conducted by and under the name of REAADS Medical Products, Inc., which was founded in June 1990. We have two wholly-owned operating subsidiaries:

- Corgenix, Inc., (“Corgenix, Inc.”) (formerly REAADS), established in 1990 and located in Westminster, Colorado. Corgenix, Inc. is responsible for sales and marketing activities for North America and Japan, and also conducts product development, product support, regulatory affairs and product manufacturing of the Diagnostic Products.
- Corgenix (UK) Ltd., (“Corgenix UK”), formerly incorporated in the United Kingdom in 1996 as REAADS Bio-Medical Products (UK) Limited, and is located in Peterborough, England. Corgenix UK manages the Diagnostic Business’ international sales and marketing activities except for distribution in North America and Japan which is under the responsibility of Corgenix, Inc.

The Diagnostics Products Business

Introduction

Our Diagnostics Products Business is managed by Corgenix, Inc. and Corgenix UK, and includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We sell 142 Diagnostics Products on a worldwide basis to hospitals, clinical laboratories, commercial reference laboratories, and research institutions. Some of these are products which we have developed and which we manufacture at our Colorado facility, and others are products which we purchase from other healthcare manufacturers (“OEM Products”). All of these products are used in clinical laboratories for the diagnosis and/or monitoring of five important areas of health care:

- Autoimmune disease and Antiphospholipid antibody testing (diseases in which an individual creates antibodies to one’s self, for example systemic lupus erythematosus (“SLE”) and rheumatoid arthritis (“RA”));
- Vascular disease (diseases associated with certain types of thrombosis or clot formation, for example antiphospholipid syndrome, deep vein thrombosis, stroke and coronary occlusion);
- Infectious diseases (diseases caused by certain bacterial and other microorganisms, for example gonorrhea, mononucleosis and herpes);
- Liver diseases (cirrhosis and transplanted organ rejection); and
- Miscellaneous testing (pregnancy, fecal occult blood and related products).

In addition to our current Diagnostic Products, we are actively developing new laboratory tests in other important diagnostic testing areas. See “— Other Strategic Relationships.” We manufacture and market to clinical laboratories and other testing sites worldwide. Our customers include large and emerging health care companies such as Instrumentation Laboratories, Helena Laboratories, Cambridge Life Sciences plc, and Chugai Diagnostics Science (“Chugai” or “CDS”), a wholly owned subsidiary of Chugai Pharmaceuticals Co., Ltd. (“Chugai Pharma”), which owns approximately 4.2% of the Common Stock of the Company. See “— Chugai Strategic Relationship.”

Most of our products are based on our patented and proprietary application of Enzyme Linked ImmunoSorbent Assay (“ELISA”) technology, a clinical testing methodology commonly used worldwide. All of our current products are based on this platform technology in a delivery format convenient for clinical testing laboratories. The delivery format (“Microplate”) allows the testing of up to 96 samples per plate, and is one of the most commonly used formats, employing conventional testing equipment found in virtually all clinical laboratories. The availability and broad acceptance of ELISA Microplate products reduces entry barriers worldwide for our new products that employ this technology and delivery format. Our products are sold as “tests” that include all of the materials required to perform the test except for routine laboratory chemicals and instrumentation. A test using ELISA technology involves a series of reagent additions into the Microplate triggering a complex immunological reaction in which a resulting color occurs. The amount of color developed in the final step of the test is directly proportional to the amount of the specific marker being tested for in the patient or unknown sample. The amount of color is measured and the results calculated using laboratory instrumentation. Our technology specifies a process by which biological materials are attached to the fixed surface of a diagnostic test platform. Products developed using this unique attachment method typically demonstrate a more uniform and stable molecular configuration, providing a longer average shelf life, increased accuracy and superior specificity than the products of our competitors.

Some of the OEM products which we obtain from other manufacturers and sell through our distribution network utilize technologies other than our patented and proprietary ELISA technology.

Our diagnostic tests are intended to aid in the identification of the causes of illness and disease, enabling a physician to select appropriate patient therapy. Internally and through collaborative arrangements, we are developing additional products that are intended to broaden the range of applications for our existing products and to result in the introduction of new products.

Since 1990, our sales force and distribution partners have sold over 12 million tests worldwide under the REAADS and Corgenix labels, as well as OEM products. An integral part of our strategy is to work with corporate partners to develop market opportunities and access important resources. We believe that our relationships with current and potential partners will enable us to enhance our menu of diagnostic products and accelerate our ability to penetrate the worldwide markets for new products.

We currently use the REAADS trademarks and tradenames in the sale of the products which we manufacture. These products constitute the majority of our product sales.

Industry Overview

In vitro diagnostic (“IVD”) testing is the process of analyzing the components of a wide variety of body fluids outside of the body to identify the presence of markers for diseases or other human health conditions. The worldwide human health IVD market consists of reference laboratory and hospital laboratory testing, testing in physician offices and the emerging over-the-counter (“OTC”) market, in which testing is done at home by the consumer.

Traditionally, diagnostic testing has been performed in large, high-volume commercial or hospital-based laboratories using instruments operated by skilled technicians. Our products in a Microplate format are designed for such instrumentation and are marketed to these types of laboratories. The instrumentation and supportive equipment required to use our ELISA tests is relatively simple, and typically is used by a laboratory for many different products.

The IVD industry has undergone major consolidation over the last few years. As a result, the industry is characterized by a small number of large companies or divisions of large companies that manufacture and sell numerous diagnostic products incorporating a variety of technologies. In addition, there are many small diagnostic companies, which generally have limited resources to commercialize new products. As a result of technological fragmentation and customer support requirements, we believe that there may be a substantial competitive advantage for companies with unique and differentiated technologies that can be used to generate a broad menu of diagnostic products and that have developed successful customer support systems.

Strategy

Our primary objective is to apply our proprietary ELISA technology to the development and commercialization of products for use in a variety of markets. Our strategies for achieving this objective include the following:

Apply our ELISA Technology to Additional Diagnostic Markets. We have focused our resources on development of highly accurate tests in the Microplate format for sale to clinical testing laboratories. We believe we can expand our market focus with the addition of new tests complementary to the current product line.

Leverage Sales and Marketing Resources. We maintain a small marketing and sales organization, which is experienced in selling diagnostic tests into the laboratory market. We plan to expand this sales organization, adding distribution channels where appropriate. We will also seek to expand our product menu with more high value, quality products through internal development, acquisition or in licensing of complementary products and technologies.

Continue to Develop Strategic Alliances to Leverage Company Resources. We have developed, and will continue to pursue, strategic alliances to access complementary resources (such as proprietary markers, funding, marketing expertise and research and development assistance), to leverage our technology, expand our product menu and maximize the use of our sales force.

Pursue Synergistic Product and/or Technology Acquisitions. We intend to proactively evaluate strategic acquisitions of companies, technologies and product lines where we identify a strategic opportunity to expand our core business while increasing revenues and earnings from these new technologies.

Expand into Additional Market Segments for Existing Products. We intend to investigate additional market opportunities for both clinical and research applications of our existing products.

Products and Markets

We currently sell ELISA tests in major markets worldwide. To date, our sales force and distribution partners have sold over 12 million tests since we first received product marketing clearance from the United States Food and Drug Administration (the “FDA”) for the first anti-cardiolipin antibody (“aCL”) test in 1990. Many peer reviewed medical publications, abstracts and symposia have been presented on the favorable technical differentiation of our tests over competitive products.

To extend the product offering for current product lines, and to complement our premium-priced, existing assays, we plan to add products from strategic partners. Our current product menu, commercialized under the trademarks

“REAADS” and “Corgenix” includes the following:

Autoimmune Disease Products

Our ELISA Autoimmune Disease Product line consists of fifteen products, including tests for: antinuclear antibodies (ANA) screening, dsDNA, Sm, SM/RNP, SSA, SSB, Jo-1, Scl-70, Histones, Centromere, Mitochondria, MPO, PR3, Thyroglobulin and thyroid peroxidase.

We manufacture one of these products; the remainder are manufactured for us by other companies. The products are used for the diagnosis and monitoring of autoimmune diseases including RA, SLE, Mixed Connective Tissue Disease, Sjogren’s Syndrome, Dermatopolymyositis and Scleroderma.

These autoimmune disease products are formatted in the ELISA Microplate format, and are differentiated from the competition by their user convenience. Historically, diagnostic tests utilized antiquated technologies that presented significant limitations for the clinical laboratory environment, including greater labor requirements and the need for a subjective interpretation of the results. These ELISA autoimmune tests overcome these technology shortfalls, permitting a clinical laboratory to automate its tests, lowering the laboratory’s labor costs as well as providing objectivity to test result interpretation.

Antiphospholipid Antibody Testing Products

We manufacture and market eleven products for antiphospholipid antibody testing, which in the fiscal year ended June 30, 2002 represented approximately 51% of our total product sales. These include: aCL IgG, aCL IgA, aCL IgM; anti-phosphatidylserine (“aPS”) IgG, aPS IgA, aPS IgM; anti- β 2-Glycoprotein I (“a β 2GPI”) IgG, a β 2GPI IgA, and a β 2GPI IgM; and anti-Prothrombin (“aPT”) IgG and IgM.

These tests are used in the diagnosis of SLE, antiphospholipid syndrome and thrombosis. Antiphospholipid antibodies are measured in clinical laboratories primarily using ELISA technology with cardiolipin as the most commonly used antigen. High levels of these antibodies are seen in venous and arterial thrombosis, thrombocytopenia and/or recurrent abortion, now considered the main clinical criteria for the diagnosis of a clinical entity referred to as the antiphospholipid syndrome. The antiphospholipid syndrome may be seen in association with an underlying disease (i.e. autoimmune such as SLE or SLE-like disease), or may be seen in patients without any obvious or apparent disease. When high serum levels of antiphospholipid antibodies are found in individuals without any clinical manifestations, it is regarded as an important risk factor for the development of antiphospholipid syndrome.

The importance of the antiphospholipid syndrome resides in its association with serious clinical manifestations such as chronic and recurrent venous (deep vein) thrombosis, as well as arterial thromboembolic disease including heart attacks, strokes and pulmonary embolism. Thrombocytopenia has been attributed to the temporary removal of platelets from circulation during a thrombotic episode (clot formation).

Vascular Disease Products

We market seven tests for vascular diseases. We manufacture four products, and three others are manufactured for us by other companies. Protein C Antigen ELISA, Protein S Antigen ELISA, Monoclonal Free Protein S ELISA, von Willebrand Factor Antigen ELISA, abp von Willebrand Factor Activity Test; GTI Platelet Factor 4 Test and abp Ristocetin.

These products are useful in the diagnosis of certain clotting and bleeding disorders including von Willebrand’s Disease (Hemophilia B).

Hemostasis (the normal stable condition in which there is neither excessive bleeding nor excessive clotting) is maintained in the body by the complex interaction of the endothelial cells of blood vessels, coagulation cells such as platelets, coagulation factors, lipids (cholesterol) and antibodies (autoantibodies). All play important roles in maintaining this hemostasis. In clinical situations in which an individual demonstrates excessive clotting or bleeding, a group of laboratory tests is typically performed to assess the source of the disorder using the tests that we market.

Liver Disease Products

We manufacture a test to quantitate hyaluronic acid (“Hyaluronic Acid” or “HA”) in a Microplate format. The product has been distributed through the Chugai distribution network in Japan under the Chugai Diagnostic Sciences label since 1996, and through our United Kingdom subsidiary in the United Kingdom since 1998. On June 30, 2001, we signed a license agreement with CDS whereby we have the exclusive rights to manufacture and market the HA product worldwide except for Japan. See “— Chugai Strategic Relationship.”

Hyaluronic Acid is a component of the matrix of connective tissues, found in synovial fluid of the joints where it acts as a lubricant and for water retention. It is produced in the synovial membrane and leaks into the circulation via the lymphatic system where it is quickly removed by specific receptors located in the liver. Increased serum levels of HA have been described in patients with rheumatoid arthritis due to increased production from synovial inflammation, and in patients with liver disease due to interference with the removal mechanism. Patients with cirrhosis will have the highest serum HA levels, which correlate with the degree of liver involvement.

Miscellaneous Products

We market products for the detection and diagnosis of certain infectious disease organisms and other clinical laboratory tests. These products are mainly sold by us in the United Kingdom, and all of the products are manufactured for us by other companies. These products include test tests for: adenovirus, helicobacter pylori (the bacteria suspected of causing ulcers), group A streptococcus, herpes, gonorrhea, mycobacterium tuberculosis (the causative agent of tuberculosis), syphilis, cryptococcal antigen, toxoplasma, mononucleosis, cytomegalovirus, varicella zoster, Epstein Barr virus, mumps, measles and Stat-Crit (for measurement of hemoglobin and hematocrit).

Technology

Our ELISA application technology was developed to provide the clinical laboratory with a more sensitive, specific, and objective technology to measure clinically relevant antibodies in patient serum samples. High levels of these antibodies are frequently found in individuals suffering from various immunological diseases, and their serologic determination is useful not only for specific diagnosis but also for assessing disease activity and/or response to treatment. To accomplish these objectives, our current product line applies the ELISA technology in a 96-Microplate format as a delivery system. ELISA provides a solid surface to which purified antigens are attached, allowing their interaction with specific autoantibodies during incubation. This antigen-antibody interaction is then objectively measured by reading the intensity of color generated by an enzyme-conjugated secondary antibody and a chemical substrate added to the system.

Our technology overcomes two basic problems seen in many other ELISA systems. First, the material coated onto the plate can be consistently coated without causing significant alteration of the molecular structure (which ensures maintenance of immunologic reactivity), and the stability of these coated antigens on the surface can be maintained (which provides a product shelf life acceptable for commercial purposes). Our proprietary immunoassay technology is useful in the manufacture of ELISA test tests for the detection of many analytes for the diagnosis and management of immunological diseases.

Our technology results in products generally demonstrating performance characteristics that exceed those of competitive testing procedures. Many testing laboratories worldwide subscribe to external quality control systems or programs conducted by independent, third-party organizations. These programs typically involve the laboratory receiving unknown test samples on a routine basis, performing certain diagnostic tests on the samples, and providing results of their testing to the third party. Reports are then provided by the third party that tells the testing laboratory how it compares to other testing laboratories in the program. Several of our products are included in a third-party survey periodically conducted by an unaffiliated entity, and our products routinely demonstrate the best performance and/or reproducibility when compared to other manufacturers included in such survey.

Our products typically require less hands-on time by laboratory personnel and provide an objective, quantitative

or semi-quantitative interpretation to improve and standardize the clinical significance of results. We believe that our proprietary technology will continue to be the mainstay for future diagnostic products. Most of the products in development will incorporate our basic technology.

