

REGI U S INC  
Form 10QSB/A  
March 22, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-QSB/A**

(Mark One)

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

For the quarter ended **July 31, 2004**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **0-23920**

**REGI U.S., INC.**

(Name of Small Business Issuer in its Charter)

**Oregon**

(State or Other Jurisdiction of  
incorporation or organization)

**91-1580146**

(I.R.S. Employer  
Identification No)

**#1103-11871 Horseshoe Way  
Richmond, BC V7A 5H5 Canada**  
(Address of Principal Executive Offices)

**(604) 278-5996**

Issuer's Telephone Number

(Former Name or Former Address, 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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes  No

(2) Yes  No

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

**Not applicable**

(APPLICABLE ONLY TO CORPORATE ISSUERS)

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

**September 10, 2004**

**Common - 22,411,055 shares**

DOCUMENTS INCORPORATED BY REFERENCE

A description of any "Documents Incorporated by Reference" is contained in Item 6 of this Report.

Transitional Small Business Issuer Format Yes  No

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**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements

The Financial Statements of the Company required to be filed with this 10-QSB Quarterly Report were prepared by management and commence on the following page, together with related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Company.

REGI U.S. Inc.  
(A Development Stage Company)  
Interim Financial Statements  
July 31, 2004  
(Unaudited)

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REGI U.S. Inc.  
(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

JULY 31, 2004  
(Expressed in U.S. Dollars)

F-i

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REGI U.S. Inc.  
(A Development Stage Company)  
Balance Sheets  
(expressed in U.S. dollars)

	July 31, 2004 \$ (unaudited)	April 30, 2004 \$ (audited)
<b>Assets</b>		
<b>Current Assets</b>		
Cash	-	-
Amounts receivable	3,000	3,000
Prepaid expenses	6,250	-
<b>Total Current Assets</b>	<b>9,250</b>	<b>3,000</b>
Intangible Assets (Note 3)	68,029	64,865
<b>Total Assets</b>	<b>77,279</b>	<b>67,865</b>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Bank indebtedness	5,797	3,133
Accounts payable	76,415	77,950
Accrued liabilities	14,399	8,300
Due to related parties (Note 5)	168,233	136,923
<b>Total Liabilities</b>	<b>264,844</b>	<b>226,306</b>
<b>Commitments and Contingent Liabilities (Notes 1 and 6)</b>		
<b>Subsequent Event (Note 8)</b>		
<b>Stockholders' Deficit</b>		
Common Stock (Note 4), 50,000,000 shares authorized without par value; 22,381,055 and 22,231,055 shares issued and outstanding respectively		
	5,645,215	5,610,451
Common Stock Subscribed	12,500	-
Donated Capital (Note 5)	435,000	397,500
Deferred Compensation	(36,805)	(27,829)
Deficit Accumulated During the Development Stage	(6,243,475)	(6,138,563)
<b>Total Stockholders' Deficit</b>	<b>(187,565)</b>	<b>(158,441)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>77,279</b>	<b>67,865</b>

(The accompanying notes are an integral part of the financial statements)

REGI U.S. Inc.  
(A Development Stage Company)  
Statements of Operations  
(expressed in U.S. dollars)  
(unaudited)

