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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-QSB**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2006

- 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**

(State or other jurisdiction of  
incorporation or organization)

**93-1223466**

(I.R.S. Employer Identification No.)

**11575 Main Street, Number 400, Broomfield, CO 80020**

(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

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

The number of shares of Common Stock outstanding was 12,127,026 as of November 14, 2006.

Transitional Small Business Disclosure Format. Yes  No

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**CORGENIX MEDICAL CORPORATION**  
**September 30, 2006**

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

Consolidated Balance Sheets

|   | <u>September 30, 2006</u><br>(Unaudited) | <u>June 30, 2006</u> |
|---|--|----------------------|
| <b>Assets</b>   |  |                      |
| Current assets:   |  |                      |
| Cash and cash equivalents.....  | \$ 2,075,902                             | \$ 3,118,494         |
| Accounts receivable, less allowance for doubtful accounts of \$13,097 .....   | 1,454,722                                | 1,362,768            |
| Inventories.....  | 1,991,958                                | 1,635,549            |
| Prepaid expenses .....  | 107,712                                  | 64,596               |
| Total current assets .....  | 5,630,294                                | 6,181,407            |
| Equipment:  |  |                      |
| Capitalized software costs .....  | 122,855                                  | 122,855              |
| Machinery and laboratory equipment.....   | 802,318                                  | 671,495              |
| Furniture, fixtures, leaseholds & office equipment.....   | 1,744,933                                | 585,399              |
|   | 2,670,106                                | 1,379,749            |
| Accumulated depreciation and amortization .....   | (525,636)                                | (1,113,131)          |
| Net equipment .....   | 2,144,470                                | 266,618              |
| Intangible assets:  |  |                      |
| License .....   | 27,848                                   | 27,848               |
|   | 27,848                                   | 27,848               |
| Other assets:   |  |                      |
| Deferred acquisition costs .....  | 75,030                                   | —                    |
| Deferred financing costs net of amortization of \$604,271 and \$469,065.....  | 1,012,358                                | 1,147,563            |
| Restricted cash .....   | 249,997                                  | 250,000              |
| Due from officer.....   | 12,000                                   | 12,000               |
| Other assets .....  | 283,855                                  | 328,180              |
| Total assets .....  | \$ 9,435,852                             | \$ 8,213,616         |
| <b>Liabilities and Stockholders' Equity</b>   |  |                      |
| Current liabilities:  |  |                      |
| Current portion of notes payable, net of discount .....   | \$ 849,156                               | \$ 770,151           |
| Current portion of capital lease obligations.....   | 176,083                                  | 15,945               |
| Accounts payable .....  | 540,159                                  | 511,397              |
| Accrued payroll and related liabilities .....   | 354,216                                  | 270,542              |
| Accrued interest .....  | 40,856                                   | 43,914               |
| Accrued liabilities .....   | 1,554,678                                | 364,348              |
| Total current liabilities .....   | 3,515,148                                | 1,976,297            |
| Notes payable, net of discount, less current portion .....  | 1,210,845                                | 1,290,776            |
| Capital lease obligations, less current portion .....   | 393,811                                  | 5,130                |
| Total liabilities .....   | 5,119,804                                | 3,272,203            |
| Redeemable common stock, \$0.001 par value. 774,650 shares issued and outstanding, aggregate redemption value of \$420,000, and \$450,000 net of unaccreted discount and issue costs of \$0 (note 5).....                     | 250,000                                  | 250,000              |
| Stockholders' equity:   |  |                      |
| Convertible Preferred stock, \$0.001 par value. Liquidation preference of \$700,000 and \$700,000. Authorized 5,000,000 shares, Issued and outstanding 2,000,000 and 2,000,000 on September 30 and June 30, respectively..... | 2,000,000                                | 2,000,000            |
| Common stock, \$0.001 par value. Authorized 100,000,000 shares; Issued and outstanding 11,318,291 and 10,723,205 on September 30 and June 30, respectively .....  | 10,517                                   | 9,895                |
| Additional paid-in capital.....   | 12,276,243                               | 12,060,729           |
| Accumulated deficit .....   | (10,210,759)                             | (9,367,556)          |
| Accumulated other comprehensive income .....  | (9,953)                                  | (11,655)             |
| Total stockholders' equity .....  | 4,066,048                                | 4,691,413            |
| Total liabilities and stockholders' equity.....   | \$ 9,435,852                             | \$ 8,213,616         |

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION  
AND SUBSIDIARIES**

Consolidated Statements of Operations

|  | <u>Three Months Ended</u>           |                                     |
|--|-------------------------------------|-------------------------------------|
|  | <u>September 30,</u><br><u>2006</u> | <u>September 30,</u><br><u>2005</u> |
|  | (Unaudited)                         | (Unaudited)                         |
| Net sales.....   | \$ 1,694,112                        | \$ 1,634,953                        |
| Cost of sales.....   | <u>645,109</u>                      | <u>581,866</u>                      |
| Gross profit.....  | <u>1,049,003</u>                    | <u>1,053,087</u>                    |
| Operating expenses:  |                                     |                                     |
| Selling and marketing.....   | 487,986                             | 380,712                             |
| Research and development.....  | 232,687                             | 128,510                             |
| General and administrative.....  | <u>596,300</u>                      | <u>330,103</u>                      |
|  | <u>1,316,973</u>                    | <u>839,325</u>                      |
| Operating income (loss).....   | (267,970)                           | 213,762                             |
| Other income (expense):  |                                     |                                     |
| Other income.....  | 41,370                              | —                                   |
| Interest expense.....  | <u>(616,603)</u>                    | <u>(337,870)</u>                    |
| Net loss before income taxes.....                                      | (843,203)                           | (124,108)                           |
| Income taxes.....  | —                                   | —                                   |
| Net loss.....  | <u>(843,203)</u>                    | <u>(124,108)</u>                    |
| Net loss.....  | <u>\$ (843,203)</u>                 | <u>\$ (124,108)</u>                 |
| Net loss per common share, basic and diluted.....                      | <u>\$ (0.08)</u>                    | <u>\$ (0.01)</u>                    |
| Weighted average shares outstanding, basic and diluted.....            | <u>11,125,859</u>                   | <u>8,379,052</u>                    |
| Net loss.....  | \$ (843,203)                        | \$ (124,108)                        |
| Other comprehensive loss—foreign currency translation gain (loss)..... | <u>1,702</u>                        | <u>(312)</u>                        |
| Total comprehensive loss.....  | <u>\$ (841,501)</u>                 | <u>\$ (124,420)</u>                 |