Additional technologies may be required for some of the newly identified tests, particularly for the POC business. We believe that, in addition to internal expertise, most technology and delivery system requirements are available through joint venture or licensing arrangements or through acquisition.

Delivery Systems

Most of our current products employ the Microplate delivery system using ELISA technology. This format is universally accepted in clinical laboratory testing and requires routine equipment currently available in most clinical labs.

Sales and Marketing

We currently market and sell our diagnostic products to the traditional clinical laboratory market, both hospital based and free standing laboratories. We utilize a diverse distribution program for our products. Our labeled products are sold directly to testing laboratories in the United States through contract sales representatives.

Internationally, our labeled products are sold through established diagnostic companies in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Egypt, Finland, France, Germany, Greece, Guatemala, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Kuwait, Lebanon, Malaysia, Mexico, The Netherlands, Norway, Paraguay, Peru, Portugal, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom, and Uruguay. Discussions are underway that are expected to provide access to additional markets worldwide. Our agreements with international distribution partners are on terms that are generally terminable by us if the distributor fails to achieve certain sales targets. We have also established private label product agreements with several United States and European companies. We have international distribution headquarters in the United Kingdom and will add direct commercialization and distribution in selected additional countries as appropriate.

We have an active marketing and promotion program for our diagnostic testing products. We publish technical and marketing promotional materials, which we distribute to current and potential customers. We attend major industry trade shows and conferences, and our scientific staff actively publishes articles and technical abstracts in peer review journals.

Manufacturing

Our manufacturing process for our products utilizes a semi-automated production line for the manufacturing, assembly and packaging of our ELISA Microplate products. Our current production capacity is 20,000 tests per day with a single eight-hour shift. Since 1990, we have successfully produced over 12 million tests in our Westminster, Colorado facility, and we expect that current manufacturing facilities will be sufficient to meet expected customer demand for the foreseeable future.

Our manufacturing operations are fully integrated and consist of raw material purification, reagent and Microplate processing, filling, labeling, packaging and distribution. We have considerable experience in manufacturing our products using our proprietary technology. We expect increases in the demand for our products and have prepared plans to increase our manufacturing capability while remaining in compliance with regulatory requirements at acceptable costs to meet that increased demand, and are in the process of implementation. We also maintain an ongoing investigation of scale-up opportunities for manufacturing to meet future requirements. We anticipate that production costs will decline as more products are added to the product menu in the future, permitting us to achieve greater economies of scale as higher volumes are attained. We have registered our facility with the FDA and we operate in compliance with the FDA Quality System Regulations ("QSR") requirements for our products.

In April 1999, we received ISO 9001: 1994 certification from TUV Product Service GmbH, a world leader in medical device testing and certification. ISO 9001 represents the international standard for quality management systems developed by the International Organization for Standardization (ISO) to facilitate global commerce. To ensure continued compliance with the rigorous standards of ISO 9001, companies must undergo regularly scheduled assessments and re-

certification every year. The ISO 9001 initiative is an important component in our commitment to maintain excellence. We received re-certification in November 1999 and 2000, and in July 2002 received EN ISO 9001:1996, and EN ISO 13485:2000 certification.

Our manufacturing process starts with the qualification of raw materials. The microplates are then coated and bulk solutions prepared. The components and the microplates are checked for ability to meet pre-established specifications by our quality control department. If required, adjustments in the bulk solutions are made to provide optimal performance and lot-to-lot consistency. The bulk solutions are then dispensed and packaged into planned component configurations. The final packaging step in the manufacturing process includes kit assembly, where all materials are packaged into finished product. The finished kit undergoes one final performance test by our quality control department. Before product release for sale, our Quality Assurance department must verify that all quality control testing and manufacturing processes have been completed, documented and have met all performance specifications.

The majority of raw materials and purchased components used to manufacture our products are readily available. We have established good working relationships with primary vendors, particularly those that supply unique or critical components for our products. We mitigate the risk of a loss of supply by maintaining a sufficient supply of antibodies and critical components to ensure an uninterrupted supply for at least three months. We have also qualified second vendors for all critical raw materials and believe that we can substitute a new supplier with regard to any of these components in a timely manner. However, there can be no assurances that we will be able to substitute a new supplier in a timely manner, and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

A significant percentage of our product revenues are derived from sales outside of the United States. International regulatory bodies often establish varying regulations governing product standards, packaging and labeling requirements, import restrictions, tariff regulations, duties and tax requirements. As a result of our sales in Europe, we have obtained ISO certification and expect to receive a "CE" mark certification, an international symbol of quality and compliance with applicable European medical device directives for certain of our products once the European directive for in vitro diagnostic products has been finalized.

Since 1990, we have entered into several contract manufacturing agreements with other companies whereby we manufacture specific products for the partner company. We expect to continue investigating and evaluating opportunities for additional agreements.

Chugai Strategic Relationship

Chugai Diagnostics Science, Co. Ltd. is a wholly owned subsidiary of Chugai Pharmaceutical Co., Ltd., a Tokyo based pharmaceutical company. The relationship between Corgenix and Chugai was established in June 1993. The relationship is a multifaceted strategic affiliation that can be summarized as follows:

Equity Ownership. In 1993, Chugai Pharma purchased common stock of REAADS, and at September 20, 2002, owned approximately 4.2 % of the Common Stock. Under the terms of the September 1, 1993 stock purchase agreement, Chugai has certain rights, including antidilution rights and rights to a board seat on the Corgenix Board of Directors. Said rights have never been exercised by Chugai.

Distribution of Corgenix Products. In 1993, Corgenix and Chugai executed a distribution agreement (the "Japanese Distribution Agreement") whereby Corgenix granted to Chugai certain distribution rights in Japan of Corgenix products. It expired August 26, 2001.

Joint Development of Corgenix Products. In 1993, Corgenix and Chugai established a joint product development program whereby Corgenix, in collaboration with Chugai, developed a unique second generation immunodiagnostic assay for the measurement of HA. The product replaced a first generation HA product that was being manufactured and distributed in Japan by Chugai. This product is used to measure HA in serum to aid in the diagnosis of certain liver diseases and the monitoring of rheumatoid arthritis patients. In 1997, Corgenix and Chugai executed a contract research

agreement whereby Corgenix and Chugai made certain technical improvements to the HA product, and Chugai provided certain financial support.

Manufacturing of Corgenix Products. In 1994, Corgenix and Chugai executed a manufacturing agreement (the “HA Manufacturing Agreement”) whereby Corgenix was granted the exclusive right to manufacture the HA product for Chugai for sale in Japan. Corgenix began the manufacture of the HA product in 1995 and the product launched in Japan by Chugai. The HA Manufacturing Agreement has been amended several times.

Uncertainty as to Future Orders for HA from Chugai for Japan. Chugai has unexpectedly not forecast any orders for HA for Japan after November 2002. Our management has not determined Chugai’s intent with respect to orders of HA after November 2002 and we are trying to determine the status of these orders. As we are unclear whether or not Chugai will place orders after November 2002, we are internally not projecting any orders by Chugai of HA after November 2002.

HA Product Distribution. In 1997, Corgenix and Chugai executed a distribution agreement (the “UK Agreement”) whereby Corgenix was granted exclusive distribution rights for the Chugai HA product in the United Kingdom. The UK Agreement was initially for a two-year period which expired November 17, 1999, with one-year extension rights. The UK Agreement was amended on January 3, 2000, and expired on June 30, 2001 with the execution of the HA License Agreement (defined below).

HA License Agreement. On June 30, 2001, Corgenix and Chugai executed a license agreement (the “HA License Agreement”) whereby Corgenix was granted exclusive worldwide rights to manufacture and market the HA product (except for Japan). The HA License Agreement is initially for a five-year period with certain extension rights. The HA License Agreement establishes certain performance requirements for Corgenix, and provides early cancellation of exclusivity if we do not meet those performance goals. The HA License Agreement is the only international distribution right currently granted by Chugai to the Company.

Other Strategic Relationships

In addition to the Chugai strategic relationship, an integral part of our strategy has been and will continue to be entering into other strategic alliances as a means of accessing unique technologies or resources or developing specific markets. The primary aspects of our corporate partnering strategy with Chugai and other strategic affiliations include:

- Companies that are interested in co-developing diagnostic tests that use our technology;
- Companies with complementary technologies;
- Companies with complementary products and novel disease markers; and/or
- Companies with access to distribution channels that supplement our existing distribution channels.

In furtherance of the foregoing strategies, we have established strategic relationships with the following companies in addition to Chugai:

Cambridge Life Sciences. Cambridge, a division of Byk Gulden and located in Cambridge, United Kingdom, is a leading manufacturer of immunology and microbiology diagnostic tests. In 1993, we entered into an agreement with Cambridge by which we provide to Cambridge certain products that are sold worldwide under the Cambridge label. These products are primarily sold in the United Kingdom, and in the remainder of Europe. We also distribute several products manufactured by Cambridge through our distribution network.

Helena Laboratories Corporation. Helena, a privately held company located in Beaumont, Texas, is one of the world market leaders in clinical electrophoresis instrumentation and technology. In 1993, we entered into a development and manufacturing agreement with Helena pursuant to which we developed a series of vascular disease products for joint distribution. Three of these received FDA clearance in 1997 and one in 1999. We manufacture these products for worldwide distribution through both the Helena network and our network. Pursuant to the agreement, Helena has the right to incorporate several of our current products and technology (both those jointly developed and also other of our

products) into a proprietary Helena instrumentation for sale to hospitals and clinical laboratories.

American Biochemical & Pharmaceutical Corporation. abp is a privately held company located in Marlton, New Jersey that sells a line of diagnostic products in coagulation and vascular medicine. In June 1998, we became a non-exclusive distributor of abp's von Willebrand Factor Activity in the United States. We distribute this product under our label through our distribution network, primarily in the United States. This product complements our expanding line of vascular disease products. The initial term of the distribution arrangement with abp expired in June 2001 and has been automatically extended for an additional one-year term. abp also sells this test under our label through its distribution network. Under the terms of a separate distribution agreement, abp sells our von Willebrand Factor Antigen, Protein C, Protein S and Monoclonal Free Protein S products worldwide under the Corgenix label through their distribution network.

GTI, Inc. GTI is a privately held company located in Brookfield, Wisconsin that manufactures ELISA diagnostic products. In April 1998, we signed an agreement with GTI by which we became a non-exclusive distributor of GTI's Platelet Factor 4 ELISA test kit in the United States. The initial term of the agreement was one year and has been renewed at our option. This product is also part of our vascular disease product strategy.

RhiGene, Inc. RhiGene is a Des Plaines, Illinois based company which is a wholly owned subsidiary of Medical & Biological Laboratories Company, Ltd., ("MBL") of Nagoya, Japan. In March 2002 we signed a distribution agreement with RhiGene which will grant us exclusive rights to distribute RhiGene's complete diagnostic line of autoimmune testing products in North and South America. The arrangement will also provide us with rights to certain other international markets. In July 2002, MBL made a \$500,000 strategic investment in the Common Stock of our company. As part of the investment agreement, MBL will have warrants to purchase additional shares of our Common Stock for a total potential investment of \$1,000,000.

We have established OEM agreements with several international diagnostic companies. Under these agreements, we manufacture selected products under the partner's label for worldwide distribution.

Research and Development

We direct our research and development efforts towards development of new products on our proprietary platform ELISA technology in the Microplate format, as well as applying our technology to automated laboratory testing systems and to a rapid test format to address operator ease-of-use and expand our market opportunities. In that regard, we have organized our research and development effort into three major areas: (i) new product development, (ii) technology assessment, and (iii) technical and product support.

Our technical staff evaluates the performance of reagents (prepared internally or purchased commercially), creates working prototypes of potential products, performs internal studies, participates in clinical trials, produces pilot lots of new products, produces a validated method that can be consistently manufactured, creates documentation required for manufacturing and testing of new products, and works closely with our quality assurance department to satisfy regulatory requirements and support regulatory clearance. They are responsible for assessing the performance of new technologies along with determining the technical feasibility of market introduction, and investigating the patent / license issues associated with new technologies.

Our technical staff is responsible for supporting current products on the market through scientific investigation, and are responsible for design transfer to manufacturing of all new products developed. They assess the performance and validate all externally-sourced products.

The technical staff includes individuals skilled in immunology, assay development, protein biochemistry, biochemistry and basic sciences. We maintain facilities to support our development efforts at the Westminster, Colorado headquarters. This group includes individuals skilled in immunology, assay development, protein biochemistry, biochemistry and basic sciences. Group leaders are also skilled in planning and project management under FDA-mandated design control. See "— Regulation."

During fiscal 2002 and 2001, we spent \$566,000 and \$322,000, respectively, for research and development. We expect research and development spending to increase significantly during 2002.

Products and Technology in Development

We intend to expand our product menu through internal development, development in collaboration with strategic partners and acquisition or licensing of new products and technologies. We are currently working with partners to develop additional tests to supplement the existing product lines and have fifteen contract research projects as of September 2002. The following summarizes our current product and technology development programs:

Vascular Disease Testing Products

We are one of the market leaders in development of innovative tests in the antiphospholipid market, and expect to continue developing products in this area to ensure our ongoing strong market position. In the fiscal year ended June 30, 1999, we developed three new antiphospholipid products which are more specific for thrombosis and the antiphospholipid syndrome when incorporated with the conventional aCL and aPS tests, and are configured for sale to hospital based and free-standing independent laboratories. Filing of the 510(k) applications for the new tests was completed and one of the products, anti-phosphatidylserine IgA, was cleared by the FDA in April 2000. Two additional products in this area, IgG anti-Prothrombin and IgM anti-Prothrombin (aPT), were cleared by the FDA in April 2001. Five additional products in this area and two products in the coagulation area are in various stages of development, and we expect to file applications with the FDA in 2002-2003. See “— Regulation.”

Automated Laboratory Testing Systems

We believe that the application of our proprietary ELISA technology to automated laboratory -testing systems will significantly expand the hospital and specialized laboratory market opportunity through OEM partnerships and direct sales to high volume testing laboratories. We have several such development programs pending with strategic partners.

Competition

Competition in the human medical diagnostics industry is significant. Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than we do. In addition, many of these companies have name recognition, established positions in the market and long standing relationships with customers and distributors. The diagnostics industry continues to experience significant consolidation in which many of the large domestic and international healthcare companies have been acquiring mid-sized diagnostics companies, further increasing the concentration of resources. However, competition in diagnostic medicine is highly fragmented, with no company holding a dominant position in autoimmune or vascular diseases. There can be no assurance that new, superior technologies will not be introduced that could be directly competitive with or superior to our technologies.

Our competitors include Inova Diagnostics, Inc., DIASORIN, Diagnostica Stago, American Bioproducts, Helena Laboratories Corporation (an existing licensee of Corgenix technology), Organon Teknika, Helix Diagnostic Hemagen Diagnostics, Sigma Diagnostics, The Binding Site and IVAX Diagnostics. We compete against these companies on the basis of product performance and customer service.

