

REGI U S INC
Form 10QSB/A
March 24, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB/A

AMENDED

(Mark One)

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

For the quarter ended **January 31, 2005**

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

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(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:

March 22, 2005

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 x

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
January 31, 2005
(unaudited)

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

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

	January 31, 2005 \$ (unaudited)	April 30, 2004 \$ (audited)
Assets		
Current Assets		
Cash	3,001	-
Amounts receivable	3,000	3,000
Total Current Assets	6,001	3,000
Intangible Assets (Note 3)	72,152	64,865
Total Assets	78,153	67,865
Liabilities and Stockholders' Deficit		
Current Liabilities		
Bank indebtedness	-	3,133
Accounts payable	79,296	77,950
Accrued liabilities	8,909	8,300
Due to related parties (Note 5)	58,463	136,923
Total Liabilities	146,668	226,306
Commitment (Note 6)		
Stockholders' Deficit		
Common Stock (Note 4), 50,000,000 shares authorized without par value;		
23,708,225 and 22,231,055 shares issued and outstanding respectively	5,953,275	5,610,451
Additional Paid-in Capital	48,273	-
Donated Capital (Note 5)	510,000	397,500
Deferred Compensation	(21,595)	(27,829)
Deficit Accumulated During the Development Stage	(6,558,468)	(6,138,563)
Total Stockholders' Deficit	(68,515)	(158,441)
Total Liabilities and Stockholders' Deficit	78,153	67,865

(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 January 31, 2005 \$	Three Months Ended		Nine Months Ended	
		January 31,		January 31,	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenue	-	-	-	-	-
Administrative Expenses					
Bad debts	2,792	-	-	-	-
Bank charges and interest	12,338	166	169	682	453
Consulting services (Note 5)	512,703	37,500	22,500	139,203	112,500
Foreign exchange loss	4,437	228	117	929	671
Interest on debentures	12,593	-	-	-	-
Investor relations – publications	369,523	20,788	1,750	46,373	2,185
Investor relations – consulting	629,923	3,287	85,588	35,724	174,851
Office, rent and telephone (Note 5)	192,155	9,257	7,645	19,992	11,591
Professional fees	416,683	10,777	12,769	23,587	29,903
Stock-based compensation	499,658	23,845	-	62,508	1,455
Transfer agent and regulatory fees	110,610	805	1,455	1,834	-
Travel	44,476	5,070	-	17,335	4,458
Less: interest and other income	(16,788)	-	-	-	-
accounts payable written-off	(15,818)	-	-	-	-
	2,775,285	111,723	131,993	348,167	338,067
Research and Development Expenses					
Intellectual property (Note 3)	578,509	-	-	-	-
Amortization	129,019	1,285	1,222	3,778	3,561
Market development	93,146	-	-	-	364
Professional fees	73,904	-	-	-	-
Project management fees	348,500	13,500	15,000	38,500	22,500
Project overhead	216,446	4,858	-	4,858	-
Prototype design and construction contracts, net of recoveries	1,355,896	-	-	-	-
Royalties	93,000	-	-	-	-
Technical prototype design consulting (Note 5)	616,652	11,503	52,500	23,474	60,000
Technical reports	29,050	-	4,686	-	4,686
Technical salaries	169,467	-	-	-	-
Travel	178,661	726	6,408	1,128	9,307
Less: accounts payable written off	(99,067)	-	-	-	-
	3,783,183	31,872	79,816	71,738	100,418
Net Loss	(6,558,468)	(143,595)	(211,809)	(419,905)	(438,485)
Net Loss Per Share – Basic and Diluted		(0.01)	(0.01)	(0.02)	(0.02)

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Weighted Average Shares Outstanding	22,929,000	19,127,000	22,560,000	18,358,000
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(The accompanying notes are an integral part of the financial statements)

