

REGI U S INC  
Form 10KSB/A  
February 11, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 10-KSB/A**  
**Amendment No. 1**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES ACT OF 1934

For the Fiscal Year Ended: April 30, 2007

COMMISSION FILE NO. 0-23920

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

(Name of small business issuer as specified in its charter)

**OREGON**

(State or other jurisdiction of  
incorporation or organization)

**91-1580146**

(I.R.S. Employer  
Identification Number)

**240 - 11780 HAMMERSMITH WAY**

**RICHMOND, BRITISH COLUMBIA V7A 5E9, CANADA**

(Address, including postal code, of registrant's principal executive offices)

**(604) 278-5996**

(Telephone number including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: NONE

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

**Title of each class**

Common stock, no par value

**Name of each Exchange on which registered:**

NASD Over the Counter Bulletin Board

Berlin Bremen Stock Exchange

Frankfurt Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes [ ] No [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act: Yes [

] No [ x ]

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to the filing requirements for the past 90 days: Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer:

Larger accelerated filer  Accelerated filer  Non-accelerated filer

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on July 16, 2007, computed by reference to the price at which the stock was sold on that date: \$21,010,706.40.

The number of shares outstanding of the registrant's common stock, no par value, as of July 6, 2007 was 27,011,208.

Documents incorporated by reference: See Exhibits.

Transitional Small Business Disclosure Format (Check one): Yes ( ) No (X).

REGI U.S., INC.  
FORM 10-KSB/A

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## EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Annual Report on 10-KSB/A for the fiscal year ended April 30, 2007, originally filed on August 7, 2007, for the purpose of responding to comments made by the Securities and Exchange Commission in a letter dated January 14, 2008.

We hereby amend our 10-KSB, filed on August 7, 2007 by this Amendment No. 1 on Form 10-KSB/A for the following purposes:

- Item 8A, Controls and Procedures - we have revised our disclosure to more clearly correspond with Exchange Act Rule 13a-15(e);
- Financial Statements- we have included the audit report of our previous auditor in order to comply with Rule 2-05 of Regulation S-X, to cover the audited periods from inception to April 30, 2005, and have modified the disclosure in the first paragraph of Note 2(g);
- We have added a new Exhibit 23.2 - Consent of Independent Registered Public Accounting Firm, to comply with the addition of the former auditor's opinion into the financial statements; and
- Exhibits 31.1 and 31.2 we have removed the certifying individual's title and reference to company name.

We are also updating Exhibits 31.1, 31.2, 32.1, 32.2, and 23.1.

This Amendment does not amend or restate any information contained in our 10-KSB filed on August 7, 2007 other than as noted in this Explanatory Note. This Amendment does not purport to update any recent events or developments to the date of the original filing on August 7, 2007. In particular, any forward-looking statements included in this Amendment No. 1 represent management's view as of the filing date of the original 10-KSB. Such forward looking statements include statements about events and projections after the date of the filing of the original 10-KSB and are identified by words such as believes, projects, anticipates, expects, estimates, intend, should, could, potentially, will, may or other words that convey uncertainty of future events or outcomes. Such forward-looking statements should not be assumed to be accurate as of any future date, including the date hereof. Accordingly, this Amendment No. 1 should be read in conjunction with the Risk Factors and the other statements contained in the original 10-KSB and the Company's other filings made with the SEC subsequent to the filing date of the original 10-KSB, together with any amendments to those filings.

## ITEM 7. FINANCIAL STATEMENTS

Our financial statements are included and begin immediately following the signature page to this report. See Item 13 for a list of the financial statements and financial statement schedules included. Our auditors, Smythe Ratcliffe LLP, have referred to another accountant's report in their audit opinion. As the Company is a development stage company, and as required in Rule 2-05 of Regulation S-X, we have amended our filing to include the audit report of Manning Elliott LLP, our prior auditors. Additionally, we have modified our disclosure in the first paragraph of Note 2(g) to our financial statements for the fiscal year ended April 30, 2007.

## ITEM 8A. CONTROLS AND PROCEDURES.

We carried out an evaluation, under the supervision and with the participation of our management, including the President, and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures [as defined in the Exchange Act Rule 13a-15(e)] as of the end of the period covered by this report. Based upon the evaluation of

the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, the disclosure controls and procedures were effective at the reasonable assurance level with respect to such disclosure controls and procedures being designed to ensure that information relating to the Registrant required to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Additionally, our officers concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

There was no significant change in our internal control over financial reporting that occurred during our most recently completed fiscal year ended April 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Nor were there any significant deficiencies or material weaknesses in our internal controls requiring corrective actions.