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION  
AND SUBSIDIARIES**  
Consolidated Statement of Stockholders' Equity  
For the three months ended September 30, 2006  
(Unaudited)

|  | <b>Preferred<br/>Stock,<br/>Number<br/>of Shares</b> | <b>Preferred<br/>Stock,<br/>\$0.001 par</b> | <b>Common<br/>Stock,<br/>Number of<br/>Shares</b> | <b>Common<br/>Stock,<br/>\$0.001<br/>par</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Accumulated<br/>Deficit</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>income (loss)</b> | <b>Total<br/>stockholders'<br/>equity</b> |
|--|--|---|---|--|---|--------------------------------|--|---|
| Balance at June 30, 2006.....  | 2,000,000  | \$ 2,000,000                                | 10,723,205  | \$ 9,895                                     | \$ 12,060,729                             | \$ (9,367,556)                 | \$ (11,655)  | \$ 4,691,413                              |
| Issuance of common stock<br>for services .....                               |  |   | 100,587   | 101  | 19,387                                    |                                |  | 19,488                                    |
| Issuance of common stock<br>in exchange for debt .....                       |  |   | 520,907   | 521  | 155,752                                   |                                |  | 156,273                                   |
| Compensation expense<br>recorded as a result of<br>stock options issued..... |  |   |   |  | 40,375                                    |                                |  | 40,375                                    |
| Cancellation of redeemable<br>stock upon note<br>paydown.....                |  |   | (26,408)  |  |   |                                |  |   |
| Foreign currency<br>translation.....   |  |   |   |  |   |                                | 1,702  | 1,702                                     |
| Net loss .....   |  |   |   |  |   | (843,203)                      |  | (843,203)                                 |
| Balance at September 30,<br>2006 .....                                       | <u>2,000,000</u>                                     | <u>\$ 2,000,000</u>                         | <u>11,318,291</u>                                 | <u>\$ 10,517</u>                             | <u>\$ 12,276,243</u>                      | <u>\$ (10,210,759)</u>         | <u>\$ (9,953)</u>  | <u>\$ 4,066,048</u>                       |

See accompanying notes to consolidated financial statements.

**CORGENIX MEDICAL CORPORATION  
AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

|  | <u>Three Months Ended</u>     |                               |
|--|-------------------------------|-------------------------------|
|  | <u>September 30,<br/>2006</u> | <u>September 30,<br/>2005</u> |
|  | (Unaudited)                   | (Unaudited)                   |
| Cash flows from operating activities:  |                               |                               |
| Net loss .....   | \$ (843,203)                  | \$ (124,108)                  |
| Adjustments to reconcile net loss to net cash provided (used) in operating activities: |                               |                               |
| Depreciation and amortization .....  | 77,406                        | 47,389                        |
| Accretion of discount on note payable .....  | 336,075                       | 188,686                       |
| Common stock issued for services .....   | 19,488                        | 11,401                        |
| Common stock issued for interest .....   | 37,554                        | 80,134                        |
| Compensation expense recorded for stock options issued .....                           | 40,375                        |                               |
| Amortization of deferred financing costs .....   | 135,206                       |                               |
| Changes in operating assets and liabilities:   |                               |                               |
| Accounts receivable, net .....   | (79,334)                      | (88,154)                      |
| Inventories .....  | (355,320)                     | (42,388)                      |
| Prepaid expenses and other assets, net .....   | (72,434)                      | (14,605)                      |
| Accounts payable .....   | 13,805                        | (150,378)                     |
| Accrued payroll and related liabilities .....  | 102,086                       | 1,182                         |
| Accrued interest and other liabilities .....   | (5,853)                       | (62,048)                      |
| Net cash provided (used) in operating activities .....                                 | <u>(594,149)</u>              | <u>(152,889)</u>              |
| Cash flows used in investing activities:   |                               |                               |
| Additions to equipment .....   | <u>(192,733)</u>              | <u>(16,710)</u>               |
| Cash flows from financing activities:  |                               |                               |
| Proceeds upon exercise of warrants .....   | —                             | 6,900                         |
| Payments on notes payable .....  | (218,282)                     | (5,000)                       |
| Payments on capital lease obligations .....  | <u>(40,297)</u>               | <u>(8,049)</u>                |
| Net cash used in financing activities .....  | <u>(258,579)</u>              | <u>(6,149)</u>                |
| Net decrease in cash and cash equivalents .....  | (1,045,461)                   | (175,748)                     |
| Impact of exchange rate changes on cash .....  | 2,869                         | (3,050)                       |
| Cash and cash equivalents at beginning of period .....                                 | <u>3,118,494</u>              | <u>1,281,965</u>              |
| Cash and cash equivalents at end of period .....                                       | <u>\$ 2,075,902</u>           | <u>\$ 1,103,167</u>           |
| Supplemental cash flow disclosures:  | <u>\$ 119,479</u>             | <u>\$ 76,283</u>              |
| Cash paid for interest .....   |                               |                               |
| Noncash investing and financing activities- .....                                      |                               |                               |
| Equipment acquired under capital leases .....  | <u>\$ 589,116</u>             | <u>\$ —</u>                   |
| Issuance of stock for debt .....   | <u>\$ 118,719</u>             | <u>\$ —</u>                   |
| Conversion of redeemable common stock to note payable .....                            | <u>\$ 180,000</u>             | <u>\$ 250,000</u>             |

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

#### *Company Overview*

Corgenix Medical Corporation, which we refer to as 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. We currently sell 51 diagnostic products on a worldwide basis to hospitals, clinical testing laboratories, universities, biotechnology and pharmaceutical companies and research institutions. In the United States and the United Kingdom, we sell directly to these customers. Elsewhere in the world, we primarily sell to independent distributors that in turn sell to the laboratories.