Patents, Trade Secrets and Trademarks

We have built a strong patent and intellectual property position around our proprietary application of ELISA technology. We hold two United States patents that expire in 2004 and 2010 respectively. We have no pending patent applications. The Hyaluronic Acid product is protected by U.S., Japanese and European patents held by Chugai. As part of the agreements with Chugai, we have a license to use the Chugai patents to manufacture this product for worldwide distribution, and marketing rights worldwide except Japan. See “— Chugai Strategic Relationship.”

Patent applications in the United States are maintained in secrecy until patents are issued. There can be no assurance that our patents, and any patents that may be issued to us in the future, will afford protection against competitors with similar technology. In addition, no assurances can be given that patents issued to us will not be

infringed upon or designed around by others or that others will not obtain patents that we would need to license or design around. If the courts uphold existing or future patents containing broad claims over technology used by us, the holders of such patents could require us to obtain licenses to use such technology. In fiscal 2002 the Company did not incur any costs to defend our patents. See “Part II. Item 6. Management’s Discussion and Analysis — Forward-Looking Statements and Risk Factors — Uncertainty of Protection of Patents, Trade Secrets and Trademarks.”

We have registered our trademark “REAADS” on the principal federal trademark register and with the trademark registries in many countries of the world. This trademark is eligible for renewal in 2006 and will expire in 2007. An allowance for the trademark “Corgenix” was received September 2000.

Where appropriate, we intend to obtain patent protection for our products and processes. We also rely on trade secrets and proprietary know-how in our manufacturing processes. We require each of our employees, consultants and advisors to execute a confidentiality agreement upon the commencement of any employment, consulting or advisory relationship with us. Each agreement provides that all confidential information developed or made known to the individual during the course of the relationship will be kept confidential and not be disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions conceived of by an employee shall be the exclusive property of the Company.

The majority of our product sales, approximately 81% for the fiscal year end June 30, 2002 and 71% in fiscal 2001, were products that utilized our proprietary technology.

Regulation

The testing, manufacturing and sale of our products are subject to regulation by numerous governmental authorities, principally the FDA and foreign regulatory agencies. The FDA regulates the clinical testing, manufacture, labeling, distribution and promotion of medical devices, which includes diagnostic products. We are restricted from marketing or selling diagnostic products in the United States until clearance is received from the FDA. In addition, various foreign countries in which our products are or may be sold impose local regulatory requirements. The preparation and filing of documentation for FDA and foreign regulatory review can be a lengthy, expensive and uncertain process.

In the United States, medical devices are classified by the FDA into one of three classes (Class I, II or III) on the basis of the controls deemed necessary by the FDA to ensure their safety and effectiveness in a reasonable manner. Class I devices are subject to general controls (e.g., labeling, pre-market notification and adherence to QSR requirements). Class II devices are subject to general and special controls (e.g., performance standards, post-market surveillance, patient registries and FDA guidelines). Generally, Class III devices are those that must receive pre-market approval by the FDA to ensure their safety and effectiveness (e.g., life-sustaining, life-supporting and implantable devices or new devices that have been found not to be substantially equivalent to legally marketed devices). All of our current products and products under development are or are expected to be classified as Class I or Class II devices.

Before a new device can be introduced in the market, we must obtain FDA clearance or approval through either clearance of a 510(k) pre-market notification or approval of a product marketing approval (“PMA”) application, which is a more extensive and costly application. All of our products have been cleared using a 510(k) application, and we expect that most, if not all, future products will also qualify for clearance using a 510(k) application.

It generally takes up to 90 days from submission to obtain 510(k) pre-market clearance but may take longer. The FDA may determine that a proposed device is not substantially equivalent to a legally marketed device or that additional information is needed before a substantial equivalence determination can be made. A “not substantially equivalent” determination, or a request for additional information, could prevent or delay the market introduction of new products that fall into this category. For any devices that are cleared through the 510(k) process, modifications or enhancements that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, will require new 510(k) submissions. There can be no assurance that we will be able to obtain necessary regulatory approvals or clearances for our products on a timely basis, if at all, and delays in receipt of or failure to receive such approvals or clearances, the loss of previously received approvals or clearances, limitations on intended use imposed as a condition of such approvals or clearances, or failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition and results of operations. See “Part II. Item 6. Management’s

Discussion and Analysis — Forward-Looking Statements and Risk Factors — Governmental Regulation of Diagnostic Products.”

Our customers using diagnostic tests for clinical purposes in the United States are also regulated under the Clinical Laboratory Information Act of 1988 (the “CLIA”). The CLIA is intended to ensure the quality and reliability of all medical testing in laboratories in the United States by requiring that any health care facility in which testing is performed meets specified standards in the areas of personnel qualification, administration, participation in proficiency testing, patient test management, quality control, quality assurance and inspections. The regulations have established three levels of regulatory control based on test complexity: “waived,” “moderately complex” and “highly complex.” Our current ELISA tests are categorized as “moderately complex” tests for clinical use in the United States. Under the CLIA regulations, all laboratories performing high or moderately complex tests are required to obtain either a registration certificate or certification of accreditation from the “Centers for Medicare and Medicaid Services” (“CMS”), formerly the United States Health Care Financing Administration (“HCFA”). There can be no assurance that the CLIA regulations and future administrative interpretations of CLIA will not have an adverse impact on the potential market for our future products.

We are subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. There can be no assurance that we will not incur significant costs to comply with laws and regulations in the future or that such laws or regulations will not have a material adverse effect upon our business, financial condition and results of operations.

Reimbursement

Currently our largest market segment is the hospital based and free standing independent laboratory market in the United States. Payment for testing in this segment is largely based on third party payor reimbursement. The laboratory that performs the test will submit an invoice to the patient’s insurance provider (or the patient if not covered by a program). Each diagnostic procedure (and in some instances, specific technologies) is assigned a current procedural terminology (“CPT”) code by the American Medical Association. Each CPT code is then assigned a reimbursement level by CMS. Third party insurance payors typically establish a specific fee to be paid for each code submitted. Third party payor reimbursement policies are generally determined with reference to the reimbursement for CPT codes for Medicare patients, which themselves are determined on a national basis by CMS.

Employees (for Consolidated Entity)

As of September 20, 2002, we employed 43 employees, 39 full time and 4 part-time. Of these, 6 hold advanced scientific or medical degrees. None of Corgenix’s employees are covered by a collective bargaining agreement. We believe that the Company maintains good relations with our employees.

Item 2. Description of Property.

We currently lease approximately 12,000 square feet of space in one building in Westminster, Colorado, which is used for our administrative offices, research and development facilities and manufacturing operations. The lease expires August 31, 2006. We also lease approximately 1,400 square feet of office space in Peterborough, Cambridgeshire, United Kingdom under a lease that expires October 6, 2006 and is intended to be renewed. We believe that suitable additional or alternative space will be available on commercially reasonable terms as needed, and that our existing facilities will be sufficient for our operational purposes through the end of the leases.

Item 3. Legal Proceedings

We are not a party to any material litigation or legal proceedings.

Item 4. Submission of Matters to a Vote of Security-Holders.

There were no matters submitted during the fourth quarter of the fiscal year covered by this Report to a vote of stockholders, through the solicitation of proxies, or otherwise.

GLOSSARY

antibody — a protein produced by the body in response to contact with an antigen, and having the specific capacity of neutralizing, hence creating immunity to, the antigen.

anti-cardiolipin antibodies (aCL) — a class of antiphospholipid antibody which reacts with a negatively-charged phospholipid called cardiolipin or a phospholipid-cofactor complex; frequently found in patients with SLE and other autoimmune diseases; also reported to be significantly associated with the presence of both arterial and venous thrombosis, thrombocytopenia, and recurrent fetal loss.

antigen — an enzyme, toxin, or other substance, usually of high molecular weight, to which the body reacts by producing antibodies.

anti-phosphatidylserine antibodies (aPS) — a class of antiphospholipid antibody which reacts to phosphatidylserine; similar to aCL; believed to be more specific for thrombosis.

antiphospholipid antibodies — a family of autoantibodies with specificity against negatively charged phospholipids, that are frequently associated with recurrent venous or arterial thrombosis, thrombocytopenia, or spontaneous fetal abortion in individuals with SLE or other autoimmune disease.

antiphospholipid syndrome — a clinical condition characterized by venous or arterial thrombosis, thrombocytopenia, or spontaneous fetal abortion, in association with elevated levels of antiphospholipid antibodies and/or lupus anticoagulant.

assay — a laboratory test; to examine or subject to analysis.

autoantibody — an antibody with specific reactivity against a component substance of the body in which it is produced; a disease marker.

autoimmune diseases — a group of diseases resulting from reaction of the immune system against self components.

beta 2 glycoprotein I (β 2GPI) — a serum protein (cofactor) that participates in the binding of antiphospholipid antibodies.

coagulation — the process by which blood clots.

cofactor — a serum protein that participates in the binding of antiphospholipid antibodies, for example β 2GPI.

delivery format — the configuration of the product. Current Corgenix products utilize a 96-well microplate system for its delivery format.

hemostasis — mechanisms in the body to maintain the normal liquid state of blood; a balance between clotting and bleeding.

hyaluronic acid (HA) — a polysaccharide found in synovial fluid, serum and other body fluids and tissues, elevated in certain rheumatological and hepatic (liver) disorders.

HDL cholesterol — high density lipoprotein associated with cholesterol.

immunoassay — a technique for analyzing and measuring the concentration of disease markers using antibodies; for example, ELISA.

immunoglobulin — a globulin protein that participates in the immune reaction as the antibody for a specific antigen.

immunology — the branch of medicine dealing with (a) antigens and antibodies, esp. immunity to disease, and (b) hypersensitive biological reactions (such as allergies), the rejection of foreign tissues, etc.

in vitro — isolated from the living organism and artificially maintained, as in a test tube.

in vivo — occurring within the living organism.

lipids — a group of organic compounds consisting of the fats and other substances of similar properties.

platelets — small cells in the blood which play an integral role in coagulation (blood clotting).

platform technology — the basic technology in use for a majority of the Company's products, in essence the "platform" for new products. In the case of Corgenix, the platform technology is ELISA (enzyme linked immunosorbent assay).

phospholipids — a group of fatty compounds found in animal and plant cells which are complex triglyceride esters containing long chain fatty acids, phosphoric acid and nitrogenous bases.

protein C — normal blood protein that regulates hemostasis; decreased levels lead to thrombosis.

protein S — normal blood protein that regulates hemostasis; decreased levels lead to thrombosis.

rheumatic diseases — a group of diseases of the connective tissue, of uncertain cause and including rheumatoid arthritis (RA), rheumatic fever, etc., usually characterized by inflammation, pain and swelling of the joints and/or muscles.

serum — the clear yellowish fluid which separates from a blood clot after coagulation and centrifugation.

systemic lupus erythematosus (SLE) — a usually chronic disease of unknown cause, characterized by red, scaly patches on the skin that tend to produce scars, frequently affecting connective tissue and involving the kidneys, spleen, etc.

thrombin — the enzyme of the blood, formed from prothrombin, that causes clotting by converting fibrinogen to fibrin.

thrombocytopenia — a condition in which there is an abnormally small number of platelets in the circulating blood.

thromboembolism — the obstruction or occlusion of a blood vessel by a thrombus.

thrombosis — coagulation of the blood within a blood vessel of any organ, forming a blood clot.

tumor markers — serum proteins or molecules found in high concentrations in patients with selected cancers.

vascular — of or pertaining to blood vessels.

von Willebrand's Factor (vWF) — normal blood protein that regulates hemostasis; decreased levels lead to abnormal bleeding and increased levels may produce thrombosis.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Our Common Stock is traded on the OTC Bulletin Board ® under the symbol “COGX”. On September 20, 2002, the last bid price of our Common Stock on the OTC Bulletin Board ® as reported by the OTC Bulletin Board ® was \$0.31.

The following table sets forth, for the periods indicated, the high and low bid prices of our Common Stock as reported on the OTC Bulletin Board ®. The following quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transactions.

<u>Stock Price Dates</u>	<u>Stock Price Ranges</u>	
	<u>High</u>	<u>Low</u>
<u>Fiscal Year 2002</u>		
Quarter Ended:		
September 30, 2001	\$0.31	\$0.16
December 31, 2001	\$0.25	\$0.09
March 31, 2002	\$0.16	\$0.125
June 30, 2002	\$0.35	\$0.13
<u>Fiscal Year 2001</u>		
Quarter Ended:		
September 30, 2000	\$1.55	\$0.65
December 31, 2000	\$1.25	\$0.45
March 31, 2001	\$3.60	\$0.95
June 30, 2001	\$2.50	\$1.10

On September 20, 2002 there were approximately 173 holders of record of our Common Stock.

To date, we have not paid any dividends on our Common Stock, and the Board of Directors of the Company does not currently intend to declare cash dividends on our Common Stock. We instead intend to retain earnings, if any, to support the growth of the Company’s business. Any future cash dividends would depend on future earnings, capital requirements and the Company’s financial condition and other factors deemed relevant by the Board of Directors. We are restricted from paying dividends on our Common Stock under the terms of a promissory note to Vectra Bank (“Vectra”) without the consent of Vectra.

Stock Issuance

From July 1, 2001 through June 30, 2002, we sold a total of 237,300 shares of Common Stock at \$.8772 per share for a total of \$208,159 to 12 accredited investors and one foreign investor. The sales were made in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4 (2) of the Securities Act. The shares were not registered under federal or state securities laws, and, therefore, will be “restricted securities” as such term is defined in Rule 144 promulgated under the Securities Act. The Company intends to use the proceeds of the private placement to assist in the market and regulatory development of the Company’s HA diagnostic test, acquire capital equipment, reduce short-term debt, accelerate research and development of new products and for general working capital.

Issuance of Warrants

The Company issued in March 2002, for \$200, warrants to purchase 200,000 shares of its common stock at prices ranging from \$1.00 to \$1.75 per share to a consultant to the Company, pursuant to a services agreement. The warrants were issued to the consultant in exchange for investor relations services to be provided to the Company. The warrants were to vest in blocks of 50,000 warrants at the various exercise prices if and when the Company’s common stock trades

at prices ranging from \$1.25 to \$2.00 for ten continuous trading days each. The Services Agreement and the Warrants were terminated in August 2002. No warrants had vested at the time of the termination.

