

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

Form 10-QSB

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

For the quarterly period ended December 31, 2002

— TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE 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

93-1223466

(State or other jurisdiction of
incorporation or organization)

(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)

(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares of Common Stock outstanding was **5,247,074 as of February 13, 2003.**

Transitional Small Business Disclosure Format. Yes No

CORGENIX MEDICAL CORPORATION

December 31, 2002

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Part I | |
| Financial Information | |
| Item 1. Consolidated Financial Statements | 3 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 11 |
| Item 3. Controls and Procedures | 17 |
| Part II | |
| Other Information | |
| Item 1. Legal Proceedings | 22 |
| Item 2. Changes in Securities and Use of Proceeds | 22 |
| Item 3. Defaults Upon Senior Securities | 22 |
| Item 4. Submission of Matters to a Vote of Security Holders | 22 |
| Item 5. Other Information | 23 |
| Item 6. Exhibits and Reports on Form 8-K | 23 |
| Signature Page | 27 |
| Certifications | 28 |

PART I
Item 1. Consolidated Financial Statements
CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES
Consolidated Balance Sheets

| | <u>December 31,</u> <u>2002</u> | <u>June 30, 2002</u> (Unaudited) |
|--|------------------------------------|---|
| Assets | | |
| Current Assets: | | |
| Cash and equivalents | \$ 335,047 | 164,378 |
| Accounts receivable, less allowance for doubtful accounts of \$15,000 and \$30,000 | 815,208 | 694,394 |
| Inventories | 677,637 | 665,305 |
| Prepaid Expenses | 61,059 | 44,836 |
| Total current assets | 1,888,951 | 1,568,913 |
| Equipment: | | |
| Capitalized software costs | 122,855 | 113,261 |
| Machinery and laboratory equipment | 561,174 | 513,698 |
| Furniture, fixtures, leaseholds & office equipment | 459,116 | 448,743 |
| | 1,143,145 | 1,075,702 |
| Accumulated depreciation and amortization | (708,234) | (642,285) |
| Net equipment | 434,911 | 433,417 |
| Intangible assets: | | |
| Patents, net of accumulated amortization of \$907,730 and \$870,482 | 209,814 | 247,062 |
| Goodwill, net of accumulated amortization of \$44,979 | 13,677 | 13,677 |
| Net intangible assets | 223,491 | 260,739 |
| Due from officer | 12,000 | 12,000 |
| Other assets | 80,065 | 53,766 |
| Total assets | <u>\$2,639,418</u> | <u>2,328,835</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 445,192 | 553,505 |
| Accrued payroll and related liabilities | 139,539 | 118,155 |
| Accrued liabilities | 55,251 | 24,938 |
| Accrued interest | 111,470 | 98,764 |
| Notes payable-short term and current portion | 248,946 | 357,672 |
| Current portion of capital lease obligations | 101,105 | 92,554 |
| Total current liabilities | 1,101,503 | 1,245,588 |
| Notes payable, excluding current portion | 441,485 | 502,611 |
| Capital lease obligations, excluding current portion | 92,837 | 99,898 |
| Total liabilities | <u>1,635,825</u> | <u>1,848,097</u> |
| Redeemable common stock, 880,282 shares issued and outstanding, aggregate redemption value of \$500,000, net of unaccreted discount and issuance costs of \$194,754 at December 31, 2002 | 305,246 | - |
| Stockholders' equity: | | |
| 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 shares; issued and outstanding 4,351,431 and 4,333,095 shares at December 31 and June 30, respectively | 4,352 | 4,333 |
| Additional paid-in-capital | 4,935,088 | 4,695,392 |
| Accumulated deficit | (4,244,084) | (4,250,915) |
| Accumulated other comprehensive income | 2,991 | 31,928 |

Total stockholders' equity

698,347

480,738

Total liabilities and stockholders' equity

\$2,639,418

2,328,835

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**
Consolidated Statements of Operations and Comprehensive Income