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

	Nine Months Ended January 31,	
	2005	2004
	\$	\$
Cash Flows to Operating Activities		
Net loss	(419,905)	(438,485)
Adjustments to reconcile net loss to net cash used by operating activities		
Amortization	3,778	3,561
Donated services	112,500	172,500
Amortization of deferred compensation and other stock-based compensation	78,508	122,809
Changes in operating assets and liabilities		
Prepaid expenses	-	(80,208)
Accounts payable and accrued liabilities	1,954	(5,698)
Net Cash Used by Operating Activities	(223,165)	(225,521)
Cash Flows from Financing Activities		
Shares issued	318,824	106,000
Increase (decrease) in due to related parties	(78,460)	125,972
Net Cash Provided by Financing Activities	240,364	231,972
Cash Flows to Investing Activities		
Patent protection costs	(11,065)	(6,238)
Net Cash Used by Investing Activities	(11,065)	(6,238)
Increase in Cash and Cash Equivalents	6,134	213
Cash and Cash Equivalents - Beginning of Period	(3,133)	87
Cash and Cash Equivalents - End of Period	3,001	300
Non-cash Investing and Financing Activities		
Stock-based compensation	72,274	122,809
Stock issued to settle debt	-	166,000
Supplemental Disclosures		
Interest paid	-	-
Income tax paid	-	-

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

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

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 \$140,667. 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 \$1,600,000 as at March 21, 2005, 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 accounting principles generally accepted in the United States 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.

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

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 financials 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

The Company will recognize revenue in accordance with SEC Staff Accounting Bulletin No. 104 when there is persuasive evidence of an arrangement, delivery of products has occurred or services have been rendered, the seller’s price to the buyer is fixed or determinable, and collectibility is reasonably assured. This policy is prospective in nature, as the Company has not yet generated any revenue since inception.

(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.

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

2. Summary of Significant Accounting Policies (continued)

(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 January 31, 2005 and 2004, the Company has no items that represent comprehensive income and, therefore, has not included a schedule of comprehensive income in the financial statements.

(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:

	Nine Months Ended	
	January 31, 2005	January 31, 2004
	\$	\$
	(unaudited)	(unaudited)
Net loss — as reported	(419,905)	(438,485)
Add: Stock-based compensation expense included in net loss — as reported	78,508	122,809
Deduct: Stock-based compensation expense determined under fair value method	(79,366)	(127,551)
Net loss — pro forma	(420,763)	(443,227)
Net loss per share – basic and diluted — as reported	(0.02)	(0.02)

Net loss per share – basic and diluted — pro forma	(0.02)	(0.02)
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The assumptions used are as follows:

Expected dividend yield	0%	
Risk-free interest rate	3.02%	
Expected volatility	185%	
Expected option life (in years)	1.6	

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

2. Summary of Significant Accounting Policies (continued)

(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.

(n) Financial Instruments

The carrying value of cash and cash equivalents, 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 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS 123 as originally issued and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". SFAS 123R does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans". SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of SFAS 123R includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards,

share appreciation rights, and employee share purchase plans. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

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

2. Summary of Significant Accounting Policies (continued)

(o) Recent Accounting Pronouncements (continued)

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

(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	January 31, 2005 Net Carrying Value	April 30, 2004 Net Carrying Value
	\$	\$	\$	\$
			(unaudited)	(audited)
Patents - RC/DC Engine	109,066	36,914	72,152	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.

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

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	0.50
Granted	246,500	0.50
Exercised	(121,250)	0.20
Expired	(400,000)	0.20
Outstanding, January 31, 2005 (unaudited)	1,625,250	0.26
Exercisable at end of period	1,426,125	0.26

Additional information regarding options outstanding as at January 31, 2005 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 – 0.75	1,625,250	2.2	0.26	1,426,125	0.26

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 \$0.38.

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

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)	173,120	0.20
Issued	516,400	0.35
Exercised	(173,120)	0.20
Outstanding, January 31, 2005 (unaudited)	516,400	0.35

At January 31, 2005, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
516,400	\$0.35	December 24, 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 period, 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 \$16,000 to operations for the pro-rata portion of services performed during the period.