Our corporate headquarters is located in Broomfield, Colorado. We have two wholly owned operating subsidiaries:

- Corgenix, Inc. (formerly REAADS Medical Products, Inc.), established in 1990 and located in Broomfield, Colorado. Corgenix, Inc. is responsible for sales and marketing activities for North America, and also executes product development, product support, clinical and regulatory affairs, and product manufacturing.
- Corgenix (UK) Ltd, incorporated in the United Kingdom in 1996 (formerly REAADS Bio-Medical Products (UK) Limited) and located in Peterborough, England. Corgenix UK manages our international sales and marketing activities except for distribution in North America, which is the responsibility of Corgenix, Inc. We continue to use the REAADS trademark and trade name in the sale of products that we manufacture.

#### *Recent Developments*

The December 28, 2005 Convertible Preferred financing agreements with Barron Partners, L.P., or Barron, stated that if the Company's EBITDA for the audited fiscal year ended June 30, 2006, as calculated based upon the audited financial statements filed with the Company's Form 10-KSB filed with the Securities and Exchange Commission, was less than \$1,150,000, then the Company must issue to Barron such number of additional shares of preferred stock equal to 2,000,000 multiplied by the percentage by which EBITDA is less than \$1,150,000, expressed as a positive number; provided that in no event will the number of additional shares of preferred stock issued due to this EBITDA adjustment exceed 14% of the number of shares of Preferred Stock originally issued to Barron, or 280,000 shares. For example if EBITDA was \$920,000 (20% decline) then the Company would issue to the Investor an additional 14% (i.e., 280,000) shares of preferred stock; provided that at the time Barron continues to hold all 2,000,000 shares of preferred stock originally issue on the Closing. EBITDA is defined in the Preferred Stock Purchase Agreement as net income of the Company, before interest, taxes, depreciation, amortization and one time charges, including, but not limited to, loss on the extinguishment of debt. EBITDA for the fiscal year ended June 30, 2006 was \$443,591, therefore, on October 4, 2006, the Company issued 280,000 additional shares of preferred stock to Barron .

#### *Our Business*

##### **Introduction**

Our business includes the research, development, manufacture, and marketing of in vitro diagnostic products for use in disease detection and prevention. We sell 51 diagnostic products on a worldwide basis to hospitals, clinical testing laboratories, universities, biotechnology and pharmaceutical companies and research institutions. We have developed and we manufacture most of our products at our Colorado facility, and we purchase what we refer to as OM Products from other healthcare manufacturers for resale by us. All of these products are used in clinical laboratories for the diagnosis and/or monitoring of three important areas of health care:

- Autoimmune disease (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); and
- Liver diseases (fibrosis, and cirrhosis).

In addition to our current products, we are actively developing new laboratory tests in other important diagnostic testing areas. 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 and Diagnostic Grifols, S.A.

Most of our products are based on our patented and proprietary application of Enzyme Linked ImmunoSorbent Assay, or ELISA, technology, a clinical testing methodology commonly used worldwide. Most of our current products are based on this platform technology in a delivery format convenient for clinical testing laboratories. The delivery format, which is referred to as "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 "test kits" 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 routine 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 OM 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 products sold under other manufacturers' labels, referred to 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 and Corgenix trademarks and trade names in the sale of the products which we manufacture. These products constitute the majority of our product sales.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been omitted from these unaudited consolidated financial statements. These unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005. The results of operations for the nine months ended March 31, 2006 and 2005 are not necessarily indicative of the operating results for the full year.

In the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made to present fairly the Company's financial position at March 31, 2006 and the results of operations and its cash flows for the nine months ended March 31, 2006 and 2005.

## 2. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net loss attributable to common stockholders 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. Stock options to purchase 220,000 shares were granted in fiscal 2006. Stock options to purchase 860,000 shares were granted during the quarter ended September 30, 2006. Options and warrants to purchase common stock totaling 33,998,526 and 12,481,386 shares as of September 30, 2006 and 2005, respectively, are not included in the calculation of weighted average common shares-diluted below as their effect is anti-dilutive. Redeemable common stock is included in the common shares outstanding for purposes of calculating net income (loss) per share.

|   | <u>3 Months ended<br/>September 30,<br/>2006</u> | <u>3 Months ended<br/>September 30,<br/>2005</u> |
|---|--|--|
| Net loss attributable to common stockholders.....                     | \$ (843,203)                                     | \$ (124,108)                                     |
| Common and common equivalent shares<br>outstanding:                   |  |  |
| Historical common shares outstanding at<br>beginning of year.....     | 10,723,205                                       | 8,172,435  |
| Weighted average common equivalent shares<br>issued during year ..... | <u>402,654</u>                                   | <u>206,617</u>                                   |
| Weighted average common shares – basic and<br>diluted.....            | <u>11,125,859</u>                                | <u>8,379,052</u>                                 |
| Net loss per share – basic and diluted .....                          | <u>\$ (0.08)</u>                                 | <u>\$ (0.01)</u>                                 |

## 3. INCOME TAXES

A valuation allowance was provided for deferred tax assets, as the Company is unable to conclude under relevant accounting standards that it is more likely than not that deferred tax assets will be realizable.