On April 12, 2001, we issued warrants to purchase 225,000 shares of common stock of Corgenix to a consultant to the Company. The warrants were issued to the consultant in exchange for financial advisory services to be provided to the Company. Warrants to purchase 45,000 shares vested ratably over the first year. The remaining 180,000 warrants were to vest only if defined future events occur. The service agreement and the remainder of the warrants were terminated by the Company in October 2001. None of the additional warrants had vested at the time of the termination. The warrants were issued in the form of four separate three year common stock purchase warrants to purchase an aggregate 180,000 shares of Corgenix common stock at an exercise price of \$1.25 per share with customary anti-dilution and “cashless” exercise provisions and certain stock price performance goals. The warrants were issued with a purchase price of \$.001 per warrant for aggregate consideration of \$900. The warrants may be assigned to third parties by the consultant with the prior consent of Corgenix.

All of the above warrants were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4 (2) of the Securities Act.

Forward-Looking Statements

This Form 10-KSB includes statements that are not purely historical and are “forward-looking statements” within the meaning of Section 21E of the Securities Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. All statements other than historical fact contained in this Form 10-KSB, including, without limitation, statements regarding future product developments, statements regarding our intent to develop the Consumer Products Business, acquisition strategies, strategic partnership expectations, technological developments, the availability of necessary components, research and development programs and distribution plans, are forward-looking statements. All forward-looking statements included in this Form 10-KSB are based on information available to us on the date hereof, and we assume no obligation to update such forward-looking statements. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct or that we will take any actions that may presently be planned.

Item 6. Management’s Discussion and Analysis or Plan of Operation.

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

General

Since the Company’s inception, we have been primarily involved in the research, development, manufacturing and marketing/distribution of diagnostic tests for sale to clinical laboratories. We currently market 142 products covering autoimmune disorders, vascular diseases, infectious diseases and liver disease. Our products are sold in the United States, the UK and other countries of the world through our marketing and sales organization that includes contract sales representatives, internationally through an extensive distributor network, and to several significant OEM partners.

We manufacture products for inventory based upon expected sales demand, shipping products to customers, usually within 24 hours of receipt of orders if in stock. Accordingly, we do not operate with a customer order backlog.

Except for the fiscal year ending June 30, 1997, we have experienced revenue growth since our inception, primarily from sales of products and contract revenues from strategic partners. Contract revenues consist of licensing fees, milestone payments, and royalty payments from research and development agreements with strategic partners.

Beginning in fiscal year 1996, we began adding third-party OEM licensed products to our diagnostic product line. Currently we sell 128 products licensed from or manufactured by third party manufacturers. We expect to expand our

relationships with other companies in the future to gain access to additional products.

Although we have experienced growth in revenues every year since 1990 except for 1997, there can be no assurance that, in the future, we will sustain revenue growth, current revenue levels, or achieve or maintain profitability. Our results of operations may fluctuate significantly from period-to-period as the result of several factors, including: (i) whether and when new products are successfully developed and introduced, (ii) market acceptance of current or new products, (iii) seasonal customer demand, (iv) whether and when we receive R&D milestone payments and license fees from strategic partners, (v) changes in reimbursement policies for the products that we sell, (vi) competitive pressures on average selling prices for the products that we sell, and (vii) changes in the mix of products that we sell.

Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and our significant accounting policies are summarized in Note 1 to the accompanying consolidated financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual result could differ significantly from those estimates.

The Company maintains an allowance for doubtful accounts based on its historical experience and provides for any specific collection issues that are identified. Such allowances have historically been adequate to provide for our doubtful accounts but involve a significant degree of management judgment and estimation. Worse than expected future economic conditions, unknown customer credit problems and other factors may require additional allowances for doubtful accounts to be provided for in future periods. Equipment and software are recorded at cost. Equipment under capital leases is recorded initially at the present value of the minimum lease payments. Depreciation and amortization is calculated primarily using the straight-line method over the estimated useful lives of the respective assets which range from 3 to 7 years. The internal and external costs of developing and enhancing software costs related to website development, other than initial design and other costs incurred during the preliminary project stage, are capitalized until the software has been completed. Such capitalized amounts will be amortized commencing when the website is placed in service on a straight-line basis over a three-year period. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and a gain or loss is recognized. Repair and maintenance costs are expensed as incurred. We evaluate the realizability of our long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Revenue is recognized upon shipment of products. Provisions are made for sales discounts and allowances at the time product sales are recognized. Research and development and advertising costs are expensed when incurred. Inventories are recorded at the lower of cost or market, using the first-in, first-out method.

Results of Operations

Year Ended June 30, 2002 compared to 2001

Net sales. Net sales for the year ended June 30, 2002 were approximately \$4,858,000, a 12.8% increase from approximately \$4,308,000 in 2001 due to continued expansion of our worldwide distribution network, overall product mix, and revenue from new products. Product sales increased in most categories. Both domestic sales and sales to international distributors increased from year to year. Included in the sales increases were a 35.5% increase in sales to OEM partners and a 36.4% increase in sales of Hyaluronic Acid Test Kits ("HA") to Chugai for distribution in Japan. Chugai has been the Company's largest customer, representing approximately 15.1% and 12.5% of sales in fiscal 2002 and 2001, respectively. Chugai has unexpectedly not forecasted any orders for HA product after November 2002. Our management has not determined Chugai's intent with respect to orders of HA product after November 2002 and we are trying to determine the status of these orders. As we are unclear whether or not Chugai will place orders after November 2002, we are internally not projecting any orders by Chugai of HA after November 2002. The Company expects that the loss of HA sales to Chugai after November 2002 will be made up via international sales of HA in other areas of the world. The majority of the Company's sales increase for the current fiscal year was due to higher unit volume (which increased

approximately 9.2%) as well as an increase in average price per unit sold of approximately 5.3%. This was mainly attributable to increased direct domestic sales relative to distributor/OEM sales (which generally are sold at lower unit prices). Sales of products manufactured for us by other companies while still relatively small, are expected to continue to increase during fiscal 2003.

Cost of sales. Cost of sales increased 7.9% to approximately \$1,771,000 in 2002 from approximately \$1,641,000 in 2001, due to the increase in net sales. Gross profit, as a percentage of sales, increased to 63.5% in 2002 from 61.9% in 2001 primarily due to increased sales of newer, higher margin products.

Selling and marketing. Selling and marketing expenses increased 21.7% to approximately \$981,000 in 2002 from approximately \$806,000 in 2001 due to increases in commissions expense, increased advertising expense, increased license fees, travel-related expenses associated with various conventions and trade shows, outside services and payroll-related costs.

Research and development. Research and development expenses increased 75.8% to approximately \$566,000 in 2002 from approximately \$322,000 in 2001. Most of this increase came as a result of increased labor-related costs and purchases and development costs of new products, most notably a joint proof of principle development project.

General and administrative. General and administrative expenses increased 3.4% to approximately \$1,097,000 in 2002 from approximately \$1,061,000 in 2001, due to increases in occupancy costs, payroll-related costs and outside services expense such as legal, accounting and consulting expenses. There was also an increase in the provision for bad debts during the year.

Interest expense. Interest expense increased 11.6% to approximately \$144,000 in 2002 from approximately \$129,000 in 2001 due to new capital lease obligations and notes, the effects of which was partially offset by reductions in over-all interest rates.

Expenses related to consumer healthcare business. In June 2002, the Company determined that its consumer healthcare business and associated operations via consumer websites were not strategic to the company's ongoing objectives and core medical diagnostic kit business. Accordingly, the Company decided to abandon and close its internet-based consumer business and all related e-commerce sites managed and operated by its wholly owned subsidiary, Health-outfitters.com, Inc. ("Ho.com"). The results of Ho.com's operations have been included in continuing operations in the consolidated statements of operations for the fiscal years ended June 30, 2002 and 2001. Since some of the employees and office space of Ho.com have been redeployed into the Company's core business, only those Ho.com expenses which are not expected to recur are shown separately in the consolidated statements of operations. The operating expenses of the consumer healthcare business not expected to recur increased 713.5% from \$29,476 in fiscal 2001 to \$210,311 in fiscal 2002. This increase was primarily attributable to amortization of previously capitalized software costs, increased labor-related costs, and costs associated with advertising and promotion of the consumer healthcare products. The expense related to the disposal of the consumer healthcare business assets amounted to \$413,834 in fiscal 2002 and was a result of the abandonment and write off of the unamortized capitalized software costs. Amortization of \$182,087 was recorded on such assets during the year ended June 30, 2002. No comparable amortization was recorded during the year ended June 30, 2001 because the website was not launched until July 2001. Net sales related to the consumer healthcare business were \$10,388 and \$24 during the years ended June 30, 2002 and 2001, respectively.

Liquidity and Capital Resources

Cash used by operating activities was \$197,983 for the current fiscal year compared to cash provided by operating activities of \$196,584 during the prior fiscal year. The cash used in operations resulted primarily from the net loss incurred during the current year, in addition to the Company's investment in working capital resulting in an increase in accounts receivable, prepaid expenses and other assets, offset by a substantial reduction of accounts payable. The Company expects this trend to continue as its revenues increase. The Company believes that uncollectible accounts

receivable will not have a significant effect on future liquidity, as a significant portion of its accounts receivable are due from enterprises with substantial financial resources.

Net cash used by investing activities, the purchase of equipment, was \$125,911 in fiscal 2002 compared to \$231,559 for fiscal 2001. The decrease was mainly attributable to a reduction in the amount of computer equipment required by the Company in addition to spending on internally developed software.

Net cash provided by financing activities amounted to \$164,471 during fiscal 2002 compared to \$309,434 in the prior fiscal year. This decrease was due to a smaller amount raised in the private sale of the Company's common stock, which amount was \$208,160 compared to \$496,233 raised in the prior fiscal year.

Historically, we have financed our operations primarily through long-term debt and by sales of common and preferred stock. In 2002, as mentioned above, we raised \$208,160 before offering expenses through a private sale of common stock.

We have also received financing for operations from sales of diagnostic products and agreements with strategic partners. Accounts receivable increased 18.6% to \$694,394 from \$585,704 in 2001 because of a general slow down in payment by our customers brought about by global economic conditions. In 2002, our accounts payable decreased 25.9% to \$553,505 from \$746,642 in 2001 due to a concerted effort on our part to bring accounts payable more current

Our principal sources of liquidity have been cash provided from operating and financing activities, cash raised from the private sale of common stock mentioned above, and long-term debt financing. We believe that we will continue investigating new debt agreements and may sell additional equity securities in fiscal year 2003 to develop the markets and obtain the regulatory approvals for the HA products (see above), and to pursue all of our strategic objectives. We believe that our current availability of cash, working capital, proceeds from the issuance of common stock and cash flow from operations are adequate to meet our ongoing needs for at least the next twelve months. At June 30, 2002, cash on hand amounted to \$164,378 compared to \$320,140 at June 30, 2001. At June 30, 2002, the Company's available borrowings under its \$300,000 line of credit with Vectra Bank amounted to approximately \$200,000. The available borrowings at June 30, 2002 were limited to a maximum of \$275,000 based upon the calculation of the borrowing base. On July 1, 2002, the Company received a \$500,000 common stock investment from Medical & Biological Laboratories Company, Ltd., a strategic partner headquartered in Nagoya, Japan.

On October 3, 2001, the Board issued FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While Statement No. 144 supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, it retains many of the fundamental provisions of that Statement. Statement No. 144 also supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. The Company does not expect the impact of adopting SFAS No. 144 to be significant.

In April 2002, the FASB issued SFAS No. 145, "Recission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement provides guidance on the classification of gains and losses from the extinguishment of debt and on the accounting for certain specified lease transactions. SFAS No. 145 is not expected to have a material impact on the Company.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). Generally, SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized as incurred, whereas EITF Issue No. 94-3 required such a liability to be recognized at the time that an entity committed to an exit plan. The Company

is currently evaluating the provisions of the new rule, which is effective for exit or disposal activities that are initiated after December 31, 2002.

Risk Factors

Certain factors that could cause actual results to differ materially from those expected include the following:

Losses Incurred; Future Capital Needs; Risks Relating to the Professional Products Business; Uncertainty of Additional Funding

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception have aggregated over \$4,259,707 and there can be no assurance that we will be able to generate positive cash flows to fund our operations in the future or to pursue our strategic objectives. We believe that we will have sufficient cash and borrowing availability to satisfy our operating needs for at least the next year. If we are not able to operate profitably and generate positive cash flows sufficient for both the diagnostic business and the consumer products business, we may need to raise additional capital to fund our operations. If we need additional financing to meet our requirements, there can be no assurance that we will be able to obtain such financing on terms satisfactory to us, if at all. Alternatively, any additional equity financing may be dilutive to existing stockholders, and debt financing, if available, may include restrictive covenants. If adequate funds are not available, we might be required to limit our research and development activities, our selling and marketing activities or our plans to develop the Consumer Products Business, any of which could have a material adverse effect on the future of the business.

Dependence on Collaborative Relationships and Third Parties for Product Development and Commercialization

We have historically entered into licensing and research and development agreements with collaborative partners, from which we derived a significant percentage of our revenues in past years. Pursuant to these agreements, our collaborative partners have specific responsibilities for the costs of development, promotion, regulatory approval and/or sale of our products. We will continue to rely on future collaborative partners for the development of products and technologies. There can be no assurance that we will be able to negotiate such collaborative arrangements on acceptable terms, if at all, or that current or future collaborative arrangements will be successful. To the extent that we are not able to establish such arrangements, we could experience increased capital requirements or be forced to undertake such activities at our own expense. The amount and timing of resources that any of these partners devotes to these activities will generally be based on progress by us in our product development efforts. Usually, collaborative arrangements may be terminated by the partner upon prior notice without cause and there can be no assurance that any of these partners will perform its contractual obligations or that it will not terminate its agreement. With respect to any products manufactured by third parties, there can be no assurance that any third-party manufacturer will perform acceptably or that failures by third parties will not delay clinical trials or the submission of products for regulatory approval or impair our ability to deliver products on a timely basis.

Uncertainty as to Future Orders for Hyaluronic Acid Test Kits ("HA") from Company's Largest Customer

Chugai has unexpectedly not forecast any orders for HA after November 2002. Our management has not determined Chugai's intent with respect to orders of HA after November 2002 and we are trying to determine the status of these orders. As we are unclear whether or not Chugai will place orders after November 2002, we are internally not projecting any orders by Chugai of HA after November 2002.

No Assurance of Successful or Timely Development of Additional Products

Our business strategy includes the development of additional diagnostic products both for the diagnostic business and consumer products business. Our success in developing new products will depend on our ability to achieve scientific and technological advances and to translate these advances into commercially competitive products on a timely basis. Development of new products requires significant research, development and testing efforts. We have limited resources to devote to the development of products and, consequently, a delay in the development of one product or the use of resources for product development efforts that prove unsuccessful may delay or jeopardize the development

of other products. Any delay in the development, introduction and marketing of future products could result in such products being marketed at a time when their cost and performance characteristics would not enable them to compete effectively in their respective markets. If we are unable, for technological or other reasons, to complete the development and introduction of any new product or if any new product is not approved or cleared for marketing or does not achieve a significant level of market acceptance, our results of operations could be materially and adversely affected.