#### **Extension of Compliance Date for Management's Report on Internal Control Over Financial Reporting**

The Company is a non-accelerated filer as defined in Rule 12b-2 of the Act. On September 21, 2005, the Securities and Exchange Commission extended the compliance dates for non-accelerated filers concerning the provisions of Exchange Act Rule 13a-15(d) or 15d-15(d), whichever applies, requiring an evaluation of changes to internal control over financial reporting requirements with respect to the company's first periodic report due after the first annual report that must include management's report on internal control over financial reporting. A company that is a non-accelerated filer must begin to comply with these requirements for its first fiscal year ending on or after July 15, 2007. In addition, the compliance period was extended to the amended portion of the introductory language in paragraph 4 of the certification required by Exchange Act Rules 13a-14(a) and 15d-14(a) that refers to the certifying officers' responsibility for establishing and maintaining internal control over financial reporting for the company, as well as paragraph 4(b). The amended language must be provided in the first annual report required to contain management's internal control report and in all periodic reports filed thereafter. The extended compliance dates also apply to the amendments of Exchange Act Rules 13a-15(a) and 15d-15(a) relating to the maintenance of internal control over financial reporting.

Under the internal control reporting provisions of the Act, Management will be responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly

reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Prior to the extended deadline in 2007, management will conduct an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management will determine whether the Company's internal control over financial reporting is effective. Management's assessment of the effectiveness of the Company's internal control over financial reporting will be audited by an independent registered public accounting firm and stated in their report which will be included in the Company's Form 10-KSB filing.

There were no changes in the Company's internal controls that have materially affected, or are reasonably likely to materially affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

#### ITEM 13. EXHIBITS.

Number	Description	
3.1	Articles of Incorporation	(1)
3.2	Article of Amendment changing name to REGI U.S., Inc.	(2)
3.3	By-laws	(1)
3.4	Articles of Amendment Increasing Authorized Capital to 50,000,000 December 2003	(7)
4.1	Specimen Share Certificate	(1)
4.2	Specimen Warrant Certificate	(1)
10.1	Consulting Agreement, dated December 1, 1999, between REGI U.S., Inc. and Patrick Badgley	(3)
10.2	Special Service Proposal, dated December 21, 1999, between REGI U.S. and ColTec, Inc.	(3)
10.3	Agreement between ColTec and REGI dated October 2000	(4)
10.4	Agreement between REGI and Advanced Ceramics Research dated March 20, 2002	(5)
10.5	License Agreement between Rand Energy Group, Inc., and Reg Technologies, Inc. REGI U.S., Inc. and Radian Incorporated made as of April 24, 2002	(5)
10.6	Agreement between REGI U.S., Inc. and Rotary Power Generation, Incorporated made as of April 22, 2002	(6)
10.7	Amendment to Agreement between REGI U.S., Inc. and Rotary Power Generation, Incorporated made as of April 2, 2003	(6)
21.1	List of Subsidiaries	(7)

<u>23.1</u>	<u>Consent of Independent Auditors (Smythe Ratcliffe LLP)</u>	<u>(8)</u>
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<u>23.2</u>	<u>Consent of Independent Auditors (Manning Elliott LLP)</u>	<u>(8)</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	<u>(8)</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	<u>(8)</u>
<u>32.1</u>	<u>Certification of John Robertson, President and Chief Executive Officer (Principal Executive Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	<u>(8)</u>
<u>32.2</u>	<u>Certification of James Vandenberg, Chief Operating Officer and 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</u>	<u>(8)</u>

- (1) Incorporated by reference from Form 10-SB Registration Statement filed April 26, 1994.
- (2) Incorporated by reference from 10-Q Report for the quarter ended 7-30-94.
- (3) Incorporated by reference from our 10-KSB for the fiscal year ended April 30, 2000.
- (4) Incorporated by reference from our 10-KSB for the fiscal year ended April 30, 2001
- (5) Incorporated by reference from our 10-KSB for the fiscal year ended April 30, 2002
- (6) Incorporated by reference from our 10-KSB for the fiscal year ended April 30, 2003
- (7) Incorporated by reference from our 10-KSB for the fiscal year ended April 30, 2007
- (8) Incorporated herein.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report or amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

REGI U.S., INC.