## 4. SEGMENT INFORMATION

The Company has two segments of business: North American and International operations. North American operations transacts all sales in North America (US, Canada and Mexico). International operations transacts all other sales. The following table sets forth selected financial data for these segments for the three-month periods ended September 30, 2006 and 2005.

|                                   |               | <b>Three Months Ended September 30</b> |                      |                     |
|-----------------------------------|---------------|--|----------------------|---------------------|
|                                   |               | <u>North America</u>                   | <u>International</u> | <u>Total</u>        |
| Net sales.....                    | 2006          | \$ 1,245,518                           | \$ 389,435           | \$ 1,694,112        |
|                                   | 2005          | <u>\$ 1,233,867</u>                    | <u>\$ 401,086</u>    | <u>\$ 1,634,953</u> |
| Net income (loss) .....           | 2006          | \$ (968,639)                           | \$ 125,436           | \$ (843,203)        |
|                                   | 2005          | <u>\$ (287,983)</u>                    | <u>\$ 163,875</u>    | <u>\$ (124,108)</u> |
| Depreciation and .....            | 2006          | \$ 76,302                              | \$ 1,104             | \$ 77,406           |
|                                   | 2005          | <u>\$ 46,954</u>                       | <u>\$ 435</u>        | <u>\$ 47,389</u>    |
| Interest expense, net .....       | 2006          | \$ 616,078                             | \$ 525               | \$ 616,603          |
|                                   | 2005          | <u>\$ 335,990</u>                      | <u>\$ 1,880</u>      | <u>\$ 337,870</u>   |
| Segment assets September 30,..... | 2006          | \$ 8,928,236                           | \$ 507,616           | \$ 9,435,852        |
|                                   | June 30,..... | <u>\$ 7,625,303</u>                    | <u>\$ 588,313</u>    | <u>\$ 8,213,616</u> |

## 5. REDEEMABLE COMMON STOCK

On July 1, 2002, as part of the Medical & Biological Laboratories Co., Ltd. (MBL) Agreement, MBL purchased shares of the Company's common stock for \$500,000, which MBL can require the Company to repurchase at the same price in the event that a previously existing distribution agreement with RhiGene, Inc. is terminated. For no additional consideration, MBL was also 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 option-pricing 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 the redeemable common stock upon issuance were accreted over the 33-month period to the first date whereupon the put option may be exercised, which was the expiration date of the distribution agreement between the Company and RhiGene, Inc. (March 31, 2005). Furthermore, 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.

On March 31, 2005 our distribution agreement with RhiGene expired, and the Company signed a new distribution and OEM Supply Agreement with MBL International, Inc. ("MBLI"), a wholly owned subsidiary of MBL, which grants the Company non-exclusive rights to distribute MBL's complete diagnostic line of autoimmune testing products in the United States and exclusive distribution rights to the OEM Label products worldwide excluding the United States, Japan, Korea and Taiwan. In addition, on August 1, 2005 the Company and MBL executed an Amendment to the Common Stock Purchase Agreement and Common Stock Purchase Warrant wherein one-half or 440,141 of the original redeemable shares are exchanged for a three-year promissory note payable with interest at prime (6% as of June 30, 2005) plus two percent with payments commencing before September 1, 2005. The shares being exchanged for the promissory note will be returned to the Company quarterly on a pro rata basis as payments are made on the promissory note. As of September 30, 2006, 79,224 redeemable shares have been returned to the Company under this agreement. The remaining 413,733 shares will be redeemable by the Company at \$0.568 per share as of August 1, 2008 for any shares still owned at that time by MBL and only to the extent that MBL has not realized at least \$250,000 in gross proceeds upon the sales of its redeemable shares in the open market for the time period August 1, 2005 through August 30, 2008. Finally, the warrants originally issued to MBL to purchase 880,282 shares have been extended to August 31, 2008 and re-priced from \$0.568 per share to \$0.40 per share.

## 6. STOCK-BASED COMPENSATION

### *Adoption of SFAS 123(R)*

Effective July 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 123 (revised 2004), "*Share-Based Payment*", (SFAS 123(R)) using the modified prospective transition method. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 "*Share-Based Payment*" ("SAB 107") in March 2005, which provides supplemental SFAS 123(R) application guidance based on the views of the SEC. Under the modified prospective transition method, compensation cost recognized in the quarterly period ended September 30, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of July 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted beginning July 1, 2006, based on the grant date fair value estimated in accordance with the provision so SFAS 123(R). In accordance with the modified prospective transition method, results for prior periods have not been restated.

The adoption of SFAS 123(R) resulted in stock compensation expense for the quarterly period ended September 30, 2006 of \$40,375 charged to general and administrative expenses. This expense increased basic and diluted loss per share by less than \$0.01 for the quarter, compared to reported basic and diluted loss per share of \$0.08. The Company did not recognize a tax benefit from the stock compensation expense because the Company considers more than likely than not that the related deferred tax assets, which have been reduced by a full valuation allowance, will not be realized.

The Black-Scholes option-pricing model was used to estimate the option fair values. The option-pricing model requires a number of assumptions, of which the most significant are expected stock price volatility, the expected pre-vesting forfeiture rate and the expected option term (the amount of time from the grant date until the options are exercised or expire). Expected volatility was calculated based upon actual historical stock price movements over recent periods equal to the expected option term. Expected pre-vesting forfeitures were estimated based on actual historical pre-vesting forfeitures over recent periods for the expected option term. The expected option term was calculated using the “simplified” method permitted by SAB 107.

*Pro-Forma Stock Compensation Expense for the Quarterly Period Ended September 30, 2005*

For the quarterly period ended September 30, 2005, the Company applied the intrinsic value method of accounting for stock options as prescribed by APB 25. Since all options granted to employees during the quarterly period ended September 30, 2005 had an exercise price equal to the closing market price of the underlying common stock on the grant date, no compensation expense was recognized. If compensation expense had been recognized based on the estimated fair value of each option granted in accordance with the provisions of SFAS 123 as amended by Statement of Financial Accounting Standard 148, our net loss and net loss per share would have been reduced to the following pro-forma amounts :

|  | <u>Three Months<br/>Ended<br/>September 30,<br/>2005</u> |
|--|--|
| Net loss attributable to common shareholders as reported .....   | \$ (124,108)   |
| Deduct total stock-based employee compensation expense<br>determined under fair-value method for all awards, net of tax..... | \$ (16,977)  |
| Pro forma net loss.....  | \$ (141,085)   |
| Net loss per share, basic and diluted as reported.....   | \$ (0.01)  |
| Net loss per share, basic and diluted pro forma.....   | \$ (0.02)  |

Pro-forma compensation expense under SFAS 123, among other computational differences, does not consider potential pre-vesting forfeitures. Because of these differences, the pro-forma stock compensation expense presented above for the prior quarterly period ended September 30, 2005 under SFAS 123(R) are not directly comparable. In accordance with the modified prospective transition method of SFAS 123(R), the prior comparative quarterly results have not been restated.