| | Three Months Ended | | Six Months Ended | |
|---|-------------------------|----------------------|----------------------|----------------------|
| | December 31, 2002 | December 31, 2001 | December 31, 2002 | December 31, 2001 |
| | (Unaudited) | | (Unaudited) | |
| Net sales | \$ 1,323,529 | 1,150,617 | 2,733,569 | 2,323,489 |
| Cost of sales | 464,353 | 467,900 | 876,173 | 806,379 |
| Gross profit | \$ 859,176 | 682,717 | 1,857,396 | 1,517,110 |
| Operating expenses: | | | | |
| Selling and marketing | 392,645 | 219,368 | 701,660 | 452,459 |
| Research and development | 215,252 | 136,772 | 425,234 | 275,493 |
| General and administrative | 326,631 | 267,991 | 627,051 | 560,030 |
| Expenses of consumer healthcare business | - | 53,961 | - | 91,158 |
| Total expenses | 934,528 | 678,092 | 1,753,945 | 1,379,140 |
| Operating income (loss) | \$ (75,352) | 4,625 | 103,451 | 137,970 |
| Interest expense, net | 23,283 | 37,280 | 53,341 | 72,132 |
| Net income (loss) | \$ (98,635) | (32,655) | 50,110 | 65,838 |
| Accretion of discount on redeemable common stock | 22,551 | - | 43,279 | - |
| Net income (loss) available to common shareholders | <u>\$ (121,186)</u> | <u>(32,655)</u> | <u>6,831</u> | <u>65,838</u> |
| Net income (loss) per share, basic | \$ (0.03) | (0.01) | * | 0.02 |
| Net income (loss) per share, diluted | \$ (0.03) | (0.01) | * | 0.02 |
| Weighted average shares outstanding, basic (note 3) | 5,223,197 | 4,299,744 | 5,216,259 | 4,246,660 |
| Weighted average shares outstanding, diluted (note 3) | <u>5,270,686</u> | <u>4,405,593</u> | <u>5,264,260</u> | <u>4,352,509</u> |
| Net income (loss) | \$ (116,597) | (32,655) | 32,148 | 65,838 |
| Other comprehensive income (loss)- foreign currency translation (loss) | (4,991) | (5,909) | (28,937) | (5,162) |
| Total comprehensive income (loss) | <u>\$ (121,588)</u> | <u>(26,746)</u> | <u>3,211</u> | <u>60,676</u> |

See accompanying notes to consolidated financial statements.

* - Less than \$0.01 per share

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Statement of Stockholders' Equity
For the six months ended December 31, 2002

| | Common Stock, \$0.001 par | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive income | Total stockholders' equity |
|--|------------------------------------|----------------------------------|------------------------|---|----------------------------------|
| Balance at June 30, 2002 | 4,333 | \$ 4,695,392 | (4,250,915) | 31,928 | 480,738 |
| Issuance of redeemable common stock | | 222,779 | | | 222,779 |
| Issuance of common stock and stock options for services | 19 | 16,911 | | | 16,930 |
| Foreign currency translation | | | | (28,937) | (28,937) |
| Accretion of discount on redeemable common stock | | | (43,279) | | (43,279) |
| Miscellaneous | | 6 | | | 6 |
| Net income | | | 50,110 | | 50,110 |
| Balance at December 31, 2002 | <u>4,352</u> | <u>\$ 4,935,088</u> | <u>(4,244,084)</u> | <u>2,991</u> | <u>698,347</u> |

**CORGENIX MEDICAL CORPORATION
AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

| | Six Months Ended | |
|--|----------------------|----------------------|
| | December 31, 2002 | December 31, 2001 |
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Net income | \$ 50,110 | 65,838 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 103,197 | 179,828 |
| Equity instruments issued for services | 16,930 | 21,778 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (120,814) | (55,937) |
| Inventories | (12,332) | (82,860) |
| Prepaid expenses and other assets | (42,522) | 28,767 |
| Accounts payable | (108,313) | (449,506) |
| Accrued payroll and related liabilities | 21,384 | (21,087) |
| Accrued interest and other liabilities | 43,019 | (7,654) |
| Net cash used in operating activities | (49,341) | (320,833) |
| Cash flows used in investing activities: | | |
| Purchases of equipment | (19,966) | (33,374) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, redeemable common stock and warrants | 500,000 | 193,159 |
| Proceeds from issuance of notes payable | 19,100 | 191,445 |
| Payments on notes payable | (188,952) | (88,557) |
| Payments on capital lease obligations | (45,988) | (34,336) |
| Payments for costs of issuance of common stock | (15,247) | (22,764) |
| Net cash provided by financing activities | 268,913 | 238,947 |
| Net increase (decrease) in cash and cash equivalents | 199,606 | (115,260) |
| Impact of foreign currency translation adjustment on cash | (28,937) | (5,162) |
| Cash and cash equivalents at beginning of period | 164,378 | 320,140 |
| Cash and cash equivalents at end of period | \$ 335,047 | 199,719 |
| Supplemental cash flow disclosures: | | |
| Cash paid for interest | \$ 32,939 | 55,125 |
| Noncash investing and financing activity— | | |
| Equipment acquired under capital leases | \$ 47,477 | 181,533 |

See accompanying notes to consolidated financial statements.

CORGENIX MEDICAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF 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, incorporated under the laws of Delaware, was named Corgenix, Inc. The parent corporation, incorporated under the laws of Nevada, 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. We market our products to hospital laboratories and freestanding laboratories worldwide through a network of sales representatives, distributors, and private label (OEM) agreements. Our headquarter offices and manufacturing facility are located in Westminster, Colorado. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, Corgenix, Inc. and Corgenix UK Limited (Corgenix UK), and until June of 2002, the accounts of healthoutfitters.com, Inc. (Ho.com). Corgenix UK was established as a United Kingdom company during 1996 to market the Company's products in Europe and other international markets. 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 and core medical diagnostic kit business. Accordingly, during the fourth quarter of fiscal 2002, the Company decided to abandon and close its internet-based consumer business and all related e-commerce sites managed and operated by Ho.com. Assets abandoned consisted principally of unamortized capitalized software costs.