By: /s/ John G. Robertson  
John G. Robertson, President  
Chief Executive Officer and Director

Dated: February 7, 2008

In accordance with the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John G. Robertson</u> (John G. Robertson)	Chairman of the Board, President, Chief Executive Officer and Director	February 7, 2008
<u>/s/ James Vandenberg</u> (James Vandenberg)	Chief Operating Officer, Chief Financial Officer and Director	February 7, 2008
<u>/s/ Jennifer Lorette</u> (Jennifer Lorette)	Vice President, Secretary and Director	February 7, 2008

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

April 30, 2007  
(Expressed in U.S. dollars)

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**TO THE DIRECTORS AND STOCKHOLDERS OF REGI U.S., INC.  
(A Development Stage Company)**

We have audited the accompanying consolidated balance sheets of REGI U.S., Inc. (A Development Stage Company) as at April 30, 2007 and 2006 and the consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended April 30, 2007 and 2006, and the period from July 27, 1992 (date of inception) to April 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The statements of operations, stockholders' equity (deficit), and cash flows from July 27, 1992 (date of inception) to April 30, 2005 were audited by other auditors whose report dated August 9, 2005 expressed an unqualified opinion, with an explanatory paragraph discussing the Company's ability to continue as a going-concern. Our opinion on the statements of operations, stockholders' deficiency and cash flows from inception to April 30, 2007, insofar as it relates to amounts for prior periods through April 30, 2005, is solely based on the reports of other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at April 30, 2007 and 2006 and the results of its operations and its cash flows for the years ended April 30, 2007 and 2006 and the cumulative totals from July 27, 1992 (date of inception) through April 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going-concern. As discussed in Note 1 to the financial statements, the Company has no revenues and limited capital, which together raise substantial doubt about its ability to continue as a going-concern. Management plans in regard to these matters are also described in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*"Smythe Ratcliffe LLP" (signed)*

Chartered Accountants

Vancouver, British Columbia  
July 20, 2007

F-1

7th Floor, Marine Building  
355 Burrard Street, Vancouver, BC  
Canada V6C 2G8

Fax: 604.688.4675  
Telephone: 604.687.1231  
Web: [SmytheRatcliffe.com](http://SmytheRatcliffe.com)



Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
REGI U.S., Inc. (A Development Stage Company)

We have audited the statements of operations, cash flows and stockholders' deficit of REGI U.S., Inc. (A Development Stage Company) accumulated from July 27, 1992 (Date of Inception) to April 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the Company's operations and its cash flows accumulated from July 27, 1992 (Date of Inception) to April 30, 2005, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any revenues and has accumulated operating losses since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. These financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ MANNING ELLIOTT LLP

CHARTERED ACCOUNTANTS

Vancouver, Canada

August 9, 2005

REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Balance Sheets  
(Expressed in U.S. dollars)

	April 30, 2007 \$	April 30, 2006 \$
<b>ASSETS</b>		
Current Assets		
Cash	163,909	240,137
Prepaid expenses (Note 3(c))	41,648	60,139
<b>Total Assets</b>	<b>205,557</b>	<b>300,276</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
Current Liabilities		
Accounts payable and accrued liabilities	65,449	56,815
Due to related parties (Note 4(a))	248,253	143,258
<b>Total Liabilities</b>	<b>313,702</b>	<b>200,073</b>
Stockholders Equity (Deficit)		
Common Stock (Note 3):		
50,000,000 shares authorized without par value; 26,919,208 shares issued and outstanding (April 30, 2006 - 25,839,125 shares)	5,892,176	6,915,482
Additional Paid-in Capital	2,085,256	262,281
Subscriptions Received	259,027	3,750
Donated Capital (Note 4)	847,500	697,500
Deficit Accumulated During the Development Stage	(9,192,104)	(7,778,810)
<b>Total Stockholders Equity (Deficit)</b>	<b>(108,145)</b>	<b>100,203</b>
<b>Total Liabilities and Stockholders Equity (Deficit)</b>	<b>205,557</b>	<b>300,276</b>
Commitments (Note 5)		

Contingencies (Note 6)

Subsequent Events (Note 8)

Approved by the Directors:

*John Robertson*

John Robertson - Director

*Jennifer Lorette*

Jennifer Lorette - Director

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Operations  
(Expressed in U.S. dollars)