*Stock Options as of the Quarterly Period Ended September 30, 2006*

The Company’s Amended and Restated 1999 Incentive Stock Plan and the 2006 Incentive Compensation Plan (the “Plan”) provides for two separate components. The Stock Option Grant Program, administered by the Compensation Committee (the “Committee”) appointed by the Company’s Board of Directors, provides for the grant of incentive and non-statutory stock options to purchase common stock to employees, directors or other independent advisors designated by the Committee. The Restricted Stock Program administered by the Committee, provides for the issuance of Restricted Stock Awards to employees, directors or other independent advisors designated by the Committee.

The following table summarizes stock options outstanding and changes during the quarterly period ended September 30, 2006:

|   | <u>Outstanding Options</u>  |  |  | <u>Aggregate<br/>Intrinsic<br/>Value</u> |
|---|-----------------------------|--|--|--|
|   | <u>Number of<br/>Shares</u> | <u>Weighted<br/>Average<br/>Exercise<br/>Price</u> | <u>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (in<br/>months)</u> |  |
| Options outstanding at June 30, 2006 .....      | 1,262,300                   | 0.404  | 59.74  |  |
| Granted .....                                   | 860,000                     | 0.38   | 83.0   |  |
| Exercised .....                                 | —                           | —  | —  |  |
| Cancelled or forfeited .....                    | —                           | —  | —  |  |
| Options outstanding at September 30, 2006 ..... | 2,122,300                   | 0.394  | 67.38  | \$ 792,592                               |
| Options exercisable at September 30, 2006.....  | 806,633                     | 0.445  | 49.62  | <u>\$ 336,339</u>                        |

The total intrinsic value, or the difference between the exercise price and the market price on the date of exercise, of all options exercised during the quarterly period ended September 30, 2006, was zero as no options were exercised. Consequently, no cash was received, nor did the Company realize any tax deductions related to exercise of stock options during the quarter.

Stock options outstanding and currently exercisable at September 30, 2006 are as follows:

| Range of exercise price | Outstanding options |  |                                 | Exercisable options |                                 |  |
|-------------------------|---------------------|--|---------------------------------|---------------------|---------------------------------|--|
|                         | Number              | Weighted average remaining contractual life (months) | Weighted average exercise price | Number              | Weighted average exercise price |  |
| \$0.001 .....           | 15,000              | 39.9   | 0.001                           | 15,000              | \$ 0.001                        |  |
| 0.625 – 1.375 .....     | 94,100              | 24.2   | 0.84                            | 94,100              | 0.84                            |  |
| 0.30-0.46.....          | 2,009,600           | 71.9   | 0.37                            | 693,933             | 0.38                            |  |
| 3.28.....               | 3,600               | 8.0  | 3.28                            | 3,600               | 3.28                            |  |
|                         | <u>2,122,300</u>    | 67.4   | \$ 0.39                         | <u>806,633</u>      | \$ 0.44                         |  |

Total estimated unrecognized compensation cost from unvested stock options as of September 30, 2006 was approximately \$437,787 which is expected to be recognized over a weighted average period of approximately 28.6 months.

The weighted average per share fair value of stock options granted during the quarterly periods ending September 30, 2006 and 2005 was \$0.38 and \$0.30, respectively. The fair value was estimated as of the grant date using the Black-Scholes option pricing model with the following assumptions:

|                              | Three Months Ended September 30, |         |
|------------------------------|----------------------------------|---------|
|                              | 2006                             | 2005    |
| Volatility.....              | 111.5%                           | 159.9%  |
| Expected option term.....    | 7 years                          | 7 years |
| Risk-free interest rate..... | 4.39%                            | 3.30%   |
| Expected dividend yield..... | 0%                               | 0%      |

In addition to the stock options discussed above, the Company recognized share-basis compensation expense related to Restricted Stock awards, of \$3,333 for the three months ended September 30, 2006. No such share-based compensation expense was recognized for the quarter ended September 30, 2005. The following table summarizes Non-vested Restricted Stock and the related activity as of and for the quarter ended September 30, 2006:

|                                       | Shares  | Weighted Average Grant-Date Fair Value |
|---------------------------------------|---------|--|
| Non-vested at July 1, 2006 .....      | 100,000 | \$ 0.40                                |
| Granted .....                         | 0       | —                                      |
| Non-vested at September 30, 2006..... | 100,000 | \$ 0.40                                |

## 7. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

*FAS 155 Disclosure.* In February 2006, the FASB issued SFAS No. 155 “Accounting for Certain Hybrid Financial Instruments”. This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, “Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.” SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit

risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company has not yet determined the impact of the adoption of FAS 155 on its financial statements, if any.

SFAS No. 156 Disclosure, "Accounting for Servicing of Financial Assets-An Amendment to FASB Statement No. 140" In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets-an amendment to FASB Statement No. 140 ("SFAS 156"). SFAS 156 requires that all separately recognized servicing rights be initially measured at fair value, if practicable. In addition, this statement permits an entity to choose between two measurement methods (amortization method or fair value measurement method) for each class of separately recognized servicing assets and liabilities. SFAS 156 is effective for the Company January 1, 2007. The Company does not believe that the adoption of SFAS 156 will have a material impact on its consolidated financial statements.

FASB Interpretation No. 48 Disclosure, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109. In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation clarifies the application of SFAS 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for the Company July 1, 2007. At this time, we have not completed our review and assessment of the impact of adoption of FIN 48.

FAS 157 "Fair Value Measurements". In September, 2006, the FASB issued Statement No. 157 "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently assessing the impact that SFAS 157 will have on our results of operations and financial position.