The accompanying consolidated financial statements have been prepared without audit and in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company, the financial statements include all adjustments (consisting of normal recurring accruals and adjustments) required to present fairly the Company's financial position at December 31, 2002 and June 30, 2002 and the results of operations for the three and six-month periods ended December 31, 2002 and 2001, and the cash flows for the three and six-month periods then ended. The operating results for the three and six months ended December 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the fiscal year ended June 30, 2002. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Significant assumptions inherent in the preparation of the accompanying financial statements include, but are not limited to, revenue recognition and allowances for doubtful accounts, the provision for excess and obsolete inventories, and commitments and contingencies. Actual results could differ from those estimates.

2. SOFTWARE

The Company accounts for its software and information technology in compliance with Statement of Position 98-1 ("SOP 98-1"), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 defines the types of computer software project costs that may be capitalized. All other costs are expensed in the period incurred. In order for costs to be capitalized, the computer software project must be intended to create a new system or add identifiable functionality to an existing system. 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 the first quarter of fiscal year 2002. See (1) above, for a discussion regarding the abandonment and closure of the Company's internet-based consumer health care business. Amortization of \$49,659 and \$82,767 was recorded on such assets for the three and six months ended December 31, 2001 respectively. No comparable amortization was recorded during the latest six-month period. 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 specification and details on all of the Company's diagnostic test kits. The direct internal and external costs of developing the related software, other than initial design and other costs incurred during the preliminary project stage, were capitalized until the software was completed at the end of September 2002. Through September 2002, all products and enhancements thereto utilized proven technology. Such capitalized amounts, amounting to \$122,855, began to be amortized on a straight-line basis over a three-year period commencing in October 2002. No further additions to this project are anticipated.

3. EARNINGS PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding increased for the dilutive effect of potentially dilutive securities outstanding during the period. The dilutive effect of stock options, warrants and their equivalents is calculated using the treasury stock method

The components of basic and diluted income (loss) per share are as follows:

| | 3 months ended December 31, 2002 | 3 months ended December 31, 2001 | 6 months ended December 31, 2002 | 6 months ended December 31, 2001 |
|---|---|---|---|---|
| Net income (loss) available to common shareholders | <u>\$ (121,186)</u> | <u>(32,655)</u> | <u>6,831</u> | <u>65,838</u> |
| Common and common equivalent shares outstanding: | | | | |
| Historical common shares outstanding for basic income (loss) per share at beginning of period | 4,333,095 | 4,281,246 | 4,333,095 | 4,077,290 |
| Weighted average common shares issued during the period | | 18,498 | 883,164 | 169,370 |
| | 890,102 | | | |
| Weighted average common shares-basic | 5,223,197 | 4,299,744 | 5,216,259 | 4,246,660 |
| Dilutive effect of potentially dilutive securities outstanding | | | | 105,849 |
| | 47,489 | 105,849 | 48,001 | |
| Weighted average common shares-diluted | 5,270,686 | 4,405,593 | 5,264,260 | 4,352,509 |
| Net income (loss) per share-basic | <u>\$ (0.03)</u> | <u>(0.01)</u> | <u>*</u> | <u>0.02</u> |
| Net income (loss) per share-diluted | <u>\$ (0.03)</u> | <u>(0.01)</u> | <u>*</u> | <u>0.02</u> |

*-less than (\$0.01) per share

4. INCOME TAXES

A full valuation allowance was provided relating to deferred tax assets as of December 31, 2002 and 2001.

5. SEGMENT INFORMATION

The Company has two segments of business: domestic and international operations. International operations primarily transact sales with customers in the Europe and continents other than North America, while domestic operations transact sales primarily in North America. Sales to Chugai for Japan, emanating from the United States, have historically also been included in the domestic business segment. Such sales have ceased as of November 30, 2002. The Company's formerly active subsidiary, Ho.com, had insignificant revenue for the three and six months ended December 30, 2001. Revenue and expenses for Ho.com are included in the domestic segment for the three and six months ended December 31, 2001. The following table sets forth selected financial data for these segments for the three and six-month periods ended December 30, 2002 and 2001.