Competition in the Diagnostics Industry

Competition in the human medical diagnostics industry is, and is expected to remain, significant. Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. In addition, many of these companies have name recognition, established positions in the market and long standing relationships with customers and distributors. Moreover, the diagnostics industry has recently experienced a period of consolidation, during which many of the large domestic and international pharmaceutical companies have been acquiring mid-sized diagnostics companies, further increasing the concentration of resources. There can be no assurance that technologies will not be introduced that could be directly competitive with or superior to our technologies.

Governmental Regulation of Diagnostics Products

The testing, manufacture and sale of our products is subject to regulation by numerous governmental authorities, principally the FDA and certain foreign regulatory agencies. Pursuant to the Federal Food, Drug, and Cosmetic Act, and the regulations promulgated there under, the FDA regulates the preclinical and clinical testing, manufacture, labeling, distribution and promotion of medical devices. We are not able to commence marketing or commercial sales in the United States of new products under development until we receive clearance from the FDA. The testing for, preparation of and subsequent FDA regulatory review of required filings can be a lengthy, expensive and uncertain process. Noncompliance with applicable requirements can result in, among other consequences, fines, injunctions, civil penalties, recall or seizure of products, repair, replacement or refund of the cost of products, total or partial suspension of production, failure of the government to grant premarket clearance or premarket approval for devices, withdrawal of marketing clearances or approvals, and criminal prosecution.

There can be no assurance that we will be able to obtain necessary regulatory approvals or clearances for our products on a timely basis, if at all, and delays in receipt of or failure to receive such approvals or clearances, the loss of previously received approvals or clearances, limitations on intended use imposed as a condition of such approvals or clearances or failure to comply with existing or future regulatory requirements could have a material adverse effect on our business.

Dependence on Distribution Partners for Sales of Diagnostic Products in International Markets

We have entered into distribution agreements with collaborative partners in which we have granted distribution rights for certain of our products to these partners within specific international geographic areas. Pursuant to these agreements, our collaborative partners have certain responsibilities for market development, promotion, and sales of the products. If any of these partners fails to perform its contractual obligations or terminates its agreement, this could have a material adverse effect on our business, financial condition and results of operations.

Governmental Regulation of Manufacturing and Other Activities

As a manufacturer of medical devices for marketing in the United States, we are required to adhere to applicable regulations setting forth detailed good manufacturing practice requirements, which include testing, control and documentation requirements. We must also comply with Medical Device Report (“MDR”) requirements, which require that a manufacturer report to the FDA any incident in which its product may have caused or contributed to a death or serious injury, or in which its product malfunctioned and, if the malfunction were to recur, it would be likely to cause or contribute to a death or serious injury. We are also subject to routine inspection by the FDA for compliance with QSR requirements, MDR requirements and other applicable regulations. The FDA has recently implemented new QSR requirements, including the addition of design controls that will likely increase the cost of compliance. Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission.

We may incur significant costs to comply with laws and regulations in the future, which may have a material adverse effect upon our business, financial condition and results of operations.

Regulation Related to Foreign Markets

Distribution of diagnostic products outside the United States is subject to extensive government regulation. These regulations, including the requirements for approvals or clearance to market, the time required for regulatory review and the sanctions imposed for violations, vary from country to country. We may be required to incur significant costs in obtaining or maintaining foreign regulatory approvals. In addition, the export of certain of our products that have not yet been cleared for domestic commercial distribution may be subject to FDA export restrictions. Failure to obtain necessary regulatory approval or the failure to comply with regulatory requirements could have a material adverse effect on our business, financial condition and results of operations.

Uncertain Availability of Third Party Reimbursement for Diagnostic Products

In the United States, health care providers that purchase diagnostic products, such as hospitals and physicians, generally rely on third party payors, principally private health insurance plans, federal Medicare and state Medicaid, to reimburse all or part of the cost of the procedure. Third party payors are increasingly scrutinizing and challenging the prices charged for medical products and services and they can affect the pricing or the relative attractiveness of the product. Decreases in reimbursement amounts for tests performed using our diagnostic products, failure by physicians and other users to obtain reimbursement from third party payors, or changes in government and private third party payors' policies regarding reimbursement of tests utilizing diagnostic products, may affect our ability to sell our diagnostic products profitably. Market acceptance of our products in international markets is also dependent, in part, upon the availability of reimbursement within prevailing health care payment systems.

Uncertainty of Protection of Patents, Trade Secrets and Trademarks

Our success depends, in part, on our ability to obtain patents and license patent rights, to maintain trade secret protection and to operate without infringing on the proprietary rights of others. There can be no assurance that our issued patents will afford meaningful protection against a competitor, or that patents issued to us will not be infringed upon or designed around by others, or that others will not obtain patents that we would need to license or design around. We could incur substantial costs in defending the Company or our licensees in litigation brought by others. Our business could be adversely affected.

Risks Regarding Potential Future Acquisitions

Our growth strategy includes the desire to acquire complementary companies, products or technologies. There is no assurance that we will be able to identify appropriate companies or technologies to be acquired, to negotiate satisfactory terms for such an acquisition, or to obtain sufficient capital to make such acquisitions. Moreover, because of limited cash resources, we will be unable to acquire any significant companies or technologies for cash and our ability to effect acquisitions in exchange for our capital stock may depend upon the market prices for our Common Stock. If we do complete one or more acquisitions, a number of risks arise, such as short-term negative effects on our reported operating results, diversion of management's attention, unanticipated problems or legal liabilities, and difficulties in the integration of potentially dissimilar operations. The occurrence of some or all of these risks could have a material adverse effect on our business, financial condition and results of operations.

Dependence on Suppliers

The components of our products include chemical and packaging supplies that are generally available from several suppliers, except certain antibodies, which we purchases from single suppliers. We mitigate the risk of a loss of supply by maintaining a sufficient supply of such antibodies to ensure an uninterrupted supply for at least three months.

We have also qualified second vendors for all critical raw materials and believe that we can substitute a new supplier with respect to any of these components in a timely manner. However, there can be no assurances that we will be able to substitute a new supplier in a timely manner and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Limited Manufacturing Experience with Certain Products

Although we have manufactured over twelve million diagnostic tests based on our proprietary applications of ELISA technology, certain of our diagnostic products in consideration for future development, incorporate technologies with which we have little manufacturing experience. Assuming successful development and receipt of required regulatory approvals, significant work may be required to scale up production for each new product prior to such product's commercialization. There can be no assurance that such work can be completed in a timely manner and that such new products can be manufactured cost-effectively, to regulatory standards or in sufficient volume.

Seasonality of Products; Quarterly Fluctuations in Results of Operations

Our revenue and operating results have historically been minimally subject to quarterly fluctuations. There can be no assurance that such seasonality in our results of operations will not have a material adverse effect on our business.

Dependence on Key Personnel

Because of the specialized nature of our business, our success will be highly dependent upon our ability to attract and retain qualified scientific and executive personnel. In particular, we believe our success will depend to a significant extent on the efforts and abilities of Dr. Luis R. Lopez and Douglass T. Simpson, who would be difficult to replace. There can be no assurance that we will be successful in attracting and retaining such skilled personnel, who are generally in high demand by other companies. The loss of, inability to attract, or poor performance by key scientific and executive personnel may have a material adverse effect on our business, financial condition and results of operations.

Product Liability Exposure and Limited Insurance

The testing, manufacturing and marketing of medical diagnostic devices entails an inherent risk of product liability claims. To date, we have experienced no product liability claims, but any such claims arising in the future could have a material adverse effect on our business, financial condition and results of operations. Our product liability insurance coverage is currently limited to \$2 million. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of our policy or limited by other claims under our umbrella insurance policy. Additionally, there can be no assurance that our existing insurance can be renewed by us at a cost and level of coverage comparable to that presently in effect, if at all. In the event that we are held liable for a claim against which we are not insured or for damages exceeding the limits of our insurance coverage, such claim could have a material adverse effect on our business, financial condition and results of operations.

Other Risks

Limited Public Market; Possible Volatility in Stock Prices; Penny Stock Rules

There has, to date, been no active public market for our Common Stock, and there can be no assurance that an active public market will develop or be sustained. Although our Common Stock has been traded on the OTC Bulletin Board® since February 1998, the trading has been sporadic with insignificant volume.

Moreover, the over-the-counter markets for securities of very small companies historically have experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as new product developments and trends in our industry and the investment markets and economic conditions generally, as well as quarterly variation in our results of operations, may adversely affect the market price of our Common Stock. In addition, our Common Stock is subject to rules adopted by the Securities and Exchange Commission regulating broker-dealer practices in connection with transactions in "penny stocks." As a result, many brokers are unwilling to engage in transactions in our Common Stock because of the added disclosure requirements.

Risks Associated with Exchange Rates

Our financial statements are presented in US dollars. At the end of each fiscal quarter and the fiscal year, we convert the financial statements of Corgenix UK, which operates in pounds sterling, into US dollars, and consolidate them with results from Corgenix, Inc. We may, from time to time, also need to exchange currency from income generated by Corgenix UK. Foreign exchange rates are volatile and can change in an unknown and unpredictable fashion. Should the foreign exchange rates change to levels different than anticipated by us, our business, financial condition and results of operations may be materially adversely affected.

Item 7. Financial Statements.

The financial statements listed in the accompanying index to the consolidated financial statements are filed as part of this Annual Report on Form 10-KSB.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

There is hereby incorporated by reference the information to appear under the caption "Election of Directors" in our proxy statement for our 2002 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2002.

Item 10. Executive Compensation.

There is hereby incorporated by reference the information to appear under the caption "Compensation of Directors and Executive Officers" in our proxy statement for our 2002 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2001.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

There is hereby incorporated by reference the information to appear under the caption "Principal Shareholders of the Company" in our proxy statement for our 2002 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days of June 30, 2002.

Item 12. Certain Relationships and Related Transactions.

On October 1, 2001, the Company entered into two notes payable with one of its officers. The first note was for \$67,460 and is payable by the Company in monthly principal payments of \$5,868 plus interest at 8% per annum over a twelve month period. The second note was for 91,797 pounds sterling (approximately \$132,000) and is payable by the Company in monthly principal payments of 4,004 pounds sterling (approximately \$5,766 at June 30, 2002) plus interest at 8% per annum over twenty-five months. There have not been any other transactions, or series of similar transactions, since the beginning of the Company's last fiscal year, or any currently proposed transaction, or series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeds \$60,000 and in which any director or executive officer of the Company, nominee for election as a director, any five percent security holder or any member of the immediate family of any of the foregoing persons had, or will have, a direct or indirect material interest.

Item 13. Exhibits and Reports on Form 8-K.

a. Index to and Description of Exhibits

<u>Exhibit Number</u>	<i>Description of Exhibit</i>
2.1	Agreement and Plan of Merger dated as of May 12, 1998 by and among Gray Wolf Technologies, Inc., Gray Wolf Acquisition Corp. and REAADS Medical Products, Inc. (filed as Exhibit 2.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
2.2	First Amendment to Agreement and Plan of Merger dated as of May 22, 1998 by and among Gray Wolf Technologies, Inc., Gray Wolf Acquisition Corp. and REAADS Medical Products, Inc. (filed as Exhibit 2.2 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
2.3	Second Amendment to Agreement and Plan of Merger dated as of June 17, 1998 by and among the Company and TransGlobal Financial Corporation (filed as Exhibit 2.3 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.1	Articles of Incorporation, as amended (filed as Exhibit 3.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.2	Bylaws (filed as Exhibit 3.2 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
3.3	Articles of Incorporation of health-outfitters.com, Inc. dated November 16, 1999 (filed as Exhibit 3.3 to the Company's filing on Form 10-QSB for the fiscal quarter ended December 31, 1999).
3.4	Bylaws of health-outfitters.com, Inc. dated November 16, 1999 (filed as Exhibit 3.4 to the Company's filing on Form 10-QSB for the fiscal quarter ended December 31, 1999).
10.1	Manufacturing Agreement dated September 1, 1994 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
10.2	Amendment to the Manufacturing Agreement dated as of January 17, 1995 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.2 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
10.3	Amendment to Agreement dated November 17, 1997 between Chugai Diagnostic Science, Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.3 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
10.4	License Agreement dated June 30, 2001 between Chugai Diagnostic Science Co., Ltd. and Corgenix Medical Corporation.
10.9	Office Lease dated May 5, 2001 between Crossroads West LLC/Decook Metrotech LLC and Corgenix, Inc.

- 10.10 Guarantee dated November 1, 1997 between William George Fleming, Douglass Simpson and Geoffrey Vernon Callen (filed as Exhibit 10.10 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.11 Employment Agreement dated April 1, 2001 between Luis R. Lopez and the Company.
- 10.12 Employment Agreement dated April 1, 2001 between Douglass T. Simpson and the Company.
- 10.13 Employment Agreement dated April 1, 2001 between Ann L. Steinbarger and the Company.
- 10.14 Employment Agreement dated April 1, 2001 between Taryn G. Reynolds and the Company.
- 10.15 Employment Agreement dated April 1, 2001 between Catherine (O'Sullivan) Fink and the Company.
- 10.16 Consulting Contract dated May 22, 1998 between Wm. George Fleming, Bond Bio-Tech, Ltd. and the Company (filed as Exhibit 10.16 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.17 Stock Purchase Agreement dated September 1, 1993 between Chugai Pharmaceutical Co., Ltd. and REAADS Medical Products, Inc. (filed as Exhibit 10.17 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.19 Note dated January 6, 1997 between REAADS Medical Products, Inc. and Eagle Bank (filed as Exhibit 10.19 to the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.24 Form of Indemnification Agreement between the Company and its directors and officers (filed as Exhibit 10.24 to the Company's Registration Statement on Form 10-SB/A-1 filed September 24, 1998 and incorporated herein by reference).
- 10.27 Warrant agreement dated June 1, 2000 between the Company and Taryn G. Reynolds.
- 10.30 Employment Agreement dated March 1, 2001 between William H. Critchfield and the Company (filed as Exhibit 10.30 to the Company's filing on Form 10-QSB for the fiscal quarter ended March 31, 2001).
- 10.31 Consulting Agreement dated April 10, 2001 between Bathgate McColley Capital Group, LLC and the Company.
- 10.32 Warrant Agreement dated April 10, 2001 between Bathgate McColley Capital Group, LLC and the Company.
- 10.33 Sales Agent Agreement dated May 7, 2001 between Bathgate McColley Capital Group, LLC and the Company.
- 10.34* Business Development and Consulting Agreement dated August 27, 2002 between Ascendant Capital Group, Inc. and the Company.
- 21.1 Amended Subsidiaries of the Registrant (filed as Exhibit 21.1 to the Company's Registration Statement on Form 10-SB filed June 29, 1998).
- 21.2 Promissory note dated October 1, 2001 between W.C. Fleming and the Corgenix UK, Ltd.
- 21.3 Promissory note dated October 1, 2001 between W.C. Fleming and Corgenix UK, Ltd.