## **8. NOTES PAYABLE**

Notes payable consist of the following at September 30, 2006 and June 30, 2005:

|   | <u>September 30, 2006</u> | <u>June 30, 2006</u> |
|---|---------------------------|----------------------|
| Secured, amortizing convertible term note payable to institutional investors, net of discount of \$395,278, with interest at the greater of 12%, as adjusted by a stock trading formula, or prime plus 3% (11.75% as of September 30, 2006), interest only from June 1, 2005 through October 1, 2005 and then due in monthly installments of \$55,667 plus interest through May 19, 2008, collateralized by commercial security agreements and a partial guaranty by an officer of the company..... | \$ 660,886                | \$ 695,740           |
| Secured, amortizing convertible term note payable to institutional investors, net of discount of \$830,885, with interest at the greater of 12%, as adjusted by a stock trading formula, or prime plus 3% (11.75% as of September 30, 2006), interest only from December 28, 2005 through June 1, 2006 and then due in monthly installments of \$50,000 plus interest through December 28, 2008, collateralized by commercial security agreements.....  | 469,115                   | 415,187              |
| Secured, non-amortizing convertible term note payable to institutional investors, with interest at the greater of 12%, as adjusted by a stock trading formula, or prime plus 3% (11.75% as of September 30, 2006), interest only payments commencing June 1, 2005 until May 19, 2008, collateralized by commercial security agreements .....  | 500,000                   | 500,000              |
| Secured, restricted, non-amortizing convertible term note payable to institutional investors, with interest at prime (8.25% at September 30, 2006), interest only payments commencing June 1, 2005 until the earlier of May 19, 2008 or the date the proceeds to the company are no longer restricted, collateralized by commercial security agreements....   | 250,000                   | 250,000              |
| Note payable, unsecured, to redeemable common stockholders, with interest at prime plus 2.0% (10.25% at June 30, 2006) due in monthly installments with principal payments ranging from \$5,000 to \$10,000 plus interest through August 2008 .....   | <u>180,000</u>            | <u>200,000</u>       |
|   | 2,060,001                 | 2,060,927            |
| Current portion, net of current portion of discount .....   | <u>(849,156)</u>          | <u>(770,151)</u>     |
| Notes payable, excluding current portion .....  | <u>\$ 1,210,845</u>       | <u>\$ 1,290,776</u>  |

The convertible notes payable restrict the payment of dividends on the Company's common stock.

## 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 clinical laboratories. We currently market 51 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 direct sales representatives, 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 significant 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 service fees from research and development agreements with strategic partners.

Beginning in fiscal year 1996, we began adding third-party OM 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 research and development payments 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.

### **Recently Issued Accounting Pronouncements**

*FAS 155 Disclosure.* In February 2006, the FASB issued SFAS No. 155 “Accounting for Certain Hybrid Financial Instruments”. This Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, “Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.” SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, and establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instruments that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after September 15, 2006. The Company has not yet determined the impact of the adoption of FAS 155 on its financial statements, if any.

*SFAS No. 156 Disclosure, “Accounting for Servicing of Financial Assets-An Amendment to FASB Statement No. 140”.* In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets-an amendment to FASB Statement No. 140 (“SFAS 156”). SFAS 156 requires that all separately recognized servicing rights be initially measured at fair value, if practicable. In addition, this statement permits an entity to choose between two measurement methods (amortization method or fair value measurement method) for each class of separately recognized servicing assets and liabilities. SFAS 156 is effective for the Company January 1, 2007. The Company does not believe that the adoption of SFAS 156 will have a material impact on its consolidated financial statements.

*FASB Interpretation No. 48 Disclosure, “Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109.* In July 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109” (“FIN 48”). This interpretation clarifies the application of SFAS 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise’s financial statements and also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. FIN 48 is effective for the Company January 1, 2007. At this time, we have not completed our review and assessment of the impact of adoption of FIN 48.

*FAS 157 “Fair Value Measurements”.* In September, 2006, the FASB issued Statement No. 157 “Fair Value Measurements”. SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently assessing the impact that SFAS 157 will have on our results of operations and financial position.

## 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 results could differ significantly from those estimates.

The Company disclosed in Note 1 to its consolidated financial statements included in the Form 10-KSB those accounting policies that it considers to be significant in determining its results of operations and financial position. Other than the Company's compliance with the new accounting requirements of SFAS No. 123(R), as described below, there have been no material changes to or application of the accounting policies previously identified and described in the Form 10-KSB.

Prior to July 1, 2006, the Company accounted for stock option awards granted under the Company's Incentive Compensation Plan in accordance with the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, ("APB 25") and related Interpretations, as permitted by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, ("SFAS 123). Share-based employee compensation expense was not recognized in the Company's consolidated statements of operations prior to July 1, 2006 as all stock option awards granted to employees had an exercise price equal to or greater than the market value of the common stock on the date of the grant. As permitted by SFAS 123, the Company reported pro-forma disclosures presenting results and earnings (loss) per share as if the Company had used the fair value recognition provisions of SFAS 123 in the Notes to Consolidated Financial Statements. Stock-based compensation related to non-employees were accounted for based on the fair value of the related stock or options in accordance with SFAS 123 and its interpretations.

Effective July 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standard No. 123 (revised 2004), *Share-Based Payment*, (SFAS 123(R)) using the modified prospective transition method. See Note 2 for further detail on the impact of SFAS 123(R) to the Company's consolidated financial statements.

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 that 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 began to be amortized commencing when the website was 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 from sale of products is recognized upon shipment of products.

Revenue from research and development contracts represents amounts earned pursuant to agreements to perform research and development activities for third parties and is recognized as earned under the respective agreement. Because research and development services are provided evenly over the contract period, revenue is recognized ratably over the

contract period. Research and development agreements in effect in 2006 and 2005 provided for fees to the Company based on time and materials in exchange for performing specified research and development functions. 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**

### *Three Months Ended September 30, 2006 compared to 2005*

*Net sales.* Net sales for the quarter ended September 30, 2006 were \$1,694,112, a 3.6% increase from \$1,634,953 in the first quarter of fiscal 2005. North American sales increased 0.9% while sales to international distributors decreased 2.9% from year to year. A significant reason for the small size of the increase in sales for the quarter was related to the relocation into new facilities both in the United States and the UK with the resultant manufacturing, shipping and receiving shut-down during the first half of July 2006. With respect to the Company's major product lines, Phospholipids kit sales increased 17.2% for the quarter, Coagulation kit sales decreased 6.8%, HA kit sales decreased 23.8%, whereas Autoimmune kit sales increased 20.0%. Additionally, OEM/contract manufacturing revenues decreased 5.3%. Sales of products manufactured for us by other companies while still relatively small, are expected to continue to increase during fiscal 2007.