| | | <u>Three Months Ended December 31,</u> | | | <u>Six Months Ended December 31,</u> | | |
|-------------------------------|------|--|----------------------|--------------|--------------------------------------|----------------------|--------------|
| | | <u>Domestic</u> | <u>International</u> | <u>Total</u> | <u>Domestic</u> | <u>International</u> | <u>Total</u> |
| Net sales | 2002 | \$ 1,026,374 | 297,155 | 1,323,529 | 2,157,892 | 575,677 | 2,733,569 |
| | 2001 | \$ 886,750 | 263,867 | 1,150,617 | 1,749,982 | 573,507 | 2,323,489 |
| Net income (loss) | 2002 | \$ (153,061) | 54,426 | (98,635) | (71,201) | 121,311 | 50,110 |
| | 2001 | \$ (102,459) | 69,804 | (32,655) | (125,946) | 191,784 | 65,838 |
| Depreciation and amortization | 2002 | \$ 56,332 | 480 | 56,812 | 102,236 | 961 | 103,197 |
| | 2001 | \$ 83,957 | 462 | 84,419 | 178,905 | 923 | 179,828 |
| Interest expense, net | 2002 | \$ (22,126) | (1,157) | (23,283) | (44,158) | (9,183) | (53,341) |
| | 2001 | \$ (29,694) | (7,586) | (37,280) | (57,956) | (14,176) | (72,132) |
| Segment assets | 2002 | \$2,165,846 | 473,572 | 2,639,418 | 2,165,846 | 473,572 | 2,639,418 |
| | 2001 | \$2,457,440 | 272,338 | 2,729,778 | 2,457,440 | 272,338 | 2,729,778 |

6. REDEEMABLE COMMON STOCK

On July 1, 2002, the Company entered into an agreement (MBL Agreement) with Medical & Biological Laboratories Co., Ltd. (MBL), a strategic partner and manufacturer of autoimmune diagnostic kits located in Nagoya, Japan, under which the Company sold 880,282 shares of its \$.001 par value common stock to MBL for gross proceeds of \$500,000. Net proceeds to the Company after issuance costs were \$484,746. Under the MBL Agreement, MBL was also granted a put option which could cause the Company to repurchase, at a future date, the common stock sold to MBL under the MBL Agreement. Thus, the common stock sold has been designated "redeemable common stock." The put option requires the stock to be repurchased at the original purchase price, payable in either a lump-sum purchase or financed over a six-month period. The put option is exercisable by MBL any time after the termination or expiration of the distribution agreement between the Company and RhiGene, MBL's U.S. subsidiary, upon any merger or consolidation of the Company with another corporation wherein in the Company's stockholders own less than 50% of the surviving corporation or upon any sale or other disposition of all or substantially all of the Company's assets. The present distribution agreement with RhiGene expires on March 31, 2005, though the distribution agreement may be renewed or extended prior to that time.

Pursuant to the agreement with MBL, as long as MBL holds at least 50% of the common stock purchased under the MBL agreement, MBL must give its written consent with respect to the payment of any dividend, the repurchase of any of the Company's equity securities, the liquidation or dissolution of the Company or the amendment of any provision of the Company's Articles of Incorporation or Bylaws which would adversely affect the rights of MBL under the stock purchase transaction documents. MBL was granted standard anti-dilution rights with respect to stock issuances not registered under the Securities Act. MBL also received standard piggyback registration rights along with certain demand registration rights.

In addition, as part of the MBL Agreement and for no additional consideration, MBL was issued warrants to purchase an additional 880,282 shares of Common Stock at a price of \$.568 per share, which is equal to an aggregate amount of \$500,000. These warrants expire on July 3, 2007 and may be exercised in whole or in part at any time prior to their expiration. The estimated fair value of the warrant upon issuance was calculated as \$401,809 using the Black-Scholes model with the following assumptions: no expected dividend yield, 143% volatility, risk free interest rate of 4.2% and an expected life of five years. The gross proceeds of \$500,000 were allocated \$277,221 to redeemable common stock and \$222,779 to the related warrants based on the relative fair values of the respective instruments to the fair value of the aggregate transaction. Issuance costs and the discount attributed to of the warrants upon issuance are being accreted on the interest method over the 33-month period prior to the presently expected first date on which the put option may be exercised, which is the present expiration date of the distribution agreement between the Company and RhiGene.

Item 2.

CORGENIX MEDICAL CORPORATION Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated 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 hospitals, clinical laboratories, commercial reference laboratories and research institutions. 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 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. Accordingly, we do not operate with a customer order backlog. Except for the fiscal year ended 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 and milestone payments from research and development agreements with strategic partners.

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 except 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"). We believe that the policies identified below are critical to the understanding of our results of operations. The preparation of financial statements in conformity with GAAP requires our 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. Management has made estimates and assumptions based on these policies. We do not believe that there is a great likelihood that materially different amounts would be reported if different assumptions were used. However, the application of these policies involves judgments and assumptions as to future events and, as a result, actual results could differ significantly from those estimates.

Revenue Recognition

Revenue is recognized upon shipment of products.

Inventory Valuation

Inventories are recorded at the lower of cost or market, using the first-in, first-out method.

Allowance for Doubtful Accounts

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

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 are 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.

Research and Development and Advertising Costs

Research and development and advertising costs are expensed when incurred.