	Accumulated from July 27, 1992 (Inception) To July 31, 2004 \$	Three Months Ended July 31, 2004                      2003 \$                              \$	
Revenue	-	-	-
Administrative Expenses			
Bad debts	2,792	-	
Bank charges and interest	11,817	161	108
Consulting services (Note 5)	411,000	37,500	45,000
Foreign exchange loss (gain)	2,857	(651)	(53)
Interest on debentures	12,593	-	-
Investor relations    publications	330,882	7,732	-
Investor relations    consulting	604,965	10,766	-
Office, rent and telephone (Note 5)	177,447	5,284	1,500
Professional fees	396,838	3,742	2,268
Stock-based compensation	459,387	22,237	5,000
Transfer agent and regulatory fees	108,796	20	-
Travel	27,141	-	-
Less: interest and other income	(16,788)	-	-
accounts payable written-off	(15,818)	-	-
	2,513,909	86,791	53,823
Research and Development Expenses			
Intellectual property (Note 3)	578,509	-	-
Amortization	126,480	1,239	1,166
Market development	93,146	-	-
Professional fees	73,904	-	-
Project management fees	321,051	11,051	-
Project overhead	211,588	-	-
Prototype design and construction contracts, net of recoveries	1,355,896	-	-
Royalties	93,000	-	-
Technical prototype design consulting (Note 5)	599,009	5,831	7,500
Technical reports	29,050	-	-
Technical salaries	169,467	-	-
Travel	177,533	-	-
Less: accounts payable written off	(99,067)	-	-
	3,729,566	18,121	8,666
Net Loss for the Period	(6,243,475)	(104,912)	(62,489)
Net Loss Per Share    Basic	-	(0.01)	(0.01)
Weighted Average Shares Outstanding		22,331,000	17,777,000

(Diluted loss per share has not been presented as the result is anti-dilutive)

(The accompanying notes are an integral part of the financial statements)

F-2

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REGI U.S. Inc.  
(A Development Stage Company)  
Statements of Cash Flows  
(expressed in U.S. dollars)  
(unaudited)

	Accumulated From July 27, 1992 (Inception) to July 31, 2004 \$	Three Months Ended July 31, 2004 \$		2003 \$
<b>Cash Flows to Operating Activities</b>				
Net loss for the period	(6,243,475)	(104,912)		(62,489)
<b>Adjustments to reconcile net loss to net cash used by operating activities</b>				
Accounts payable written-off	(102,688)	-		-
Amortization	126,480	1,239		1,166
Donated services	435,000	37,500		52,500
Intellectual property written off	578,509	-		-
Stock-based compensation	462,938	25,788		5,000
<b>Changes in operating assets and liabilities</b>				
Amounts receivable	(3,000)	-		-
Prepaid expense	(6,250)	(6,250)		
Accounts payable and accrued liabilities	201,659	4,564		953
<b>Net Cash Used by Operating Activities</b>	<b>(4,550,827)</b>	<b>(42,071)</b>		<b>(2,870)</b>
<b>Cash Flows from Financing Activities</b>				
Proceeds from convertible debenture	5,000	-		-
Subscriptions received	38,468	12,500		-
Shares issued	4,273,252	-		-
Increase in due to related parties	456,079	31,310		5,208
<b>Net Cash Provided by Financing Activities</b>	<b>4,772,799</b>	<b>43,810</b>		<b>5,208</b>
<b>Cash Flows to Investing Activities</b>				
Purchase of property and equipment	(24,947)	-		-
Patent protection costs	(202,822)	(4,403)		(2,335)
<b>Net Cash Used by Investing Activities</b>	<b>(227,769)</b>	<b>(4,403)</b>		<b>(2,335)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(5,797)</b>	<b>(2,664)</b>		<b>3</b>
Cash and Cash Equivalents - Beginning of Period	-	(3,133)		87
Cash and Cash Equivalents - End of Period	(5,797)	(5,797)		90
<b>Non-Cash Investing and Financing Activities</b>				
Stock-based compensation	462,938	25,788		5,000
Shares issued to settle debt	496,000	-		-
Shares issued for convertible debenture	5,000	-		-
Shares issued for intellectual property	345,251	-		-
Affiliate's shares issued for intellectual property	200,000	-		-
<b>Supplemental Disclosures</b>				
Interest paid	12,593	-		-



Income tax paid

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(The accompanying notes are an integral part of the financial statements)

F-3

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

1. Nature of Operations and Continuance of Business

REGI U.S., Inc. herein ("the Company") was incorporated in the State of Oregon, U.S.A. on July 27, 1992.