*Cost of sales.* Cost of sales, as a percentage of sales, increased to 38.1% for the quarter ended September 30, 2006 from 35.6% in 2005 primarily due to product mix reduction from higher gross margin products in addition to higher direct labor and material costs.

*Selling and marketing.* For the quarter ended September 30, 2006, selling and marketing expenses increased 28.2% to \$487,986 from \$380,712 in 2005. The increase was due to increases in consulting fees, labor-related expenses, travel-related expenses, rent and office supplies.

*Research and development.* Research and development expenses increased 81.1% to \$232,687 for the quarter ended September 30, 2006 from \$128,510 in 2005. This increase involved increases in labor-related costs, consulting, clinical studies, conventions and seminars, rent, product testing and travel-related expenses. The Company's accelerated efforts in the development of their HA, Aspirin Effectiveness and AtherOx products in addition to their submission of their applications to the FDA were the primary reasons for the significantly increased expenses in this area.

*General and administrative.* For the quarter ended September 30, 2006, general and administrative expenses increased \$266,197 or 80.6% to \$596,300 from \$330,103 in 2005. This increase was attributable to increases in labor-related expenses, bank charges, outside services, sales and use taxes, kitchen and office supplies.

*Interest expense.* Interest expense increased 82.5% to \$616,603 for the quarter ended September 30, 2006 from \$337,870 in 2005 due primarily to the amortization of deferred financing costs and discount on the notes payable as a result of the recently completed private debt placement.

## **Liquidity and Capital Resources**

Cash used in operating activities was \$594,149 for the current fiscal quarter compared to cash used in operating activities of \$152,889 during the prior year's first fiscal quarter. The increase in cash used in operations resulted primarily from the larger net loss for the current quarter in addition to increases in inventories and accounts receivable, prepaid expenses and other assets. The substantial increase in inventories from year to year was primarily due to increases in overhead as a result of the move to a considerably larger facility, plus increases in direct labor costs, purchases of raw materials and freight charges. 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 financially sound enterprises.

Net cash used by investing activities, the purchase of equipment, was \$192,733 in the quarter compared to \$16,710 for the prior year's same quarter. The increase was mainly attributable to increased spending on laboratory, refrigeration and manufacturing equipment in addition to data processing equipment.

Net cash used by financing activities amounted to \$258,579 during the recent quarter compared to \$6,149 in the prior fiscal year. This increase in cash used versus the comparable prior year was primarily due to increased cash payments on notes payable and capital lease obligations.

Historically, we have financed our operations primarily through long-term debt and the sales of common, redeemable common and preferred stock. We have also financed operations through sales of diagnostic products and agreements with strategic partners. Accounts receivable increased 6.7% to \$1,454,722 from \$969,458 in 2005 primarily as a result of sales increases in addition to a slight slowdown in collections during the period.

Our future capital requirements will depend on a number of factors, including the ability to complete new equity or debt financing, the possible redemption of common stock, our profitability or lack thereof, 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 raised from the private sale of secured convertible term notes and the sale of redeemable common, common and preferred stock, the bridge note from Genesis, and long-term bank debt financing. We believe that our current availability of cash, working capital, proceeds from the issuance of preferred or common stock and debt financing and expected cash flows from operations, taking into consideration the increased sales volume the Company experienced in fiscal 2006, will be adequate to meet our ongoing needs for at least the next twelve months.

### **Off -Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Contractual Obligations and Commitments**

On February 8, 2006, Corgenix Medical Corporation (the "Company") entered into a Lease Agreement (the "Lease") with York County, LLC, a California limited liability company ("Landlord") pursuant to which the Company will lease approximately 32,000 rentable square feet (the "Property") of Landlord's approximately 102,400 square foot building, commonly known as Broomfield One and located at 11575 Main Street, Broomfield, Colorado 80020. The Property is part of Landlord's multi-tenant real property development known as the Broomfield Corporate Center. The Company will use the Property for its headquarters, laboratory research and development facilities and production facilities.

The term of the Lease (the "Term") is seven years and five months commencing on the Commencement Date [July 15, 2006] with tenant options to extend the Term for up to two periods of five years each. We have a one time right of first refusal to lease contiguous premises.

The initial base lease rate payable on the 25,600 square foot portion of the premises is \$0.00 per square foot, plus estimated operating expenses of \$1.61 per square foot.

The base lease rate payable on the 25,600 square foot portion of the premises increases to \$4.00 per square foot on September 1, 2006, plus amortization of tenant improvements of \$5.24 per square foot, plus estimated operating expenses of \$1.61 per square foot. The base lease rate on the 25,600 square foot portion of the premises increases to \$5.64 per square foot on September 1, 2007, with fixed annual increases each September 1 thereafter during the initial Term, plus the amortization of tenant improvements of \$5.24 per square foot, and estimated operating expenses of \$1.61 per square foot.

The initial base lease rate payable on the 6,400 square foot portion of the premises is \$0.00 per square foot, plus estimated operating expenses of \$1.61 per square foot. The base lease rate on the 6,400 square foot portion of the premises increases to \$3.00 per square foot commencing on April 1, 2007, and increases to \$3.07 on September 1, 2007, with fixed annual increases each September 1 thereafter during the initial Term, plus estimated operating expenses of \$1.61 per square foot.

Thus, the estimated total base rent on the whole (32,000 sf) of the premises is initially \$1.61 per square foot, then increases to an estimate of \$9.00 per square foot on September 1, 2006, then increases to an estimate of \$9.60 per square foot on April 1, 2007, then increases to an estimate of \$10.93 per square foot on September 1, 2007, with annual increases in the base lease rate each September 1 thereafter during the initial Term, up to an estimated total base rent of \$12.84 per square foot during the final year of the initial Term.