Results of Operations

Three Months Ended December 31, 2002 compared to 2001

Net sales. Net sales for the three months ended December 31, 2002 were \$1,323,529, a 15.0% increase from \$1,150,617 for the same period 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. Domestic sales increased 15.7% while sales to international distributors increased 12.6%; sales to OEM partners (other medical companies selling Corgenix manufactured products under the respective company's labels) increased 87.0%, primarily due to ordering patterns and to sales to new OEM partners. Offsetting the above increase in domestic sales was a decrease of 49.5% in the sales of Hyaluronic Acid ("HA") to Chugai for distribution in Japan. Historically and through November of 2002, Chugai was the Company's largest customer, representing approximately 7.3% and 17% of sales in the quarters ended December 31, 2002 and 2001, respectively. Chugai has not submitted any orders for HA product for any period after November 2002. We have no reason to believe that Chugai will place any additional significant orders for HA in the future. The Company expects that the loss of HA sales to Chugai after November 2002 will eventually 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 quarter was due to an increase in the average price per unit sold of approximately 32%,

while unit volume decreased 10%, primarily due to no Chugai orders in December. 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 was 35.1% of sales in the second quarter ended December 31, 2002 compared to 40.7% for last year's second quarter. This decrease reflects lower raw material and overhead components of cost of sales in addition to the overall sales mix.

Selling and marketing. Selling and marketing expenses increased 79.0 % to \$392,645 for the three months ended December 31, 2002 from \$219,368 in 2001 due to increases in advertising, consulting, payroll-related costs, royalties expense, and trade show and travel-related costs.

Research and development. Research and development expenses for the three months ended December 31, 2002, increased 57.4% to \$215,252 from \$136,772 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 joint development projects with one of the Company's strategic partners. In addition, the Company added additional employees in this area in order to increase and expedite other new product development efforts.

General and administrative. General and administrative expenses for the three months ended December 31, 2002, increased 21.9% to \$326,631 from \$267,991 in 2001, due to increases in occupancy costs, payroll-related costs, and outside service expenses such as legal, accounting and consulting expenses.

Expenses of the 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 websites 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 quarter ended December 31, 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 for the same quarter ended December 31, 2001. The operating expenses of the consumer healthcare business not expected to recur were \$53,961 during that quarter. There were no such expenses for the current fiscal quarter. The expenses not expected to recur consisted primarily of amortization of previously capitalized software costs and costs associated with advertising and promotion of the consumer healthcare products. Net sales related to the consumer healthcare business were nil during the quarter ended December 30, 2001.

Interest expense. Interest expense decreased 37.5% to \$23,283 in 2002 from \$37,280 in 2001 due primarily to a decrease in interest-bearing debt in addition to lower interest rates.

Six Months Ended December 31, 2002 and 2001

Net sales. Net sales for the six months ended December 31, 2002 were \$2,733,569, a 17.6% increase from \$2,323,489 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. Domestic sales increased 23.3% while sales to international distributors increased less than 1%; sales to OEM partners (other medical companies selling Corgenix manufactured products under the respective companies' labels) increased 63.9%, primarily due to ordering patterns and to sales to new OEM partners. Offsetting the above increase in domestic sales was a decrease of 35.2% in the sales of HA to Chugai for distribution in Japan. Historically and through November of 2002, Chugai was the Company's largest customer, representing approximately 9% and 17% of sales in the six-month periods ended December 31, 2002 and 2001, respectively. The majority of the Company's sales increase for the current six months was due to an increase in the average price per unit sold of approximately 24%, while unit volume increased less than 1%. 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 was 32.1% of sales for the six months ended December 31, 2002 compared to 34.7% for prior year's first six months. This slight improvement reflects slightly lower raw material and overhead components in addition to the overall sales mix.

Selling and marketing. Selling and marketing expenses increased 55.1 % to \$701,660 for the six months ended December 31, 2002 from \$452,459 in 2001 due to increases in advertising, consulting, payroll-related costs, royalties expense, and trade show and travel-related costs.

Research and development. Research and development expenses for the six months ended December 31, 2002, increased 54.4% to \$425,234 from \$275,493 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, joint development projects with one of the Company's strategic partners. In addition, the Company added additional employees in this area in order to increase and expedite other new product development efforts.

General and administrative. General and administrative expenses for the six months ended December 31, 2002, increased 12.0% to \$627,051 from \$560,030 in 2001, due to increases in occupancy costs, payroll-related costs and outside service expenses such as legal, accounting and consulting expenses.

Expenses of the consumer healthcare business. The results of Ho.com's operations have been included in continuing operations in the consolidated statements of operations for the six months ended December 31, 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 for the six months ended December 31, 2001. The operating expenses of the consumer healthcare business not expected to recur were \$91,158 during that six-month period. There were no such expenses for the current six-month period. The expenses not expected to recur consisted primarily of amortization of previously capitalized software costs and costs associated with advertising and promotion of the consumer healthcare products. Net sales related to the consumer healthcare business were \$910 during the six months ended December 31, 2001.

Interest expense. Interest expense decreased 26.1% to \$53,341 in 2002 from \$72,132 in 2001 due primarily to a decrease in interest-bearing debt in addition to lower interest rates.