The Company is a development stage company engaged in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam/Direct Charge Engine ("The RC/DC Engine"). The world-wide marketing and intellectual rights, other than the U.S., are held by Rand Energy Group Inc. ("Rand"), which is a major shareholder of the Company. The Company owns the U.S. marketing and intellectual rights and has a project cost sharing agreement, whereby it will fund 50% of the further development of the RC/DC Engine and REGI will fund 50%.

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company has suffered recurring operating losses as is normal in development stage companies. The Company also has a working capital deficit of \$255,594. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

The Company plans to raise funds through loans from a shareholder, Rand. Rand owns approximately 18% of the shares of the Company, having an approximate current market value of \$1,224,000 as at September 15, 2004, and plans to sell shares as needed to meet ongoing funding requirements if traditional equity sources of financing prove to be insufficient. The Company receives interim support from its ultimate parent company and other affiliated companies and plans to raise additional capital through debt and/or equity financings. There continues to be insufficient funds to provide enough working capital to fund ongoing operations for the next twelve months. The Company may raise additional funds through the exercise of warrants and stock options, if exercised.

2. Summary of Significant Accounting Policies

(a) Fiscal year

The Company's fiscal year end is April 30.

(b) Basis of Accounting

These financial statements are prepared in conformity with accounting principles generally accepted in the United States and are presented in U.S. dollars.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

F-4

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

2. Summary of Significant Accounting Policies (continued)

(e) Intangible Assets

Intangible assets represent legal costs incurred in establishing patents. These costs are being amortized on a straight-line basis over 20 years. The useful life of the patent is determined by management and is not to exceed the legal life. No amortization is provided on capitalized patent costs until such time as the patent has been granted.

(f) Long-Lived Assets

In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes an impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

(g) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. The financial statements of the Company are translated to United States dollars in accordance with SFAS No. 52 "Foreign Currency Translation". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

(h) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted SFAS No. 109 as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

(i) Revenue Recognition

Product sales are recognized at the time goods are shipped. System and project revenue are recognized utilizing the percentage of completion method that recognizes project revenue and profit during construction based on expected total profit and estimated progress towards completion during the reporting period. All related costs are recognized in the period in which they occur. Revenue from licensing the right for others to use the technology is recognized as earned over time and collection is

certain.

(j) Research and Development

The Company is in the development stage and all costs relating to research and development are charged to operations as incurred.

(k) Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. As at April 30, 2004 and 2003, the Company has no items that represent comprehensive income and, therefore, has not included a schedule of comprehensive income in the financial statements.

F-5

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

2. Summary of Significant Accounting Policies (continued)

(l) Stock-Based Compensation

The Company accounts for stock-based awards using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under the intrinsic value method of accounting, compensation expense is recognized if the exercise price of the Company's employee stock options is less than the market price of the underlying common stock on the date of grant.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123), established a fair value based method of accounting for stock-based awards. Under the provisions of SFAS 123, companies that elect to account for stock-based awards in accordance with the provisions of APB 25 are required to disclose the pro forma net income (loss) that would have resulted from the use of the fair value based method under SFAS 123.

During the year, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an Amendment of FASB Statement No. 123" (SFAS 148), to require more prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

The pro forma information is as follows:

	Three Months Ended	
	July 31, 2004	July 31, 2003
	\$	\$
	(unaudited)	(unaudited)
Net loss - as reported	(104,912)	(62,489)
Add: Stock-based compensation expense included in net loss - as reported	22,237	-
Deduct: Stock-based compensation expense determined under fair value method	(22,237)	-
Net loss - pro forma	(104,912)	(62,489)
Net loss per share (basic) - as reported	(0.01)	(0.01)
Net loss per share (basic) - pro forma	(0.01)	(0.01)
The assumptions used are as follows:		
Expected dividend yield	0%	
Risk-free interest rate	3.5%	
Expected volatility	203%	
Expected option life (in years)	3	

(m) Basic and Diluted Net Income (Loss) per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, "Earnings per Share" (SFAS 128). SFAS 128 requires presentation of both basic and diluted earnings per shares (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible preferred stock, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive.