- 21.4 Warrant Agreement dated October 11,2001 between Phillips V. Bradford and the Company.
- 21.5 Warrant Agreement dated October 11,2001 between Charles F. Ferris and the Company.
- 21.6 Underlease Agreement dated October 3, 2001 between G.V. Callen, A.G. Pirmohamed and Corgenix UK, Ltd.
- 21.7 Financial Public Relations Agreement dated March 15, 2002 between the Liolios Group, Inc. and the Company.
- 21.9 Warrant Agreement dated March 15, 2002 between the Liolios Group, Inc. and the Company.
- 21.8 Distribution Agreement and OEM Agreement dated March 14, 2002 between RhiGene, Inc. and the Company.
- 23.1* Consent of SR Howell &Co.
- 23.2* Consent of KPMG LLP
- 23.3* Certification of Periodic Report

* Filed herewith.

(b) Reports on Form 8-K.

None

BUSINESS DEVELOPMENT & CONSULTING SERVICES AGREEMENT

This Business Development & Consulting Services Agreement (the "Agreement") is entered into this 27th day of August, 2002 by and between Ascendant Capital Group, Inc., a Nevada corporation (hereinafter referred to as, "Consultant"), and Corgenix Medical Corporation (CONX) (hereinafter referred to as, "Client"), a Nevada corporation, (collectively referred to as the "Parties") with reference to the following:

Preliminary Statement: The Client desires to be assured of the association and services of the Consultant in order to avail itself of the Consultant's experience, skills, abilities, knowledge, relationships, and background to facilitate business development matters and is therefore willing to engage Consultant upon the terms and conditions set forth herein. Consultant desires to be assured, and Client desires to assure Consultant, that, if Consultant associate with Client and allocates its resources necessary to provide Client with its business development and consulting services, Consultant will be paid the consideration described herein and said consideration will be nonrefundable, regardless of the circumstances.

Consultant agrees to be engaged and retained by Client upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. **Engagement.** Client hereby engages Consultant on a non-exclusive basis, and Consultant hereby accepts the engagement to become a business development Consultant to Client and to render such advice, consultation, information, and services to the Directors and/or Officers of Client regarding general business matters including, but not limited to the following:
 - 1.1 **International Business Development.** Consultant will pursue international business development initiatives in Asia and South America on behalf of Client through Consultant's affiliates, Ascendant - Asia, LLC and Ascendant - South America, LLC, which may involve sub-licensing and other forms of distribution and/or joint venture agreements. The intended goal of these efforts over the term of this agreement is to achieve, at a minimum, a letter of intent with a strategic distribution partner in Brazil and in the People's Republic of China, which will ultimately lead to definitive distribution agreements for Client's product(s).
 - 2.0 **Compensation to Consultant.** As express consideration for Consultant entering into this Agreement, Client agrees to pay Consultant \$30,000 (the "Engagement Fee"), with one-half (\$15,000) paid upon signing, and the balance of \$15,000 paid on October 10, 2002.

Note: Consultant shall have no obligation to perform any duties provided for herein if full payment of the engagement fee is not received within the time described herein this Section 2.
- 2.1 **Expenses.** Client shall reimburse Consultant for reasonable expenses incurred in performing its duties pursuant to this Agreement (including printing, postage, express mail, photo reproduction, domestic travel & lodging, and long distance telephone and facsimile charges); provided, however, that for any expenses over \$500, Consultant must receive prior written approval from Client. Such reimbursement shall be payable within seven days of Consultant's invoice. Client will not be responsible for any international travel by Consultant.
- 2.2 **Additional Fees.** Client and Consultant shall mutually agree upon any additional fees that Client may pay in the future for services rendered by Consultant under this Agreement. Such additional agreement(s) may, although there is no requirement to do so, be attached hereto and made a part hereof as Exhibits beginning with Exhibit A.
3. **Indemnification.** The Client agrees to indemnify and hold harmless Consultant against any and all liability, loss and costs, expenses or damages, including but not limited to, any and all expenses whatsoever reasonably

incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever or howsoever caused by reason of any injury (whether to body, property, personal or business character or reputation) sustained by any person or to any person or property, arising out of any act, failure to act, neglect, any untrue or alleged untrue statement of a material fact or failure to state a material fact which thereby makes a statement false or misleading, or any breach of any material representation, warranty or covenant by Client or any of its agents, employees, or other representatives. Nothing herein is intended to nor shall it relieve Consultant from liability for its own willful act, omission or negligence. All remedies provided by law, or in equity shall be cumulative and not in the alternative.

4. **Confidentiality.**

4.1 Consultant and Client each agree to keep confidential and provide reasonable security measures to keep confidential information where release may be detrimental to their respective business interests. Consultant and Client shall each require their employees, agents, affiliates, other licensees, and others who will have access to the information through Consultant and Client respectively, to first enter appropriate non-disclosure Agreements requiring the confidentiality contemplated by this Agreement in perpetuity.

4.2 Consultant will not, either during its engagement by the Client pursuant to this Agreement or at any time thereafter, disclose, use or make known for its or another's benefit any confidential information, knowledge, or data of the Client or any of its affiliates in any way acquired or used by Consultant during its engagement by the Client. Confidential information, knowledge or data of the Client and its affiliates shall not include any information that is, or becomes generally available to the public other than as a result of a disclosure by Consultant or its representatives.

5. **Miscellaneous Provisions.**

5.1 **Amendment and Modification.** This Agreement may be amended, modified and supplemented only by written agreement of Consultant and Client.

5.2 **Assignment.** This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The obligations of either party hereunder cannot be assigned without the express written consent of the other party.

5.3 **Governing Law; Venue.** This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of law doctrine. Client and Consultant agree that if any action is instituted to enforce or interpret any provision of this Agreement, the jurisdiction and venue shall be the City of Irvine, Orange County, California.

5.4 **Attorneys' Fees and Costs.** If any action is necessary to enforce and collect upon the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and costs, in addition to any other relief to which that party may be entitled. This provision shall be construed as applicable to the entire Agreement.

5.5 **Survivability.** If any part of this Agreement is found, or deemed by a court of competent jurisdiction, to be invalid or unenforceable, that part shall be severable from the remainder of the Agreement.

5.6 **Facsimile Signatures.** The Parties hereto agree that this Agreement may be executed by facsimile signatures and such signature shall be deemed originals. The Parties further agree that within ten (10) days following the execution of this Agreement, they shall exchange original signature pages.

6. **Arbitration.** All disputes, controversies, or differences between client, consultant, or any of their officers, directors, legal representatives, attorneys, accountants, agents or employees, or any customer or other person or entity, arising out of, in connection with or as a result of this agreement, shall be resolved through arbitration rather than through litigation. With respect to the arbitration of any dispute, the undersigned hereby acknowledge and agree that:

- A. Arbitration is final and binding on the parties;
- B. The parties waive their right to seek remedy in court, including their right to jury trial;
- C. Pre-arbitration discovery is generally more limited and different from court proceeding;
- D. The arbitrator's award is not required to include factual findings or legal reasoning and any party's right of appeal or to seek modification of ruling by the arbitrators is strictly limited;
- E. This arbitration provision is specifically intended to include any and all statutory claims which might be asserted by any party;
- F. Each party hereby agrees to submit the dispute for resolution to the American Arbitration Association in Orange County, California within five (5) days after receiving a written request to do so from the other party;
- G. If either party fails to submit the dispute to arbitration on request, then the requesting party may commence an arbitration proceeding, but is under no obligation to do so;
- H. Any hearing scheduled after an arbitration is initialed shall take place in the City of Irvine, Orange County, California;
- I. If either party shall institute a court proceeding in an effort to resist arbitration and be unsuccessful in resisting arbitration or shall unsuccessfully contest the jurisdiction of any arbitration forum located in the City of Irvine, Orange County, California, over any matter which is the subject of this agreement, the prevailing party shall be entitled to recover from the losing party its legal fees and any out-of-pocket expenses incurred in connection with the defense of such legal proceeding or its efforts to enforce its rights to arbitration as provided for herein;
- J. The parties shall accept the decision of any award as being final and conclusive and agree to abide thereby;
- K. Any decision may be filed with any court as a basis for judgment and execution for collection.

7. **Term/Termination. This Agreement is an agreement for the term of three (3) months ending November 27, 2002 and is effective as of the date first written above. Should Consultant achieve the intended goals of this agreement as outlined in Section 1.1, Client agrees that, in good faith, it will consider an extension of this agreement with Consultant.**

8. **Representations, Warrants and Covenants.** The Client represents, warrants and covenants to the Consultant as follows:

The Client has the full authority, right, power and legal capacity to enter into this Agreement and to consummate the transactions which are provided for herein. The execution of this Agreement by the Client and its delivery to the Consultant, and the consummation by it of the transactions which are contemplated herein have been duly approved and authorized by all necessary action by the Client's Board of Directors and no further authorization shall be necessary on the part of the Client for the performance and consummation by the Client of the transactions which are contemplated by this Agreement.

The business and operations of the Client have been and are being conducted in all material respects in accordance with all applicable laws, rules and regulations of all authorities which affect the Client or its properties, assets, businesses or prospects. The performance of this Agreement shall not result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any property of the Client or cause acceleration under any arrangement, agreement or other instrument to which the Client is a party or by which any of its assets are bound. The Client has performed in all respects all of its obligations which are, as of the date of this Agreement, required to be performed by it pursuant to the terms of any such agreement,

contract or commitment.

9. **Non-Circumvention.** In and for valuable consideration, Client hereby agrees that Consultant may introduce (whether by written, oral, data, or other form of communication) Client to one or more opportunities, including, without limitation, natural persons, corporations, limited liability companies, partnerships, unincorporated businesses, sole proprietorships and similar entities (hereinafter an "Opportunity" or "Opportunities"). Client further acknowledges and agrees that the identity of the subject Opportunities, and all other information concerning an Opportunity (including without limitation, all mailing information, phone and fax numbers, email addresses and other contact information) introduced hereunder are the property of Consultant, and shall be treated as confidential and proprietary information by Client, its affiliates, officers, directors, shareholders, employees, agents, representatives, successors and assigns. Client shall not use such information, except in the context of any arrangement with Consultant in which Consultant is directly and actively involved, and never without Consultant's prior written approval. Client further agrees that neither it nor its employees, affiliates or assigns, shall enter into, or otherwise arrange (either for it/him/herself, or any other person or entity) any business relationship, contact any person regarding such Opportunity, either directly or indirectly, or any of its affiliates, or accept any compensation or advantage in relation to such Opportunity except as directly through Consultant, without the prior written approval of Consultant. Consultant is relying on Client's assent to these terms and their intent to be bound by the terms by evidence of their signature. Without Client's signed assent to these terms, Consultant would not introduce any Opportunity or disclose any confidential information to Client as herein described.

10. **Notices.** Any notice or other communication required or permitted hereunder must be in writing and sent by either (i) certified mail, postage prepaid, return receipt requested and First Class mail; or (ii) overnight delivery with confirmation of delivery; or (iii) facsimile transmission with an original mailed by first class mail, postage prepaid, addressed as follows:

To the Client:

Attn: William H. Critchfield, CFO
Corgenix Medical Corporation
12061 Tejon Street
Westminster, CO 80234
Facsimile No.: (303) 457-4519

To the Consultant:

Attn: Bradley J. Wilhite, Managing Director
Ascendant Capital Group, Inc.
18881 Von Karman – Ste 1600
Irvine, CA 92612
Facsimile: (949) 756-1090

or in each case to such other address and facsimile number as shall have last been furnished by like notice. If mailing is impossible due to an absence of postal service, and other methods of sending notice are not otherwise available, notice shall be hand-delivered to the aforesaid addresses. Each notice or communication shall be deemed to have been given as of the date so mailed or delivered, as the case may be; provided, however, that any notice sent by facsimile shall be deemed to have been given as of the date sent by facsimile if a copy of such notice is also mailed by first class mail on the date sent by facsimile; if the date of mailing is not the same as the date of sending by facsimile, then the date of mailing by first class mail shall be deemed to be the date upon which notice given.

11. **Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12. **Preliminary Statement.** The Preliminary Statement is incorporated herein by this reference and made a material part of this Agreement.

***** SIGNATURES FOLLOW *****

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

CLIENT:

CONSULTANT:

Corgenix Medical Corporation (CONX)

Ascendant Capital Group, Inc.

Name
Its: _____
Date: _____

Bradley J. Wilhite,
Its Managing Director
Date: _____

Consent of Independent Auditors

The Board of Directors
Corgenix Medical Corporation

We consent to incorporation by reference in the registration statements on Form S-8 of Corgenix Medical Corporation of our report dated August 15, 2002, relating to the balance sheets of Corgenix UK Limited as of June 30, 2002 and 2001, and the related financial statements for each of the years in the two-year period ended June 30, 2002, and all related schedules, which reports appears in the June 30, 2002, annual report on Form 10-KSB of Corgenix Medical Corporation.

SR HOWELL & CO

Ramsey, UK
August 21, 2002

Consent of Independent Auditors

The Board of Directors
Corgenix Medical Corporation:

We consent to incorporation by reference in the registration statements (Nos. 333-55682 and 333-69775) on Form S-8 of Corgenix Medical Corporation of our report dated August 23, 2002, with respect to the consolidated balance sheets of Corgenix Medical Corporation and subsidiaries as of June 30, 2002 and 2001, and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit) and cash flows for the years then ended, which reports appears in the June 30, 2002, annual report on Form 10-KSB of Corgenix Medical Corporation.