	From July 27, 1992 (Date of Inception) to April 30, 2007 \$	For the Year Ended April 30, 2007 \$	2006 \$
<b>Expenses</b>			
Amortization	130,533		
General and administrative (Notes 2(g), and 3(a) and (c))	5,224,100	1,292,517	1,054,336
Impairment loss	72,823		
Research and development	3,954,299	120,777	75,788
<b>Operating Loss</b>	<b>9,381,755</b>	<b>1,413,294</b>	<b>1,130,124</b>
<b>Other Income</b>			
Accounts payable written-off (Note 6)	189,651		74,766
<b>Net and Comprehensive Loss for the Period</b>	<b>9,192,104</b>	<b>1,413,294</b>	<b>1,055,358</b>
<b>Loss Per Share</b>		<b>(0.05)</b>	<b>(0.04)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>26,128,000</b>	<b>24,240,000</b>

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)



REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Stockholders Equity (Deficit)  
From July 27, 1992 (Date of Inception) to April 30, 2007  
(expressed in U.S. dollars)

	Shares #	Amount \$	Paid-in Capital \$	Common Stock Subscribed \$	Donated Capital \$	Deferred Compensation \$	Deficit Accumulated During the Development Stage \$	Total Stockholders Equity (Deficit) \$
Balance July 27, 1992 (date of inception)								
Stock issued for intellectual property at \$0.001 per share	5,700,000	57,000						57,000
Stock issued for cash	300,000	3,000						3,000
Net loss							(23,492)	(23,492)
Balance April 30, 1993	6,000,000	60,000					(23,492)	36,508
Stock issued for cash pursuant to a public offering	500,000	500,000						500,000
Net loss							(394,263)	(394,263)
Balance April 30, 1994	6,500,000	560,000					(417,755)	142,245
Stock issued for cash pursuant to:								
Options exercised	10,000	1,000						1,000
Private placement	250,000	562,500						562,500
	170,200	213,000						213,000

Warrants exercised				
Net loss			(1,225,743)	(1,225,743)
Balance	6,930,200	1,336,500	(1,643,498)	(306,998)
April 30, 1995				
Stock issued for cash pursuant to:				
Options exercised	232,500	75,800		75,800
Warrants exercised	132,200	198,300		198,300
A private offering	341,000	682,000		682,000
Net loss			(796,905)	(796,905)
Balance	7,635,900	2,292,600	(2,440,403)	(147,803)
April 30, 1996				
Stock issued for cash pursuant to:				
Options exercised	137,000	13,700		13,700
Warrants exercised	185,400	278,100		278,100
Private placements	165,000	257,500		257,500
Net loss			(510,184)	(510,184)
Balance	8,123,300	2,841,900	(2,950,587)	(108,687)
April 30, 1997				
Stock issued for cash pursuant to:				
Options exercised	50,000	5,000		5,000
A units offering	500,000	500,000		500,000
Stock issued for acquisition of				
AVFS rights	400,000	288,251		288,251
Stock issued for financial				

consulting services	125,000	170,250		170,250
Stock issued to settle an accrued liability	50,000	25,000		25,000
Net loss			(580,901)	(580,901)
Balance April 30, 1998	9,248,300	3,830,401	(3,531,488)	298,913

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Stockholders Equity (Deficit)  
From July 27, 1992 (Date of Inception) to April 30, 2007  
(expressed in U.S. dollars)

	Shares #	Amount \$	Paid-in Capital \$	Common Stock Subscribed \$	Donated Capital \$	Deferred Compensation \$	Deficit Accumulated During the Development Stage \$	Total Stockholders Equity (Deficit) \$
Balance April 30, 1998	9,248,300	3,830,401					(3,531,488)	298,913
Stock issued for financial consulting services	100,000	71,046						71,046
Net loss							(397,924)	(397,924)
Balance April 30, 1999	9,348,300	3,901,447					(3,929,412)	(27,965)
Stock issued for cash pursuant to:								
A private placement	852,101	639,075						639,075
Cash commission paid		(47,607)						(47,607)
Warrants exercised	17,334	17,334						17,334
Stock-based compensation			15,417					15,417
Net loss							(413,495)	(413,495)
Balance April 30, 2000	10,217,735	4,510,249	15,417				(4,342,907)	182,759
Stock issued for cash pursuant to warrants exercised	4,000	2,000						2,000
Stock-based compensation			18,500					18,500
Stock to be issued				72,000				72,000
Net loss							(808,681)	(808,681)
Balance April 30, 2001	10,221,735	4,512,249	33,917	72,000			(5,151,588)	(533,422)
Stock issued for cash								