F-6

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

2. Summary of Significant Accounting Policies (continued)

(n) Financial Instruments

The carrying value of cash, amounts receivable, accounts payable, accrued liabilities and due to related parties approximate fair value due to the relatively short maturity of these instruments.

(o) Recent Accounting Pronouncements

In December 2003, the United States Securities and Exchange Commission issued Staff Accounting Bulletin No. 104, "Revenue Recognition" (SAB 104), which supersedes SAB 101, "Revenue Recognition in Financial Statements." The primary purpose of SAB 104 is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, which was superseded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104. The adoption of SAB 104 did not have a material impact on the Company's financial statements.

(p) Interim Financial Statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

3. Intangible Assets

	Cost	Accumulated Amortization	July 31, 2004 Net Carrying Value	April 30, 2004 Net Carrying Value
	\$	\$	\$ (unaudited)	\$ (audited)
Patents - RC/DC Engine	102,403	34,374	68,029	64,865

(a) On August 20, 1992 the Company acquired the U.S. rights to the original Rand Cam-Engine from REGI by issuing 5,700,000 shares at a fair value of \$0.01 per share. REGI will receive a 5% net profit royalty. The \$57,000 was charged to operations as research and development.

(b) Pursuant to an agreement with a former director, the Company acquired the U.S. rights to the improved axial vane rotary engine known as the RC/DC Engine. In consideration for the transferred technology, the former director was issued 100,000 shares of Reg Technologies Inc. ("REG") (a public company owning 51% of REGI) with a fair value of \$200,000. The \$200,000 was charged to operations as



research and development. A 1% net profit royalty will be due to the former director.

- (c) Pursuant to a letter of understanding dated December 13, 1993 between the Company, REGI and REG (collectively called the grantors) and West Virginia University Research Corporation ("WVURC"), the grantors have agreed that WVURC shall own 5% of all patented technology and will receive 5% of all net profits from sales, licences, royalties or income derived from the patented technology.

F-7

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

4. Common Stock

(a) Stock Option Plan

The Company has a Stock Option Plan to issue up to 2,500,000 shares to certain key directors and employees, approved April 30, 1993 and amended December 5, 2000. Pursuant to the Plan the Company has granted stock options to certain directors and employees.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price \$
Outstanding, April 30, 2003 (audited)	1,850,000	0.20
Granted	350,000	0.27
Exercised	(100,000)	0.20
Cancelled	(200,000)	0.20
Outstanding, April 30, 2004 (audited)	1,900,000	0.21
Granted	46,500	0.25
Expired	(400,000)	0.20
Outstanding, July 31, 2004 (unaudited)	1,546,500	0.21
Exercisable at end of period	1,486,625	0.22

Additional information regarding options outstanding as at July 31, 2004 is as follows:

Exercise price \$	Number of shares	Outstanding Weighted average remaining contractual life (years)	Weighted average exercise price \$	Exercisable	
				Number of shares	Weighted average exercise price \$
0.20-0.35	1,546,500	3.0	0.21	1,486,625	0.22

The fair value for options granted was estimated at the date of grant using the Black-Scholes option-pricing model under the Black-Scholes option-pricing model the weighted average fair value of stock options granted during the year was \$0.23.

REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

4. Common Stock (continued)

(b) Share Purchase Warrants

The following table summarizes the continuity of the Company's warrants:

	Number of shares	Weighted average exercise price \$
Balance, April 30, 2003 (audited)		
Issued	973,120	0.21
Exercised	(550,000)	0.16
Expired	(250,000)	0.30
Balance, April 30, 2004 (audited) and July 31, 2004 (unaudited)	173,120	0.20

At July 31, 2004, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
173,120	\$0.20	January 7, 2005

(c) Performance Stock Plan

The Company has allotted 2,500,000 shares to be issued pursuant to a Performance Stock Plan approved and registered on June 27, 1997. Compensation is recorded when the conditions to issue shares are met at their then fair market value. There are no options currently granted pursuant to this plan.