Additionally, the base rent on the premises is abated one day for each one day that the commencement date occurred after May 15, 2006.

The base lease rate for an extension period is 100% of the then prevailing market rental rate (but in no event less than the rent for the last month of the then current Term) and shall thereafter increase annually by 3% for the remainder of the applicable extension period.

### **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 the end of the period covered by 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 capital requirements, acquisition strategies, strategic partnership expectations, technological developments, the development, 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.

An investment in Corgenix entails certain risks that should be carefully considered. In addition, these risk factors could cause actual results to differ materially from those expected include the following:

#### **We continue to incur losses and are likely to require additional financing.**

We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception have aggregated \$10,222,759 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 changes from our budget, we believe that we will have sufficient cash to satisfy our needs for at least the next twelve months. If we are not able to operate profitably and generate positive cash flows, we will undoubtedly need to raise additional capital, most likely via the sale of equity securities, to fund our operations. If we do in fact 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, marketing and administrative activities any of which could have a material adverse effect on the future of the business.

#### **We depend upon collaborative relationships and third parties for product development and commercialization.**

We have historically entered into research and development agreements with collaborative partners, from which we derived 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 be forced to undertake such activities entirely at our own expense. The amount and timing of resources that any of these partners devotes to these activities may be based on progress by us in our product development efforts. 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.

**There can be no assurance of successful or timely development of additional products.**

Our business strategy includes the development of additional diagnostic products for the diagnostic 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 ability to remain competitive in our product niches would be impaired.

**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 and biotechnology 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 also greater than ours. Moreover, the diagnostics industry continues to demonstrate a degree of consolidation, whereby some 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.

**Our products and activities are subject to regulation by various governments and government agencies.**

The testing, manufacture and sale of our products is subject to regulation by numerous governmental authorities, principally the United States Food and Drug Administration 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 limited in our ability to commence marketing or commercial sales in the United States of new products under development until we receive clearance or approval 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 pre-market 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 negatively impact our sales and thus have a material adverse effect on our business.

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 reports 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. 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 would decrease our net income or increase our net loss and thus have a potentially material adverse effect upon our business, financial conditions and results of operations.

Distribution of diagnostic products outside the United States is subject to extensive foreign 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 United States commercial distribution may be subject to FDA export restrictions. Failure to obtain necessary regulatory approval or the failure to comply with regulatory requirements could reduce our product sales and thus have a potentially material adverse effect on our business, financial condition and results of operations.

**We depend upon 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 reduce our sales and cash flow and thus have a potentially material adverse effect on our business, financial condition and results of operations.

**Third party reimbursement for purchases of our diagnostic products is uncertain.**

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 purchase. 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.

**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 patent will afford meaningful protection against a competitor, or that patents issued or licensed 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. The potential for reduced sales and increased legal expenses would have a negative impact on our cash flow and thus our overall business could be adversely affected.

**We may not be able to successfully implement our plans to acquire other companies or technologies.**

Our growth strategy includes the acquisition of 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, which could result in significant dilution to its existing stockholders. If we do complete one or more acquisitions, a number of risks arise, such as disruption of our existing business, 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. Any of these factors could materially harm Corgenix's business or its operating results.

**We depend on suppliers for our products' components.**

The components of our products include chemical, biological and packaging supplies that are generally available from several suppliers, except certain antibodies and other critical components, which we purchase 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. If, for some reason, we lose our main supplier for a given material, 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 impair the manufacturing of certain of our products and thus have a material adverse effect on our business, financial condition and results of operations.

**We have only 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 limited 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.

**Due to the specialized nature of our business, our success will be highly dependent upon our ability to attract and retain qualified scientific and executive personnel.**

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.

**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. 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 cash flow and thus potentially a materially adverse effect on our business, financial condition and results of operations.

**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. These broad market fluctuations and other factors, such as new product developments, trends in our industry, the investment markets, economic conditions generally, and 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." Such rules require the delivery prior to any penny stock transaction of a disclosure schedule

explaining the penny stock market and all associated risks and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, which are generally defined as institutions or an investor with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with the spouse. For these types of transactions the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in securities subject to the penny stock rules.

**There are risks associated with fluctuating 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 adversely affected.

**CORGENIX MEDICAL CORPORATION**

**PART II**

**Other Information**

**Item 1. Legal Proceedings**

None

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None

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

None

**Item 5. Other Information**

None

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

**a. Index to and Description of Exhibits.**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| 31.1*                 | Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2*                 | Certification of Chief Financial Officers pursuant to section 302 of the Sarbanes-Oxley Act of 2002.   |
| 32.1*                 | Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, or adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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\* Filed herewith.

**(b) Reports on Form 8-K.**

1. Form 8-K filed October 3, 2006 *Results of Operation and Financial Condition.*

**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**

November 14, 2006

By: /s/ Douglass T. Simpson  
Douglass T. Simpson  
President and Chief Executive Officer  
**(Principal Executive Officer)**

By: /s/ William H. Critchfield  
Chief Financial Officer  
**(Principal Financial and Accounting Officer)**

**CERTIFICATION**

I, Douglass T. Simpson, President and 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 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 small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of registrant's board of directors:
  - (a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 14, 2006

/S/Douglass T. Simpson  
President and Chief Executive Officer

**CERTIFICATION**

I, William H. Critchfield, Senior Vice President and 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 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 small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of registrant's board of directors:
  - a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 14, 2006

/S/William H. Critchfield

Senior Vice President and Chief Financial Officer

**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), the undersigned officers of Corgenix Medical Corporation, a Nevada corporation (the “Company”), does hereby certify with respect to the Quartely Report of the Company on Form 10-QSB for the quarter ended September 30, 2005 as filed with the Securities an 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: November 14, 2006

**This Certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.**

**A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This written statement shall not be deemed to be “filed” as part of the quarterly report on Form 10-QSB that it accompanies.**

/S/Douglass T. Simpson  
President and Chief Executive Officer

/S/William H. Critchfield  
Senior Vice President and Chief Financial Officer