(e) Private Placement

During the nine months ended January 31, 2005, the Company closed a private placement offering for subscriptions of up to 4,000,000 units of the Company at a purchase price of \$0.25 per unit. Each unit consists 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. On December 24, 2004, the Company issued 1,032,800 units for total cash proceeds of \$258,200.

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

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) During the nine months ended January 31, 2005, the value of consulting services of \$67,500 (2004 - \$67,500) was contributed by the President, CEO and director of the Company and charged to operations and treated as donated capital.
- (c) During the nine months ended January 31, 2005, the value of consulting services of \$22,500 (2004 - \$22,500) was contributed by the Vice President and director of the Company and charged to operations and treated as donated capital.
- (d) During the nine months ended January 31, 2005, the value of consulting services of \$22,500 (2004 - \$22,500) was contributed by the CFO, COO and director of the Company and charged to operations and treated as donated capital.
- (e) During the nine months ended January 31, 2005, the value of technical consulting services of \$Nil (2004 - \$60,000) was charged to research and development and treated as donated capital.
- (f) During the nine months ended January 31, 2005, rent of \$3,214 (2004 - \$993) was paid to a company having common officers and directors.
- (g) During the nine months ended January 31, 2005, project management fees of \$22,500 (2003 - \$Nil) were paid to a company having common officers and directors.

6. Commitment

The Company is committed to fund 50% of the further development of the RC/DC Engine.

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", "p", "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. ("Rand") 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 \$140,667. 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 \$1,600,000 as at March 22, 2005, 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 November 1, 2004 to March 21, 2005

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.

On November 3, 2004 we announced that the Canadian Patent was issued for the Rand Cam™ Rotary Engine effective October 5, 2004. The term of the patent is twenty years from the date of the filing on December 11, 1992.

On November 29, 2004, we announced that a world wide license agreement, excluding the rights for the United States of America that are held by REGI U.S. for the Rand Cam™ technology has been successfully completed with Rand Energy Group Inc. Reg Technologies, Inc., our parent company, has agreed to pay a 5% net profit interest and make annual payments of \$50,000. Reg Technologies, Inc. will be responsible for 50% of the costs for development and production of the Rand Cam™ technology.

The world wide patents cover Canada and several countries in Europe, namely, Germany, France, Great Britain, and Italy. Reg Technologies, Inc., together with REGI U.S., Inc., is in the process of testing a Rand Cam™ diesel engine for a generator application for hybrid electric cars. Additionally, our licensee for the 42 H.P. production model diesel Rand Cam™ is currently completing the engine for unmanned aerial applications for the U.S. military.

Results of operations for the nine months ended January 31, 2005 ("2005") compared to the nine months ended January 31, 2004 ("2004")

There were no revenues from product licensing during the periods.

The net loss in 2005 decreased by \$18,000 to \$420,000 compared to \$438,000 in 2004. Administrative expenses increased by \$10,000 to \$348,000 from \$338,000 in 2004. Research and development expenses decreased by \$28,000 to \$72,000 compared to \$39,866 in 2004. The decrease was mostly due to no services donated by a research and development consultant (former officer of the Company) this year.

Liquidity

During the nine months ended January 31, 2005, we financed our operations mainly through funds raised for a private placement offering and the exercise of stock options and warrants. The amounts owing to related parties decreased by \$79,000 to \$58,000 from \$137,000. These amounts are non-interest bearing, unsecured and repayable on demand. The related parties have indicated that they will advance further funds if needed.

As at January 31, 2005, we had a working capital deficit of \$140,667. 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). Rand owns approximately 18% of the shares of the Company, having an approximate current market value of \$1,600,000 as at March 21, 2005, and plans to sell shares as needed to meet our ongoing funding requirements if traditional equity sources of financing prove to be insufficient.

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 January 31, 2005, 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

None

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.

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.

Dated: March 24, 2005

REGI U.S., INC.

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

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