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pursuant to a private placement	1,066,200	266,550		(72,000)		194,550
Amount receivable		(3,000)				(3,000)
Stock-based compensation			3,083			3,083
Net loss					(156,090)	(156,090)
Balance - April 30, 2002	11,287,935	4,775,799	37,000		(5,307,678)	(494,879)
Stock issued to settle debt	6,100,000	305,000				305,000
Stock issued for services	250,000	16,500				16,500
Stock issued for convertible debenture	50,000	5,000				5,000
Stock to be issued				25,968		25,968
Donated consulting services				187,500		187,500
Net loss					(220,972)	(220,972)
Balance April 30, 2003	17,687,935	5,102,299	37,000	25,968	187,500	(5,528,650)
						(175,883)

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Stockholders Equity (Deficit)  
From July 27, 1992 (Date of Inception) to April 30, 2007  
(expressed in U.S. dollars)

	Shares #	Amount \$	Paid-in Capital \$	Common Stock Subscribed \$	Donated Capital \$	Deferred Compensation \$	Deficit Accumulated During the Development Stage \$	Total Stockholders Equity (Deficit) \$
Balance April 30, 2003	17,687,935	5,102,299	37,000	25,968	187,500		(5,528,650)	(175,883)
Donated consulting services					210,000			210,000
Stock issued for cash pursuant to a private placement	173,120	25,968		(25,968)				
Stock issued for cash pursuant to:								
Warrants exercised	550,000	86,000						86,000
Stock options exercised	100,000	20,000						20,000
Stock-based compensation			78,184			(78,184)		
Stock issued for services	400,000	92,000				(92,000)		
Stock issued to settle debt	3,320,000	166,000						166,000
Deferred compensation						142,355		142,355
Net loss							(609,913)	(609,913)
Balance April 30, 2004	22,231,055	5,492,267	115,184		397,500	(27,829)	(6,138,563)	(161,441)
Stock issued for services	150,000	24,000				(24,000)		
Stock issued for cash pursuant to:								
Options exercised	133,750	29,750						29,750
Warrants exercised	173,120	34,624						34,624

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Private placement	1,032,800	258,200					258,200
Stock-based compensation			23,304				23,304
Donated consulting services				150,000			150,000
Deferred compensation					38,829		38,829
Net loss						(584,889)	(584,889)
Balance - April 30, 2005	23,720,725	5,838,841	138,488	547,500	(13,000)	(6,723,452)	(211,623)
Re-class deferred compensation to additional paid in capital			(13,000)			13,000	
Stock issued for cash pursuant to:							
Options exercised	212,000	53,313					53,313
Warrants exercised	406,400	142,240					142,240
Private placement	1,500,000	881,088					881,088
Common stock subscribed				3,750			3,750
Stock-based compensation			124,793				124,793
Deferred compensation			12,000				12,000
Donated consulting services				150,000			150,000
Net loss						(1,055,358)	(1,055,358)
Balance April 30, 2006	25,839,125	6,915,482	262,281	3,750	697,500	(7,778,810)	100,203

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Stockholders Equity (Deficit)  
From July 27, 1992 (Date of Inception) to April 30, 2007  
(expressed in U.S. dollars)

	Shares #	Amount \$	Paid-in Capital \$	Common Stock Subscribed \$	Donated Capital \$	Deferred Compensation \$	Deficit Accumulated During the Development Stage \$	Total Stockholders Equity (Deficit) \$
Balance April 30, 2006	15,839,125	6,915,482	262,281	3,750	697,500		(7,778,810)	100,203
Stock issued for cash pursuant to:								
Options exercised	662,250	143,938		(3,750)				140,188
Warrants exercised	268,833	217,666						217,666
Private placement	120,000	120,000						120,000
Private placement costs		(3,504)		(13,673)				(17,177)
Common stock subscribed				272,700				272,700
Stock issued for services	29,000	60,000						60,000
Warrants issued for equity line of credit		(1,561,406)	1,561,406					
Stock-based compensation			260,569					260,569
Deferred compensation			1,000					1,000
Donated consulting services					150,000			150,000
Net loss							(1,413,294)	(1,413,294)
Balance April 30, 2007	16,919,208	5,892,176	2,085,256	259,027	847,500		(9,192,104)	(108,145)

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)





REGI U.S., Inc.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(Expressed in U.S. dollars)