KPMG LLP

Denver, Colorado
September 19, 2002

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

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Independent Auditors' Report

The Board of Directors
Corgenix Medical Corporation:

We have audited the accompanying consolidated balance sheets of Corgenix Medical Corporation and subsidiaries (Company) as of June 30, 2002 and 2001, and the related consolidated statements of operations and comprehensive income, stockholders' equity (deficit) and cash flows for each of the years in the two-year period ended June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Corgenix UK Limited, a wholly-owned subsidiary, as of and for the years ended June 30, 2002 and 2001, which statements reflect total assets constituting 14 percent and 14 percent and net sales constituting 25 percent and 24 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Corgenix UK Limited, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corgenix Medical Corporation and subsidiaries as of June 30, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Denver, Colorado
August 23, 2002

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Balance Sheets
June 30, 2002 and 2001

Assets	2002	2001
Current assets:		
Cash and cash equivalents	\$ 164,378	320,140
Accounts receivable, less allowance for doubtful accounts of \$30,000 and \$14,000	694,394	585,704
Inventories	665,305	556,521
Prepaid expenses	88,916	13,612
Total current assets	<u>1,612,993</u>	<u>1,475,977</u>
Equipment:		
Capitalized software costs	113,261	595,921
Machinery and laboratory equipment	513,698	353,549
Furniture, fixtures and office equipment	448,743	414,710
	1,075,702	1,364,180
Accumulated depreciation and amortization	(642,285)	(551,393)
Net equipment	<u>433,417</u>	<u>812,787</u>
Intangible assets:		
Patents, net of accumulated amortization of \$870,482 and \$795,986	247,062	321,558
	13,677	17,589
Goodwill, net of accumulated amortization of \$44,979 and \$41,067	<u>260,739</u>	<u>339,147</u>
Due from officer	12,000	12,000
Other assets	9,686	65,179
Total assets	<u>\$ 2,328,835</u>	<u>2,705,090</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Current portion of notes payable	\$ 357,672	188,998
Current portion of capital lease obligations	92,554	31,186
Accounts payable	553,505	746,642
Accrued payroll and related liabilities	118,155	141,528
Accrued interest	98,764	82,689
Accrued liabilities	24,938	74,877
Total current liabilities	1,245,588	1,265,920
Notes payable, less current portion	502,611	618,370
Capital lease obligation, less current portion	99,898	49,378
Total liabilities	<u>1,848,097</u>	<u>1,933,668</u>
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value. Authorized 5,000,000 shares, none issued or outstanding	—	—
Common stock, \$0.001 par value. Authorized 40,000,000 and 20,000,000 shares in 2002 and 2001, respectively; issued and outstanding 4,333,095 and 4,077,290 shares in 2002 and 2001, respectively	4,333	4,077
Additional paid-in capital	4,695,392	4,475,563
Accumulated deficit	(4,250,915)	(3,736,486)
Accumulated other comprehensive income	31,928	28,267
Total stockholders' equity (deficit)	<u>480,738</u>	<u>771,421</u>
Commitments and contingencies		
Total liabilities and stockholders' equity (deficit)	<u>\$ 2,328,835</u>	<u>2,705,089</u>

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Operations and Comprehensive Income
Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Net sales	\$ 4,857,682	4,307,578
Cost of sales	<u>1,770,543</u>	<u>1,640,958</u>
Gross profit	3,087,139	2,666,620
Operating expenses:		
Selling and marketing	1,061,615	756,560
Research and development	566,421	322,266
General and administrative	1,205,480	1,115,562
Amortization and abandonment of consumer healthcare business assets (note 10)	624,145	29,476
	<u>3,457,661</u>	<u>2,223,864</u>
Operating income (loss)	<u>(370,522)</u>	<u>442,756</u>
Other expense –		
Interest expense	<u>(143,907)</u>	<u>(128,906)</u>
	<u>(143,907)</u>	<u>(128,906)</u>
Income (loss) before income taxes	<u>(514,429)</u>	<u>313,851</u>
Income tax expense	<u>—</u>	<u>17,689</u>
Net income (loss)	<u>\$ (514,429)</u>	<u>296,162</u>
Net income (loss) per share basic and diluted	<u>\$ (0.12)</u>	<u>0.08</u>
Weighted average shares outstanding – basic	<u>\$ 4,284,997</u>	<u>3,664,594</u>
Weighted average shares outstanding – diluted	<u>\$ 4,284,997</u>	<u>3,687,477</u>
Net income (loss)	\$ (514,429)	296,162
Other comprehensive income –		
foreign currency translation gain	<u>3,661</u>	<u>15,406</u>
Total comprehensive income	<u>\$ (510,768)</u>	<u>311,568</u>

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity (Deficit)

Years ended June 30, 2002 and 2001

	Common stock, \$0.001 Par	Additional paid-in Capital	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' Equity (deficit)
Balance at June 30, 2000	\$ 3,483	3,972,832	(4,032,648)	12,861	(43,472)
Issuance of common stock in connection with private placement (net of offering costs of \$20,863)	566	474,804	—	—	475,370
Issuance of common stock for services	28	18,255	—	—	18,283
Issuance of warrants for services	—	6,892	—	—	6,892
Issuance of stock options for services	—	2,780	—	—	2,780
Foreign currency translation	—	—	—	15,406	15,406
Net income	<u>—</u>	<u>—</u>	<u>296,162</u>	<u>—</u>	<u>296,162</u>
Balance at June 30, 2001	\$ 4,077	4,475,563	(3,736,486)	28,267	771,421
Issuance of common stock in connection with private placement (net of offering costs of \$27,158)	237	180,765	—	—	181,002
Issuance of common stock for services	19	17,601	—	—	17,620
Issuance of warrants for services	—	21,463	—	—	21,463
Foreign currency translation	—	—	—	3,661	3,661
Net loss	<u>—</u>	<u>—</u>	<u>(514,429)</u>	<u>—</u>	<u>(514,429)</u>
Balances at June 30, 2002	\$ <u>4,333</u>	<u>4,695,392</u>	<u>(4,250,915)</u>	<u>31,928</u>	<u>480,738</u>

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows
Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ (514,429)	296,162
Adjustments to reconcile income (loss) to net cash provided by (used in)		
operating activities:		
Depreciation and amortization	351,387	160,029
Equity instruments issued for services	39,083	27,955
Loss on disposal of assets related to consumer healthcare business	413,834	—
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable, net	(108,690)	30,310
Inventories	(108,784)	(4,439)
Prepaid expenses and other assets	(19,811)	(59,562)
Accounts payable	(193,137)	(134,265)
Accrued payroll and related liabilities	(23,373)	16,365
Accrued liabilities, including accrued interest-	(33,864)	(135,071)
Net cash provided by (used in) operating activities	(197,784)	197,484
Cash flows used in investing activities		
Additions to equipment	(125,910)	(231,559)
Cash flows from financing activities:		
Proceeds from issuance of common stock	208,160	496,233
Proceeds from issuance of notes payable	278,659	—
Payments on notes payable	(225,744)	(141,927)
Payments on capital lease obligations	(69,646)	(24,909)
Payment for costs of issuance of common stock	(27,158)	(20,863)
Net cash provided by financing activities	164,271	308,534
Net increase (decrease) in cash and cash equivalents	(159,423)	274,459
Impact of foreign currency translation adjustment on cash	3,661	(1,017)
Cash and cash equivalents at beginning of year	320,140	46,698
Cash and cash equivalents at end of year	\$ 164,378	320,140
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 101,407	123,979
Cash paid for income taxes	\$ —	8,000
Noncash investing and financing activity –		
Equipment acquired under capital leases	\$ 181,534	29,617

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Business and Basis of Presentation

On May 22, 1998, REAADS Medical Products (REAADS) completed a merger with a subsidiary of Gray Wolf Technologies, Inc., an inactive corporation with no significant assets or operations. The resulting merged corporation was named Corgenix, Inc. The parent corporation was renamed Corgenix Medical Corporation (Corgenix or the Company).

Corgenix develops, manufactures and markets diagnostic products for the serologic diagnosis of certain vascular diseases and autoimmune disorders using proprietary technology. The Company markets its products to hospitals and free-standing laboratories worldwide through a network of sales representatives, distributors and private label (OEM) agreements. The Company's corporate office and manufacturing facility are located in Westminster, Colorado.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Corgenix, Inc. and Corgenix (UK) Limited ("Corgenix UK") and healthoutfitters.com, Inc. ("Ho.com"). Corgenix UK was established as a United Kingdom company during 1996 to market the Company's products in Europe. Transactions are generally denominated in US dollars. Ho.com managed an Internet-based healthcare business. The e-commerce internet site, www.sports-n-fitness.com became operational in the quarter ended June 30, 2001. The site was a consumer-focused interactive site including healthcare-related products available for convenient purchase and delivery and links to numerous other healthcare information sites. In June 2002, the Company determined that its consumer healthcare business and associated operations via consumer websites were not strategic to the Company's ongoing objectives therefore, the Company decided to discontinue capital and human resource investment in this business. Concurrent with this decision, the Company abandoned the assets related to said consumer healthcare business (see note 10).

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of Corgenix Medical Corporation and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) 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 revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

(d) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

(e) ***Inventories***

Inventories are recorded at the lower of cost or market, using the first-in, first-out method. A provision is recorded to reduce excess and obsolete inventories to their estimated net realizable value, when necessary. No such provision was recorded as of and for the two years ended June 30, 2002. Components of inventories as of June 30, are as follows:

	<u>2002</u>	<u>2001</u>
Raw materials	\$ 179,110	142,585
Work-in-process	223,112	216,345
Finished goods	263,083	201,071
	<u>\$ 665,305</u>	<u>556,521</u>

(f) ***Equipment and Software***

Equipment and software are recorded at cost. Equipment under capital leases is recorded initially at the present value of the minimum lease payments. Depreciation and amortization expense, which totaled \$351,387 and \$160,029 for the years ended June 30, 2002 and 2001, respectively, is calculated primarily using the straight-line method over the estimated useful lives of the respective assets which range from 3 to 7 years. In the fourth quarter of fiscal 2001, the Company established an internet based consumer healthcare business which consisted primarily of an e-commerce internet site for selling medical and health products directly to consumers. Direct internal and external costs of developing the software, other than initial design, were capitalized and began to be amortized on the straight-line method over three years starting in fiscal year 2002. Said amortization for the fiscal year 2002 amounted to approximately \$182,000. See note (10) below, for a discussion regarding the abandonment and closure of the Company's internet-based consumer healthcare business.

In the quarter ended December 31, 2001, the Company began development of a business-to-business web site (Corgenix On Line) for its core business reference laboratory and hospital customers and potential customers worldwide. The website, when completed, will allow customers to place orders for the Company's diagnostic products, pay for said orders, and track the status of such orders. It will also give full specifications and details on all of the Company's diagnostic test kits. As was the case in the paragraph above, the direct internal and external costs of developing the related software, other than initial design and other costs incurred during the preliminary project stage, have been capitalized and will continue to be capitalized until the software has been completed. Such capitalized amounts, \$113,261 as of June 30, 2002, will be amortized commencing when the website is placed in service on a straight line basis over a three-year period.

(g) ***Intangible Assets***

Intangible assets consist of purchased patents and goodwill, which are amortized using the straight-line method over the shorter of 15 years or the remaining life of the patent.

The Company is required to adopt the provisions of FASB Statement No. 142, Goodwill and Other Intangible Assets (SFAS No. 142) on July 1, 2002. Goodwill and certain identifiable intangible assets with indefinite lives will not be amortized under SFAS No. 142, but instead will be reviewed for impairment at least annually in accordance with the provisions of this

statement. Identifiable intangibles with finite lives will continue to be amortized over their estimated useful lives.

(h) Advertising Costs

Advertising costs are expensed when incurred. Advertising costs included in selling and marketing expenses totaled \$39,779 and \$17,600 in fiscal 2002 and 2001, respectively. Advertising costs included in operating expenses of the consumer healthcare business totaled \$14,808 and \$5,285 in fiscal 2002 and 2001, respectively.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for net operating loss and other credit carryforwards and the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the tax effect of transactions are expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

Deferred tax assets are reduced by a valuation allowance for the portion of such assets for which it is more likely than not the amount will not be realized. Deferred tax assets and liabilities are classified as current or noncurrent based on the classification of the underlying asset or liability giving rise to the temporary difference or the expected date of utilization of the carryforwards.

(j) Revenue Recognition

Revenue is recognized upon shipment of products. Sales discounts and allowances are recorded at the time product sales are recognized and are offset against sales revenue.

(k) Research and Development

Research and development costs and any costs associated with internally developed patents, formulas or other proprietary technology are expensed as incurred. Research and development expense for the years ended June 30, 2002 and 2001 totaled \$566,421 and \$322,266, respectively.

(l) Long-Lived Assets

The Company reviews long-lived assets, including intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset.

(m) Stock-Based Compensation

The Company accounts for its stock plans in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. As such, compensation expense is recorded on the date of grant only if

the current market price of the underlying stock exceeds the exercise price. Statement of Financial Accounting Standards No. 123 (SFAS No. 123), *Accounting for Stock-Based Compensation*, permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures required by SFAS No. 123.

(n) ***Earnings Per Share***

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding increased for potentially dilutive common shares outstanding during the period. The dilutive effect of stock options and their equivalents is calculated using the treasury stock method. In fiscal 2002, options and warrants to purchase common stock totaling 36,669 and 10,465 shares respectively, are not included in the calculation of weighted average common shares-diluted below as their effect is anti-dilutive.

	<u>2002</u>	<u>2001</u>
Net income (loss)	\$ (514,429)	296,162
Common and common equivalent shares outstanding:		
Historical common shares outstanding at beginning of year	4,077,290	3,483,312
Weighted average common equivalent shares issued during year	<u>207,707</u>	<u>181,282</u>
Weighted average common shares – basic	4,284,997	3,664,594
Weighted average common equivalent shares issued during the year	<u>—</u>	<u>22,883</u>
Weighted average common shares – diluted	<u>4,284,997</u>	<u>3,687,477</u>
Net income (loss) per share – basic and diluted	\$ <u>(.12)</u>	<u>.08</u>

- (o) The Company has recorded contingent stock purchase warrants in accordance with Emerging Issues Task Force Bulletin 96-18: *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. At the grant date, the minimum number of warrants which may eventually be issued are recorded at their fair value, which is adjusted in subsequent periods for revisions of the minimum number of warrants to be issued and the then current fair value of the warrants.

(p) ***Reclassifications***

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

(q) *Foreign Currency Transactions*

The accounts of the Company's foreign subsidiary are generally measured using the local currency as the functional currency. For those operations, assets and liabilities are translated

into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average monthly exchange rates. Net exchange gains or losses resulting from such translation are excluded from results of operations and accumulated as a separate component of stockholders' equity. Gains and losses from foreign currency transactions are included in other income (expense).