(d) Non-cash Consideration

Shares issued for non-cash consideration were valued based on the fair market value of the services provided. During the year, the Company issued a total of 150,000 shares of common stock for consulting services. These shares were issued at an aggregate fair value of \$24,000 for services rendered. The Company charged \$3,551 to operations for the pro-rata portion of services performed during the period.

(e) Private Placement

The Company has offered a private placement subscription for up to 4,000,000 units of the Company at a purchase price of \$0.25 per unit. Each unit will consist of one common share of the Company and one-half non-transferable share purchase warrant. Each two one-half warrants may be exercised within one year of the date of issuance to the purchaser at a price of \$0.35. As at July 31, 2004, the Company had received \$12,500 in subscriptions.

5. Related Party Transactions/Balances

- (a) Amounts owing to related parties are unsecured, non-interest bearing and are due on demand. These companies are related through significant ownership of the Company, having common officers and directors, and sharing the same office.
- (b) The value of consulting services of \$22,500 (2004 - \$30,000) was contributed by the President, CEO and director of the Company and charged to operations and treated as donated capital.
- (c) The value of consulting services of \$7,500 (2004 - \$7,500) was contributed by the Vice President and director of the Company and charged to operations and treated as donated capital.

F-9

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REGI U.S. Inc.  
(A Development Stage Company)  
Notes to Financial Statements  
(expressed in U.S. dollars)

5. Related Party Transactions/Balances (continued)

- (d) The value of consulting services of \$7,500 (2004 - \$7,500) was contributed by the CFO, COO and director of the Company and charged to operations and treated as donated capital.
- (e) The value of technical consulting services of \$Nil (2004 - \$7,500) was charged to research and development expenses and treated as donated capital.
- (f) Rent of \$964 (2004 - \$Nil) was paid to a company having common officers and directors.
- (g) Project management fees of \$7,500 (2004 - \$Nil) were paid to a company having common officers and directors.

6. Commitments and Contingent Liabilities

- (a) The Company is committed to fund 50% of the further development of the RC/DC Engine.
- (b) See Note 1 for substantial doubt about continuing as a going concern.
- (c) On July 27, 2004, the Company entered into a consulting agreement for online marketing services. The consultant is to receive \$15,000 for services to be rendered. \$5,000 is currently due and has been accrued, \$5,000 is due after 30 days and the remaining \$5,000 is due after 60 days.

7. Subsequent Event

Subsequent to July 31, 2004, the Company issued 30,000 common shares for cash consideration of \$6,000 on the exercise of stock options.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This report contains forward-looking statements. The words, "anticipate", "believe", "expect", "plan", "intend", "estimate", "project", "could", "may", "foresee", and similar expressions are intended to identify forward-looking statements. The following discussion and analysis should be read in conjunction with the Company's Financial Statements and other financial information included elsewhere in this report which contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this report.

Overview

REGI U.S., Inc. was incorporated in the State of Oregon, USA on July 27, 1992.

The Company is a development stage company engaged in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam/Direct Charge Engine ("The RC/DC Engine"). The world-wide marketing and intellectual rights, other than the U.S., are held by Rand Energy Group Inc. ("REGI") which is the controlling shareholder of the Company. The Company owns the U.S. marketing and intellectual rights and has a project cost sharing agreement, whereby it will fund 50% of the further development of the RC/DC Engine and REGI will fund 50%.

In a development stage company, management devotes most of its activities to establishing a new business. Planned principal activities have not yet produced any revenues and the Company has suffered recurring operating losses as is normal in development stage companies. The Company also has a working capital deficit of \$255,594. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to emerge from the development stage with respect to its planned principal business activity is dependent upon its successful efforts to raise additional equity financing, receive funding from affiliates and controlling shareholders, and develop a market for its products.