Liquidity and Capital Resources

Cash used in operating activities was \$49,341 for the current six-month period compared to \$320,833 used during the prior fiscal year's comparable six months. The cash used in operations for the latest quarter resulted primarily from an increase in accounts receivable and a reduction in accounts payable.

Net cash used in investing activities, the purchase of equipment, was \$19,966 for the current six months compared to \$33,374 in the prior year's comparable six-month period. The reduction was mainly attributable to reduced spending on internally developed software.

Net cash provided by financing activities amounted to \$268,913 for the six months ended December 31, 2002 compared to \$238,947 for the same period in the prior fiscal year. This slight increase in cash provided over the comparable prior year six month period was primarily due to the private sale of redeemable common stock, offset by payments on notes payable. On July 1, 2002, the Company entered into an agreement ("MBL Agreement") with Medical & Biological Laboratories Co., Ltd. ("MBL"), a strategic partner and manufacturer of autoimmune diagnostic kits located in Nagoya, Japan, under which the Company sold 880,282 shares of its \$.001 par value common stock to MBL for gross proceeds of \$500,000. Net proceeds to the Company after issuance costs were \$494,793. Under the MBL Agreement, MBL was also granted a put option that could cause the Company to repurchase, at a future date, the common stock sold to MBL under the MBL Agreement. Thus, the common stock sold has been designated "redeemable common stock." The put option requires the stock to be repurchased at the original purchase price, payable in either a lump-sum purchase or financed over a six-month period. The put option is exercisable by MBL any time after the termination or expiration of the distribution agreement between the Company and RhiGene, MBL's U.S.

subsidiary, upon any merger or consolidation of the Company with another corporation wherein in the Company's stockholders own less than 50% of the surviving corporation or upon any sale or other disposition of all or substantially all of the Company's assets. The present distribution agreement with RhiGene expires on March 31, 2005, though the distribution agreement may be renewed or extended prior to that time.

Pursuant to the agreement with MBL, as long as MBL holds at least 50% of the common stock purchased under the MBL agreement, MBL must give its written consent with respect to the payment of any dividend, the repurchase of any of the Company's equity securities, the liquidation or dissolution of the Company or the amendment of any provision of the Company's Articles of Incorporation or Bylaws which would adversely affect the rights of MBL under the stock purchase transaction documents. MBL was granted standard anti-dilution rights with respect to stock issuances not registered under the Securities Act. MBL also received standard piggyback registration rights along with certain demand registration rights.

In addition, as part of the MBL Agreement and for no additional consideration, MBL was issued warrants to purchase an additional 880,282 shares of Common Stock at a price of \$.568 per share, which is equal to an aggregate amount of \$500,000. These warrants expire on July 3, 2007 and may be exercised in whole or in part at any time prior to their expiration. The estimated fair value of the warrant upon issuance was calculated as \$401,809 using the Black-Scholes model with the following assumptions: no expected dividend yield, 143% volatility, risk free interest rate of 4.2% and an expected life of five years. The gross proceeds of \$500,000 were allocated \$277,221 to redeemable common stock and \$222,779 to the related warrants based on the relative fair values of the respective instruments to the fair value of the aggregate transaction. Issuance costs and the discount attributed to of the warrants upon issuance are being accreted on the interest method over the 33-month period prior to the presently expected first date on which the put option may be exercised, which is the present expiration date of the distribution agreement between the Company and RhiGene.

Historically, we have financed our operations primarily through sales of common and preferred stock. In fiscal 2002, we raised \$164,471 before offering expenses through a private sale of common stock.

We have also generated cash for operations from sales, in the normal course of business, of diagnostic products and agreements with strategic partners. As of December 31, 2002, our accounts payable decreased 19.6% to \$445,192 from \$553,505 as of June 30, 2002 due to a concerted effort to bring our accounts payable more current.

Our future capital requirements will depend on a number of factors, including the rate at which we grow our business and our investment in proprietary research activities, the ability of our current and future strategic partners to fund outside research and development activities, our success in increasing sales of both existing and new products and collaborations, expenses associated with unforeseen litigation, regulatory changes, competition, technological developments, general economic conditions and potential future merger and acquisition activity. 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, of which \$557,955 remained outstanding as of December 31, 2002. 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, and to pursue all of our strategic objectives. We believe that our existing cash, bank line of credit, working capital and anticipated cash flow from existing operations will be sufficient to support our current operating plan for at least the next 12 months. At December 31, 2002, the Company's available borrowings under its \$300,000 line of credit with Vectra Bank amounted to the full \$300,000 based upon the calculation of the borrowing base. This estimate of our future capital requirements is a forward-looking statement that is based on assumptions that involve varying risks and uncertainties. Actual results may differ significantly from our estimates.