(2) **Notes Payable**

Certain of the notes payable restrict the payment of dividends on the Company's common stock. Notes payable consist of the following at June 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Note payable to a bank, with interest at prime plus 2.75% (7.50% at June 30, 2002), due in monthly installments of principal and interest of \$14,415 through January 2007, collateralized by commercial security agreements and a key man life insurance policy.	\$ 615,324	718,750
Note payable to an officer, unsecured, with interest at 8%, due in monthly installments of principal and interest of \$5,868 through September 2002.	17,373	—
Revolving credit agreement with a bank whereby Corgenix can borrow up to \$300,000 based upon a borrowing base of 70% of eligible accounts receivable, collateralized by said eligible accounts receivable, (limited to approximately \$275,000 at June 30, 2002) with interest at prime plus 2%, maturing in February 2003.	75,000	—
Note payable to an officer, unsecured, with interest at 8%, due in monthly installments of principal and interest of 4,004 pound sterling (approximately \$6,100 at June 30, 2002) through October 2003.	90,812	—
Notes payable, unsecured, to former preferred stockholders, with interest at 12%, due on demand.	61,774	80,618
Note payable, uncollateralized and unsecured, with interest at prime plus 3%, due on demand	—	8,000
	<u>860,283</u>	<u>807,368</u>
Less current portion	<u>(357,672)</u>	<u>(188,998)</u>
Notes payable, excluding current portion	<u>\$ 502,611</u>	<u>618,370</u>

Aggregate maturities of notes payable by year as of June 30, 2002, are as follows:

Years ending June 30:	
2003	\$ 357,672
2004	124,579
2005	134,250
2006	144,672
2007	99,110
Thereafter	—
	<u>\$ 860,283</u>

The carrying values of notes payable approximate fair value based on their terms and floating market based interest rates.

(3) Stock Compensation and Stock Purchase Plan

Effective January 1, 1999, the Company adopted an Employee Stock Purchase Plan to provide eligible employees an opportunity to purchase shares of its common stock through payroll deductions, up to 10% of eligible compensation. The plan is registered under Section 423 of the Internal Revenue Code of 1986. Each quarter, participant account balances are used to purchase shares of stock at the lesser of 85% of the fair value of shares on the first business day (grant date) and last business day (exercise date) of each quarter. No right to purchase shares shall be granted if, immediately after the grant, the employee would own stock aggregating 5% or more of the total combined voting power or value of all classes of stock. A total of 60,000 common shares were registered with the Securities and Exchange Commission (SEC) for purchase under the plan. There were 16,744 and 24,616 shares issued under the plan during fiscal years 2002 and 2001, respectively. During September 2002, the Company determined that it had inadvertently issued and registered more common stock under this plan than had heretofore been authorized by shareholders of the Company. The Company intends to amend this plan and rectify the situation through a shareholder vote at the upcoming annual shareholders meeting to be held on December 11, 2002. Compensation expense is recognized for the fair value of the employee's purchase rights. Compensation expense recognized for the 15% discount on shares purchased under this plan amounted to \$2,646 and \$2,129 in fiscal 2002 and 2001, respectively.

Effective January 1, 1999, the Company adopted a Stock Compensation Plan to provide executive officers an opportunity to be awarded shares of its common stock in lieu of cash compensation for services rendered. Each quarter ("award period"), the officers may be awarded shares of stock at the lesser of the fair value of shares on the beginning or end of each quarter. The Stock Compensation Plan expired on December 31, 2000. A total of 90,000 common shares were registered for distribution under the plan. No shares were issued under the plan during fiscal 2002 and 2001. Thus, no compensation expense was recognized for the fair value of the executive officers' purchase rights in either of those two years.

In October 1999 and July 2000 the Company reserved a total of 200,000 shares of its common stock for an incentive stock option plan (Plan) for employees, directors and consultants. Options are granted at the discretion of the board of directors with an exercise price equal to or greater than the

market value of the Company's common stock on the grant date. The Company intends to adopt a new 2002 Incentive Stock Option Plan, subject to shareholder vote, at the annual shareholders meeting to be held on December 11, 2002.

Detail of stock option activity for the two-year period ended June 30, 2002 is as follows:

	<u>Number of shares</u>	<u>Range of exercise prices</u>	<u>Weighted average exercise price</u>
Outstanding at June 30, 2000 (1)	23,549	\$.682-3.28	\$ 1.534
Granted-at market price	115,500	0.625-0.80	0.742
Granted-at greater than market price	6,400	1.375	1.375
Canceled	<u>(1,200)</u>	3.28	3.28
Outstanding at June 30, 2001 (1)	144,249	0.625 – .80	0.878
Exercised	—	—	—
Canceled	(38,400)	.625	.625
Outstanding at June 30, 2002 (1)	105,849	0.625-3.28	.970
Options exercisable at June 30, 2000	<u>5,869</u>		0.68
Options exercisable at June 30, 2001	<u>20,549</u>		1.247
Options exercisable at June 30, 2002	<u>53,182</u>		1.00

(1) Includes 5,869 in warrants granted to an employee in June 2000

The following table summarizes information about stock options issued to employees and directors that are outstanding at June 30, 2002:

<u>Outstanding options</u>			<u>Exercisable options</u>		
<u>Range of exercise price</u>	<u>Number</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>
\$ 0.625 – 1.375	102,249	5.2	\$ 0.842	50,582	\$ 0.886
3.28	<u>3,600</u>	4.7	3.28	<u>2,600</u>	3.28
	<u>105,849</u>	5.2	\$ 0.925	<u>53,182</u>	\$ 1.00

Had the Company determined compensation cost based on the fair value at the date of grant for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated as follows:

	<u>2002</u>	<u>2001</u>
Net income (loss) as reported	\$ (514,429)	296,162
Net income pro forma	(543,175)	254,060
Net income (loss) per share as reported	(0.12)	0.08
Net income per share pro forma	(0.12)	0.07

Fair value was determined using the Black Scholes option – pricing model with the following assumptions: no expected dividends, volatility of 186%, risk-free interest rate of 3.29% and expected lives of seven years. The weighted average fair value per option of options granted during the years ended June 30, 2002 and 2001 was \$0.80 and \$2.85, respectively.

(4) Commitments and Contingencies

(a) Leases

The Company is obligated under various noncancelable operating and capital leases primarily for its operating facility and certain office equipment. The leases generally require the Company to pay related insurance costs, maintenance costs and taxes. Future minimum lease payments under noncancelable leases, with initial or remaining terms in excess of one year, as of June 30, 2002, are as follows:

	<u>Capital leases</u>	<u>Operating leases</u>
Years ending June 30:		
2003	\$ 109,780	153,077
2004	79,633	152,849
2005	29,399	156,453
2006	—	162,086
2007	—	29,014
Total future minimum capital lease payments	<u>218,812</u>	<u>653,479</u>
Less amounts representing interest	<u>26,360</u>	
Present value of minimum capital lease payments	192,452	
Less current portion	<u>92,554</u>	
Capital lease obligations less current portion	<u>\$ 99,898</u>	

Rent expense totaled \$161,000 and \$123,000 for the years ended June 30, 2002 and 2001, respectively.

(b) Employment Agreements

The Company has employment agreements with certain key employees, certain of whom are also stockholders. In addition to salary and benefit provisions, these agreements include defined

commitments by the Company should the employees terminate their employment with or without cause.

(c) **Warrants**

On April 12, 2001, the Company issued warrants to purchase 225,000 shares of common stock of Corgenix to a consultant to the Company. The warrants were issued in exchange for financial advisory and investment banking services to be provided to the Company. Warrants to purchase 45,000 shares vested ratably over the first year. The remaining 135,000 warrants were to vest only if defined future events occur. The service agreement and the remainder of the warrants were terminated by the Company in October 2001. None of the additional warrants had vested at the time of the termination. The warrants were issued in the form of four separate three-year common stock purchase warrants to purchase an aggregate 180,000 shares of Corgenix common stock at an exercise price of \$1.25 per share with customary anti-dilution and "cashless" exercise provisions and certain stock price performance goals. The warrants were issued with a purchase price of \$.001 per warrant for aggregate consideration of \$900. The warrants may be assigned to third parties by the consultant with the prior consent of Corgenix.

In March 2002, the Company issued warrants to purchase 200,000 shares of its common stock for aggregate proceeds of \$200 at exercise prices ranging from \$1.00 to \$1.75 per share to a consultant to the Company. The warrants vest in blocks of 50,000 warrants at the various exercise prices if and when the Company's common stock trades at prices ranging from \$1.25 to \$2.00 for ten continuous trading days each. The service agreement and the warrants were terminated in August 2002. No warrants had vested at the time of the termination.

All of the above warrants were issued in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4 (2) of the Securities Act.

(5) **Stockholders' Equity (Deficit)**

On January 15, 2002, the Company effected a one-for-five reverse stock split of the Company's common stock, effective for stockholders of record as January 14, 2002. The reverse stock split reduced the number of shares outstanding to 4,327,899 from 35,672,101 for stockholders of record as of January 14, 2002. All share data included in this report has been retroactively restated to reflect the reverse stock split.

(6) **Income Taxes**

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income as a result of the following:

	<u>2002</u>	<u>2001</u>
Computed expected tax expense	\$ (180,050)	106,709
Reduction (increase) in income taxes resulting from:		
Permanent differences	(13,751)	(40,000)
Impact of foreign loss not deductible in the United States	—	40,000
Change in valuation allowance	181,543	(89,020)
Other	12,258	—
	<u>\$ —</u>	<u>17,689</u>

At June 30, 2002, the Company has a net operating loss carryforward for income tax purposes of approximately \$1,813,000 expiring during the period from 2012 to 2022. Research and experimentation tax credit carryforwards approximate \$285,000. The future utilization of the operating loss carryforwards or the time period in which the carryforwards may be utilized could be limited if certain historical stockholders of REAADS sell their shares within two years of the purchase of Gray Wolf. The utilization of net operating losses may also be limited due to a change in ownership under Internal Revenue Code Section 382.

As of June 30, 2002, the Company had a gross deferred tax asset of approximately \$1,056,000 relating primarily to the Company's net operating losses and research and experimentation credit carryforwards. A valuation allowance in the amount of the deferred tax asset has been recorded due to management's determination that it is not more likely than not that the tax assets will be utilized.

(7) Related Party Transactions

The Company has entered into product development, manufacturing and distribution agreements with Chugai Diagnostic Science Company, Ltd. (Chugai), which provide certain rights for Chugai to distribute the Company's products in Japan. Chugai is a stockholder who formerly held greater than 5% of the outstanding common stock of the Company and had rights to a seat on the Company's Board of Directors. Accordingly, Chugai is no longer considered a related party.

Amounts due from an officer are due upon demand, and do not bear interest. Amounts due to an officer, pursuant to two notes payable, are due in monthly installments through October 2003 and bear interest at 8% and prime plus 2%, respectively, and are described in note 2 above.

(8) Concentration of Credit Risk

The Company's customers are principally located in the United States, although there are a few significant foreign customers. The Company has a distribution agreement with Cambridge Life Sciences plc to distribute the Company's products in Europe. The Company performs periodic credit evaluations of its customers' financial condition but generally does not require collateral for receivables.

Chugai is the Company's largest customer, representing approximately 15% and 12% of sales in the years ended June 30, 2002 and 2001, respectively, and approximately 8% and 10% of accounts receivable at June 30, 2002 and 2001, respectively.

(9) Reportable Segments

The Company has two segments of business, domestic and international operations. International operations primarily transacts sales with customers in the United Kingdom and Europe, while domestic operations transact all other sales. Sales to Chugai, emanating from the United States, have historically been included in the domestic business segment. The following table sets forth selected financial data for these segments for the years ended June 30, 2002 and 2001.

Year ended June 30, 2002			
	<u>Domestic</u>	<u>International</u>	<u>Total</u>
Net sales – external customers	\$ 4,265,167	1,191,544	5,456,711
Net sales – intercompany	(599,029)	—	(599,029)
Total net sales	\$ 3,666,138	1,191,544	4,857,682
Depreciation and amortization	\$ 350,251	1,136	351,387
Interest expense	\$ 117,483	26,424	143,907
Net income (loss)	\$ (839,307)	324,878	(514,429)
Segment assets	\$ 2,000,426	328,409	2,328,835

Year ended June 30, 2001			
	<u>Domestic</u>	<u>International</u>	<u>Total</u>
Net sales – external customers	\$ 3,698,712	997,743	4,696,455
Net sales – internal customers	(466,743)	—	(466,743)
Total net sales	\$ 3,231,969	997,743	4,229,712
Depreciation and amortization	\$ 158,893	1,846	160,029
Interest expense	\$ 108,585	20,321	128,906
Net income (loss)	\$ 141,140	155,022	296,162
Segment assets	\$ <u>2,322,239</u>	<u>382,851</u>	<u>2,705,090</u>

(10) Consumer Healthcare Business

At June 30, 2002, the Company decided to abandon and close its internet-based consumer healthcare business and all related e-commerce sites managed and operated by its wholly owned subsidiary, health-outfitters.com, Inc. (“Ho.com”). The results of Ho.com’s operations have been included in continuing operations in the consolidated statements of operations for the fiscal years ended June 30, 2002 and 2001. Subsequent to June 30, 2002, the Company has redeployed the office space and employees formerly involved in the consumer healthcare business into its core business. The costs of office space, personnel and other recurring costs attributable to Ho.com totaled \$188,617 and \$238,582 during the years ended June 30, 2002 and 2001, respectively, and are included in operating expenses. As a consequence, the operating expenses of the consumer healthcare business for the fiscal year ended June 30, 2002 contain the following recurring and non-recurring components.

Net sales related to the consumer healthcare business were \$10,388 and \$24 during the years ended June 30, 2002 and 2001, respectively. The operating expenses of the consumer healthcare business that will not recur consist primarily of the amortization of capitalized software costs, and direct advertising and marketing-related costs.

At June 30, 2002 the company abandoned all assets related to Ho.com. Assets abandoned totaled \$413,834 and consisted of unamortized capitalized software costs. In addition, amortization of \$182,087 was recorded on such assets during the year ended June 30, 2002. No comparable amortization was recorded during the year ended June 30, 2001.

CERTIFICATION OF PERIODIC REPORT

I, Luis R. Lopez, Chief Executive Officer and William H. Critchfield, Chief Financial Officer of Corgenix Medical Corporation, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Annual Report on Form 10-KSB of the Company for the fiscal year ended June 30, 2002 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 23, 2002

/S/Luis R. Lopez
Chief Executive Officer

/S/William H. Critchfield
Chief Financial Officer

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 20th day of September 2002.

CORGENIX MEDICAL CORPORATION

By: /s/ Luis R. Lopez, M.D.
Luis R. Lopez, M.D.
Chairman and Chief Executive Officer

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

Signatures	Title	Date
<u>/s/ Luis R. Lopez, M.D.</u> Luis R. Lopez, M.D.	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)	September 23, 2002
<u>/s/ Douglass T. Simpson</u> Douglass T. Simpson	President and Director	September 23, 2002
<u>/s/ William H. Critchfield</u>	Vice President and Chief Financial and Accounting Officer	September 23, 2002
<u>/s/ Jack W. Payne</u> Jack W. Payne	Director	September 23, 2002
<u>/s/ Wendell J. Gardner</u> Wendell J. Gardner	Director	September 23, 2002
<u>/s/ Jun Sasaki</u> Jun Sasaki	Director	September 23, 2002