The Company plans to raise funds through loans from a shareholder, Rand. Rand owns approximately 18% of the shares of the Company, having an approximate current market value of \$1,224,000 as at September 15, 2004, and plans to sell shares as needed to meet ongoing funding requirements if traditional equity sources of financing prove to be insufficient. The Company receives interim support from its ultimate parent company and other affiliated companies and plans to raise additional capital through debt and/or equity financings. There continues to be insufficient funds to provide enough working capital to fund ongoing operations for the next twelve months. The Company may raise additional funds through the exercise of warrants and stock options, if exercised.

The Company receives interim support from its ultimate parent company and other affiliated companies and plans to raise additional capital through debt and/or equity financings.

There continues to be insufficient funds to provide enough working capital to fund ongoing operations for the next twelve months. The Company may raise additional funds through the exercise of warrants and stock options, if exercised.

Progress Report from May 1, 2004 to September 20, 2004

Rand Cam Technology

Gasoline and Diesel Engine

Two prototype engines were built in 1993 and 1994 by the WVURC to run on gasoline. Testing on these prototypes suggested that the concept is fundamentally sound and that with a program of engine review, design, testing and development, a technically successful range of engines can be developed. The

current prototype design for the diesel engine was designed by a consortium made up of Alliant Techsystems (formerly Hercules Aerospace Company) ("Alliant"), WVURC and us. Alliant was involved in the design and development including drawings for the RC/DC diesel engine. In addition Alliant performed extensive analysis on the diesel engine including bearings, cooling, leakage, rotor, vanes, housing, vane tip heating, geometry and combustion. This engine was designed as a general purpose power plant for military and commercial applications. A prototype of the diesel engine has been assembled and tested.

In May 2004 the Company completed an amended Rand Cam UAV engine license agreement with Radian, Inc. Radian, Inc. agrees to furnish REGI U.S., Inc. with a second generation, application specific Rand Cam 42 H.P. diesel engine at the conclusion of their Phase II study program. The Radian, Inc. UAV product development program commenced early this year and the UAV prototype fabrication is underway, with application specific testing scheduled to start on or before third quarter 2004. Receipt by REGI U.S., Inc. of the product development-application specific engine is scheduled to occur during 4th quarter 2004. The Phase I/ Study Rand Cam 42 H.P. diesel engine demonstrated that the engine generates sufficient pressure and temperature to proceed with the second generation diesel engine.

REGI U.S. has an agreement with Radian which grants an exclusive license for the manufacture of the Rand Cam Diesel Engines within the United States, for applications in Unmanned Autonomous Vehicles (UAV'S) over 10 horsepower, including non-exclusive rights to the worldwide sales for this application.

On August 3, 2004, we announced that the Rand Cam compressor tests were completed under the direction of Brian Cherry, Vice President of Research and Development. The tests have shown encouraging results of up to 25 P.S.I. with only 800 R.P.M., and have exceeded expectations. The testing for the compressor was completed on behalf of Trans Air Manufacturing for air-conditioning in bus applications.

On September 7, 2004 we announced that the unmanned vehicle applications for the Rand Cam technology is on schedule, and we expect our licensee to start assembly and subsequent engine testing in the fourth quarter of this year.

#### Corporate

In April 2004 the Company received an additional listing on the Berlin Bremen Stock Exchange ([www.berlinerboerse.de](http://www.berlinerboerse.de)) under the symbol RGJ, German Cusip Number S7589431045/786692. The Company retains the OTC Bulletin Board listing Symbol: RGUS.

REGI U.S., Inc.'s market maker is Berliner Freiverkehr (Aktien) AG, which is one of the largest German brokerage firms and acts as market maker for the Unofficial Regulated Markets in Berlin and Frankfurt. The main advantage for REGI U.S., Inc. to trade on the Berlin Bremen Stock Exchange, is that the German investors, including small ones, can buy REGI U.S., Inc. shares in their domestic currency, thus making transactions easier and less expensive.