Recently Issued Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," (effective January 1, 2003) which replaces 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)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and states that an entity's commitment to an exit plan, by itself, does not create a present obligation that meets the definition of a liability. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. Management does not believe that SFAS 146 will have a material effect on the Company during fiscal 2003.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (the Interpretation), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees. The Interpretation requires the guarantor to recognize a liability for the non-contingent component of the guarantee, this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company is required to adopt the disclosure provisions of the Interpretation beginning with its fiscal 2003 consolidated financial statements, and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. The Company has not completed its assessment of the recognition provisions of the Interpretation; however, the impact of the adoption is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." This statement amends FASB Statement No. 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of this statement relating to alternative transition methods and annual disclosure requirements are effective for the year ending June 30, 2002. The provisions of this statement relating to interim financial information are effective for the quarter ending March 31, 2003. The transitional provisions will not have an impact on the Company's financial statements unless it elects to change from the intrinsic value method to the fair value method. The Company believes that the provisions relating to annual and interim disclosures will change the manner in which we disclose information regarding stock-based compensation.

Item 3.

Controls and Procedures

Evaluation of disclosure controls and procedures. The Company, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 240.13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective for the purposes of recording, processing, summarizing and timely reporting information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act of 1934 and that such information is accumulated and communicated to the Company's management in order to allow timely decisions regarding required disclosure.

Changes in internal controls. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor were there any significant deficiencies or material weaknesses in the Company's internal controls.

Forward-Looking Statements and Risk Factors

This 10-QSB 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 10-QSB, including, without limitation, statements regarding future product developments, 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 10-QSB 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.

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 \$4,262,046, 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. Assuming no significant uses of cash in acquisition activities or other significant changes, we believe that we will have sufficient cash to satisfy our needs for at least the next year. If we are not able to operate profitably and generate positive cash flows, 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 or our selling and marketing activities 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 Former Largest Customer

Chugai has not submitted any orders for HA for periods after November 2002. As we have no reason to believe that Chugai will place any additional significant orders for HA 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 pre-market 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 payers, principally private health insurance plans, federal Medicare and state Medicaid, to reimburse all or part of the cost of the procedure. Third party payers 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 payers, or changes in government and private third party payers' 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 (enzyme linked immuno-absorbent assay) 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.

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.

CORGENIX MEDICAL CORPORATION

Part II

Other Information

Item 1. Legal Proceedings

Corgenix is not a party to any material litigation or legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

- (a) The Registrant's Annual Meeting of Shareholders was held December 11, 2002.
- (b) The following directors were elected for the ensuing year at the Annual Meeting:
- | | |
|---------------------|---------------------|
| Luis R. Lopez, M.D. | Douglass T. Simpson |
| Jack W. Payne | Wendell J. Gardner |
| Jun Sasaki | |
- (c) The matters voted upon at the Annual Meeting, the number of votes cast for, against, or withheld, as well as the number of abstentions and non-votes as to each such matter were as follows:
- The election of Luis R. Lopez, M.D., as a director:
3,778,905 votes for; 0 votes against; 215,100 votes withheld; 0 abstentions; 0 non-votes.
 - The election of Douglass T. Simpson, as a director.
3,779,005 votes for; 0 votes against; 215,000 votes withheld; 0 abstentions; 0 non-votes.
 - The election of Jack W. Payne, as a director.
3,779,005 votes for; 0 votes against; 215,000 votes withheld; 0 abstentions; 0 non-votes.
 - The election of Wendell J. Gardner, as a director.
3,779,005 votes for; 0 votes against; 215,000 votes withheld; 0 abstentions; 0 non-votes.
 - The election of Jun Sasaki, as a director.
3,775,526 votes for; 0 votes against; 218,479 votes withheld; 0 abstentions; 0 non-votes.

6. To approve the Company's Amended and Restated 1999 Incentive Stock Plan.
3,581,377 votes for; 285,448 votes against; 0 votes withheld; 127,180 abstentions; 0 non-votes.
7. To approve the Company's Amended and Restated Employee Stock Purchase Plan.
3,576,760 votes for; 288,345 votes against; 0 votes withheld; 128,900 abstentions; 0 non-votes.
8. To ratify the appointment of KPMG LLP as our independent auditors for the current fiscal year ending June 30, 2003:
3,971,886 votes for; 20,259 votes against; 0 votes withheld; 1,860 abstentions; 0 non-votes.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K.