In June 2004 Brian Cherry was appointed Vice President of the Rand Cam engine technology projects. Brian Cherry is the inventor of the Direct Charge Rand Cam engine patented in 1996 by REGI U.S., Inc. and is currently the project manager in charge of developing a Rand Cam electric generator for hybrid electric automobiles, and for residential uses in family homes. Mr. Cherry will also be overseeing and preparing the current submission of a new patent application on the Rand Cam technology. The generator can run on any fuel including hydrogen and natural gas. The tests are to commence within 30 days utilizing an alternator as the electric output, and the Rand Cam engine as the power source. REGI U.S., Inc. has signed an agreement with Brian Cherry to develop the generator application and other applications for a period of two years in consideration for 150,000 treasury shares of REGI U.S., Inc.



Results of operations for the three months ended July 31, 2004 ("2005") compared to the three months ended July 31, 2003 ("2004")

There were no revenues from product licensing during the periods.

Net loss per share for 2005 was (0.01), the same as in 2004.

The net loss in 2005 increased by \$43,000 to \$105,000 compared to \$62,000 in 2004. Administrative expenses increased by \$33,000 to \$87,000 from \$54,000 in 2004. The increases were mainly due to the stock-based compensation of \$22,237 which was \$5,000 in 2004 and research and development expenditures of \$18,000 which was \$9,000 in 2004.

Liquidity

During the three months ended July 31, 2004, we financed our operations mainly through funds received from related parties (\$31,000) and from share subscriptions received (\$13,000). The amounts owing to related parties increased by \$31,000 to \$168,000, are unsecured and repayable on demand. The related parties have indicated that they will advance further funds if needed.

As at July 31, 2004 we had a working capital deficit of \$255,594. Working capital is not adequate to meet development costs for the next twelve months. Unexercised stock options and warrants, if exercised could raise significant additional funds. We receive interim support from our ultimate parent company and plan to raise additional funds from equity financing which is yet to be negotiated. We also plan to raise funds through loans from a shareholder (Rand Energy Group Inc.). Rand Energy Group Inc. owns approximately 18% of the shares of the Company, having an approximate current market value of \$1,224,000 as at September 15, 2004, and plans to sell shares as needed to meet our ongoing funding requirements if traditional equity sources of financing prove to be insufficient.

The Company has offered a private placement subscription for up to 4,000,000 units of the Company at a purchase price of \$0.25 per unit. Each unit will consist of one common share of the Company and one-half non-transferable share purchase warrant. Each two one-half warrants may be exercised within one year of the date of issuance to the purchaser at a price of \$0.35. As at July 31, 2004, the Company had received \$12,500 in subscriptions.

Item 3. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, being July 31, 2004, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our President and our Chief Financial Officer. Based upon that evaluation, our President and our Chief Financial Officer concluded that our company's disclosure controls and procedures are effective. There have been no changes in our company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our President and our Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.



**PART II Other Information**

Item 1. Legal Proceedings

None

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

In June 2004 Brian Cherry was appointed Vice President of the Rand Cam engine technology projects. REGI U.S., Inc. has signed an agreement with Brian Cherry to develop the generator application and other applications for a period of two years in consideration for 150,000 treasury shares of REGI U.S., Inc. issued June 8, 2004.

On August 3, 2004 30,000 shares of common stock were issued to the Company's President pursuant to the exercise of stock options.

During the three months ended July 31, 2004, the Company received subscriptions totaling \$12,500 pursuant to a private placement of up to 4,000,000 Units. Each unit consists of one share of common stock of the Company and one ½ warrant at \$0.35 exercisable for a period of one year from the date of issuance. Two ½ warrants enable the purchaser to acquire one additional share of common stock.

Item 3. Defaults upon Senior Securities

None

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of John G. Robertson, President (Principal Executive Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of James Vandenberg, Chief Financial Officer (Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

None.

6

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**SIGNATURES**

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

REGI U.S., INC.

Dated: March 21, 2005

By: /s/ John G. Robertson  
John G. Robertson, President  
(Principal Executive Officer)

By: /s/ James Vandeberg  
James Vandeberg, Chief Financial Officer  
(Principal Financial Officer)

7

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