a. Index to and Description of Exhibits

| <u>Exhibit Number</u> | Description of Exhibit |
|------------------------------|--|
| 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 with 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 with 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 with 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 with the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference). |
| 3.2 | Bylaws (filed with 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 with the Company's Form 10-QSB for the fiscal quarter ended December 31, 1999 and incorporated herein by reference). |
| 3.4 | Bylaws of health-outfitters.com, Inc. dated November 16, 1999 (filed with the Company's 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 with 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 with 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 with 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 (filed with the Company's Form 10-KSB, and incorporated herein by reference).
- 10.5 Office Lease dated May 5, 2001 between Crossroads West LLC/Decook Metrotech LLC and Corgenix, Inc. (filed with the Company's Form-10KSB, and incorporated herein by reference).
- 10.6 Guarantee dated November 1, 1997 between William George Fleming, Douglass Simpson and Geoffrey Vernon Callen (filed with the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.7 Employment Agreement dated April 1, 2001 between Luis R. Lopez and the Company filed with the Company's Form 10-KSB, and incorporated herein by reference.
- 10.8 Employment Agreement dated April 1, 2001 between Douglass T. Simpson and the Company filed with the Company's Form 10-KSB, and incorporated herein by reference..
- 10.9 Employment Agreement dated April 1, 2001 between Ann L. Steinbarger and the Company filed with the Company's Form 10-KSB, and incorporated herein by reference.
- 10.10 Employment Agreement dated April 1, 2001 between Taryn G. Reynolds and the Company filed with the Company's Form 10-KSB, and incorporated herein by reference.
- 10.11 Employment Agreement dated April 1, 2001 between Catherine (O'Sullivan) Fink and the Company filed with the Company's Form 10-KSB, and incorporated herein by reference.
- 10.12 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).
- 10.13 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).
- 10.14 Note dated January 6, 1997 between REAADS Medical Products, Inc. and Eagle Bank (filed with the Company's Registration Statement on Form 10-SB filed June 29, 1998, and incorporated herein by reference).
- 10.15 Form of Indemnification Agreement between the Company and its directors and officers (filed with the Company's Registration Statement on Form 10-SB/A-1 filed September 24, 1998 and incorporated herein by reference).
- 10.16 Warrant agreement dated June 1, 2000 between the Company and Taryn G. Reynolds filed with the Company's Form 10-KSB, and incorporated herein by reference..
- 10.17 Employment Agreement dated March 1, 2001 between William H. Critchfield and the Company (filed with the Company's filing on Form 10-QSB for the fiscal quarter ended March 31, 2001).
- 10.18 Business Development and Consulting Agreement dated August 27, 2002 between Ascendant Capital Group, Inc. and the Company filed with the Company's Form 10-QSB, and incorporated herein

by reference.

- 10.19 Consulting Agreement dated September 29, 2002 between Eiji Matsuura, Ph.D and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 10.20 License Agreement dated September 29, 2002 between Eiji Matsuura, Ph.D and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 10.21 Extension to Business Development & Consulting Services Agreement dated November 27, 2002 by and between Ascendant capital Group, LLC and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference.
- 10.22 Employee Stock Compensation Plan
- 10.23 Amended and Restated 1999 Incentive Stock Plan
- 10.24 Amended and Restated Employee Stock Purchase Plan
- 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.G. Fleming and Corgenix UK, Ltd. filed with the Company's Form 10-QSB, and incorporated herein by reference.
- 21.3 Promissory note dated October 1, 2001 between W.G. Fleming and Corgenix UK, Ltd. filed with the Company's Form 10-QSB, and incorporated herein by reference.
- 21.4 Warrant Agreement dated October 11, 2001 between Phillips V. Bradford and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 21.5 Warrant Agreement dated October 11, 2001 between Charles F. Ferris and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 21.6 Underlease Agreement dated October 3, 2001 between G.V. Callen, A.G. Pirmohamed and Corgenix UK, Ltd. filed with the Company's Form 10-QSB, and incorporated herein by reference.
- 21.7 Distribution Agreement and OEM Agreement dated March 14, 2002 between RhiGene, Inc. and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 21.8 Distribution and OEM Agreement dated March 14, 2002 dated March 14, 2002 between RhiGene, Inc., and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 21.9 Warrant Agreement dated March 15, 2002 between the Liolios Group, Inc. and the Company filed with the Company's Form 10-QSB, and incorporated herein by reference..
- 99.1* Certificate of Corgenix Medical Corporation's Chief Executive Officer, President and Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

* Filed Herewith

(b) Reports on Form 8-K.

8-K filed December 11, 2002 concerning Shareholder presentation materials of the President of the Company used on December 11, 2002 plus press release dated December 12, 2002, re: Fiscal Year 2002 results.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORGENIX MEDICAL CORPORATION

February 13, 2003

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

CERTIFICATIONS

I, Luis R. Lopez, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Corgenix Medical Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal control; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 13, 2003

/S/Luis R. Lopez
Chief Executive Officer

I, William H. Critchfield, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Corgenix Medical Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal control; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 13, 2003

/S/William H. Critchfield
Chief Financial Officer

I, Douglass T. Simpson, President, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Corgenix Medical Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made know to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal control; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 13, 2003

/S/Douglass T. Simpson
President

Exhibit 99.1

**CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), each of the undersigned officers of Corgenix Medical Corporation, a Nevada corporation (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-QSB for the quarter ended September 30, 2002 as filed with the Securities and Exchange Commission (the “10-QSB Report”) that:

- i. the 10-QSB Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- ii. the information contained in the 10-QSB Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 13, 2003

/S/Luis R. Lopez
Chief Executive Officer

/S/William H. Critchfield
Chief Financial Officer

/S/Douglass T. Simpson
President