	From July 27, 1992 (Date of Inception) to April 30, 2007 \$	For the Year Ended April 30, 2007 \$	2006 \$
<b>Operating Activities</b>			
Net loss	(9,192,104)	(1,413,294)	(1,055,358)
Adjustments to reconcile net loss to net cash used in operating activities			
Accounts payable written-off	(189,651)		(74,766)
Amortization	130,533		
Impairment loss	72,823		
Stock-based compensation (Note 3)	523,850	260,569	124,793
Amortization of deferred compensation	373,795	1,000	12,000
Donated services	847,500	150,000	150,000
Intellectual property written-off	578,509		
Shares issued for services (Note 3(c))	47,500	47,500	
Changes in operating assets and liabilities			
Accounts receivable	(3,000)		
Prepaid expenses (Note 3(c))	(29,148)	30,991	(42,925)
Accounts payable and accrued liabilities	263,256	8,634	43,908
Cash Used in Operating Activities	(6,576,137)	(914,600)	(842,348)
<b>Investing Activities</b>			
Patent protection costs	(38,197)		
Purchase of property, plant and equipment	(198,419)		
Cash Used in Investing Activities	(236,616)		
<b>Financing Activities</b>			
Bank indebtedness			(3,514)
Advance from related parties	536,100	104,995	5,608
Proceeds from convertible debenture	5,000		
Proceeds from the sale of common stock	6,146,817	474,350	1,076,641
Subscriptions received	288,745	259,027	3,750

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Cash Provided by Financing Activities	6,976,662	838,372	1,082,485
Increase (Decrease) In Cash	163,909	(76,228)	240,137
Cash Beginning of Period		240,137	
Cash - End of Period	163,909	163,909	240,137
Non-Cash Investing and Financing Activities			
Warrants issued for equity line of credit	1,561,406	1,561,406	
Shares issued to settle debt	496,000		
Shares issued for convertible debenture	5,000		
Shares issued for intellectual property	345,251		
Shares issued for services	60,000	60,000	
Consulting services reflected as donated capital	847,500	150,000	150,000
Affiliate s shares issued for intellectual property	200,000		

Supplemental Disclosures

Interest paid  
Income tax paid

(The Accompanying Notes are an Integral Part of the Consolidated Financial Statements)

REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

## **1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS**

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") in the U.S. The world-wide marketing and intellectual rights, other than in the U.S., are held by Reg Technologies, Inc. ("Reg"), a major shareholder, which owns 12% of the Company's issued and outstanding stock, and controls the Company by way of a voting trust arrangement. 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 Reg will fund 50%.

The Company formed a wholly-owned subsidiary, Rad Max Technologies, Inc. ( Rad Max ) on April 10, 2007 in the State of Washington. Rad Max hopes to win military contracts for custom versions of the RC/DC Engine. The accounts of the subsidiary are incorporated in the accounts of the Company as at April 30, 2007. All inter-company balances have been eliminated upon consolidation.

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 has accumulated losses of \$9,192,104 since inception. 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 Rand Energy Group Inc. ("Rand"), a private company with officers and directors in common with the Company. Further, Rand owns approximately 11% of the shares of the Company, and may sell shares as needed to meet ongoing funding requirements if traditional equity sources of financing prove to be insufficient. The Company also receives interim support from affiliated companies and plans to raise additional capital through debt and/or equity financings. The Company has an equity line of credit whereby the investor agreed to purchase up to \$10,000,000 of the Company's common stock (See Note 3(e)). There continues to be insufficient funds to provide enough working capital to fund ongoing operations for the next twelve months. The Company may also raise additional funds through the exercise of warrants and stock options, if exercised.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Presentation**

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

### **(b) Use of Estimates**

The preparation of consolidated 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 reporting period. Actual results could differ from those estimates. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with 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 the Consolidated Financial Statements  
(Expressed in U.S. dollars)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d) Financial Instruments

(i) Fair Value

The carrying values of cash, due to related parties, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

(ii) Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(iii) Credit Risk

The Company's financial asset that is exposed to credit risk consists primarily of cash. To manage the risk, cash is placed with major financial institutions.

(iv) Currency Risk

The Company's functional and reporting currency is the U.S. dollar. 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.

REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Stock-Based Compensation (Continued)

The fair value for options granted was estimated at the date of grant using the Black-Scholes option pricing model and the weighted average fair value of stock options granted during the year ended April 30, 2007, was \$1.32 (2006 - \$0.44). During the year ended April 30, 2007, the Company recorded stock-based compensation of \$260,569 (2006 - \$124,793) as general and administrative expense. At April 30, 2007, the Company had \$1,247,391 of total unrecognized compensation cost related to non-vested stock options held by employees, which will be recognized over future periods.

The weighted average assumptions used are as follows:

	April 30, 2007	April 30, 2006
Expected dividend yield	0%	0%
Risk-free interest rate	4.54%	3.89%
Expected volatility	142%	123%
Expected option life (in years)	2.50	2.04

Option pricing models require the input of highly subjective assumptions including the expected price volatility. The subjective input assumptions can materially affect the fair value estimate.

### (h) Basic and Diluted Income (Loss) per Share

The Company computes income (loss) per share in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (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 common 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.

### (i) Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, *Fair Value Measurements*.

*The adoption of this statement is not expected to have a material effect on the Company's financial statements.*

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ( SAB ) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 did not have a material effect on its financial statements.

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REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
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## 2. Summary of Significant Accounting Policies (Continued)

### (i) Recent Accounting Pronouncements (Continued)

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. This statement requires employers to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of cash flows, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement did not have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step method of first evaluating whether a tax position has met a more likely than not recognition threshold and, second, measuring that tax position to determine the amount of benefit to be recognized in the financial statements. FIN 48 provides guidance on the presentation of such positions within a classified statement of financial position as well as on de-recognition, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In March 2006, the FASB issued SFAS No. 156, "*Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as

impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In February 2006, the FASB issued SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140*", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*", to permit fair value re-measurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

### 3. 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.

Prior to January 1, 2006, the Company accounted for stock-based awards under the recognition and measurement provisions of APB Opinion No. 25, using the intrinsic value method of accounting, under which compensation expense was only recognized if the exercise price of the Company's employee stock options was less than the market price of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123R, *Share Based Payments*, using the modified retrospective transition method. Under that transition method, compensation cost is recognized for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated. There was no change to the Company income from operations for the year ended April 30, 2007 than if it had continued to account for share-based compensation under APB No. 25.

All options granted by the Company under the 2000 Plan have the following vesting schedule:

- (i) Up to 25% of the option may be exercised at any time during the term of the option; such initial exercise is referred to as the "First Exercise".
- (ii) The second 25% of the option may be exercised at any time after 90 days from the date of First Exercise; such second exercise is referred to as the "Second Exercise".
- (iii) The third 25% of the option may be exercised at any time after 90 days from the date of Second Exercise; such third exercise is referred to as the "Third Exercise".
- (iv) The fourth and final 25% of the option may be exercised at any time after 90 days from the date of the Third Exercise.
- (v) The options expire 60 months from the date of grant.

On April 12, 2007, the Company approved a new 2007 Stock Option Plan to issue up to 2,000,000 shares to certain key directors and employees. Pursuant to the Plans, the Company has granted stock options to certain directors and employees.

REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

### 3. COMMON STOCK (Continued)

#### (a) Stock Option Plan (Continued)

On April 12, 2007, the Company granted 1,025,000 stock options from the 2007 Stock Option Plan to four directors and three consultants exercisable at \$1.30 per share, up to April 12, 2012. The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 4.54%, expected volatility of 142%, an expected option life of 2.5 years and no expected dividends. The weighted average fair value of options granted was \$0.85 per option.

During the year ended April 30, 2007, the Company recorded stock-based compensation of \$260,569 as general and administrative expense.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. The subjective input assumptions can materially affect the fair value estimate.

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

	Shares #	Weighted average exercise price \$
Outstanding, April 30, 2005	1,612,750	0.26
Granted	770,000	0.44
Expired	(645,000)	0.20
Exercised	(212,000)	0.25
Cancelled	(350,000)	0.36
Outstanding, April 30, 2006	1,175,750	0.37
Granted	1,375,000	1.32
Exercised	(662,250)	0.22
Outstanding, April 30, 2007	1,888,500	1.12

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REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

### 3. COMMON STOCK (Continued)

#### (a) Stock Option Plan (Continued)

Additional information regarding options outstanding and exercisable as at April 30, 2007, is as follows:

Expiry Date	Options Outstanding			
	Exercise Price	Shares Under Option	Aggregate Intrinsic Value	WTD. AVG Remaining Contractual Life (in years)
	\$	#	\$	#
May 10, 2007	0.20	75,000	750	0.03
September 10, 2008	0.25	150,000	4,500	1.39
December 2, 2008	0.35	100,000	2,000	1.62
May 25, 2009	0.25	13,500		2.10
September 30, 2009	0.35	50,000		2.46
May 27, 2010	0.45	50,000		3.12
April 21, 2011	2.20	75,000		4.03
June 29, 2011	2.09	25,000		4.23
November 1, 2011	1.37	125,000		4.57
January 30, 2012	1.30	200,000		4.82
April 12, 2012	1.30	1,025,000		5.03
Options outstanding		1,888,500	7,250	4.12

Expiry Date	Options Exercisable			
	Exercise Price	Shares Under Option	Aggregate Intrinsic Value	WTD. AVG Remaining Contractual Life (in years)
	\$	#	\$	#
May 10, 2007	0.20	75,000	750	0.03
September 10, 2008	0.25	150,000	4,500	1.39
December 2, 2008	0.35	100,000	2,000	1.62
May 25, 2009	0.25	11,500		2.10
September 30, 2009	0.35	50,000		2.46
May 27, 2010	0.45	12,500		3.12
April 21, 2011	2.20	18,750		4.03
June 29, 2011	2.09	6,250		4.23

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November 1, 2011	1.37	31,250		4.57
January 30, 2012	1.30	50,000		4.82
Options exercisable		505,250	7,250	3.03

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REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

### 3. COMMON STOCK (Continued)

#### (a) Stock Option Plan (Continued)

At April 30, 2007, the Company had \$1,247,391 of total unrecognized compensation cost related to non-vested stock options held by employees, which will be recognized at the point the options are exercisable. A summary of the status of the Company's non-vested shares as of April 30, 2007, and changes during the year ended April 30, 2007, is presented below:

Non-vested shares	Shares #	Weighted-Average Grant-Date Fair Value \$
Non-vested at May 1, 2006	554,500	0.57
Granted	1,375,000	0.87
Vested	(546,250)	0.48
Non-vested at April 30, 2007	1,383,250	0.90

#### (b) 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, and amended in June 2004. On April 27, 2007, the Company further amended the Plan so that the term of the Plan is extended to the twentieth anniversary of the effective date.

#### (c) Non-Cash Consideration

Shares issued for non-cash consideration to third parties were valued based on the fair market value of the services provided. During the year ended April 2005, 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 to be rendered over a two-year period. The Company charged \$1,000 (2006 - \$12,000) to operations for the pro-rata portion of services performed during the year ended April 30, 2007.

During the year ended April 30, 2007, the Company entered into a Financial Advisory Agreement valued at \$120,000 for services to be rendered over a one-year period. Part of this agreement stated that \$60,000 was to be paid by issuance of the Company's shares of common stock. At the date of this obligation, 29,000 shares were issued when the value of the Company's stock was \$2.07 per share. The Company charged \$47,500 (2006 - \$nil) to operations for the pro-rata portion of services performed during the year ended April 30, 2007 and \$12,500 as prepaid expenses.

REGI U.S., Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(Expressed in U.S. dollars)

### 3. COMMON STOCK (Continued)

#### (d) Share Purchase Warrants

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

	Number of Shares	Weighted average exercise price \$
Balance, April 30, 2005	516,400	0.35
Issued	750,000	0.80
Exercised	(406,400)	0.35
Expired	(110,000)	0.35
Balance, April 30, 2006	750,000	0.80
Exercised	(255,833)	0.80
Exercised	(13,000)	1.00
Granted	2,252,000	1.03
Balance, April 30, 2007	2,733,167	1.02

At April 30, 2007, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price \$	April 30, 2007 #	April 30, 2006 #
November 30, 2007	1.00	252,500	325,000
April 26, 2008	1.00	241,667	425,000
November 17, 2011	1.00	2,119,000	
February 21, 2012	1.50	120,000	
Warrants outstanding		2,733,167	750,000

- (e) On November 17, 2006, the Company entered into a Securities Purchase Agreement ( equity line of credit ), whereby an investor agreed to purchase up to \$10,000,000 of the Company's common stock over a term of 36 months at the Company's discretion. Each purchase will be for a minimum of \$150,000 and up to a maximum of the lesser of \$750,000, or 200% of the average weighted volume for the Company's common stock for the 20 trading days prior to the date of purchase. Each purchase will be at a 15% discount to the market price of the Company's common stock over the 10 trading days prior to the purchase.

In connection with the equity line of credit, the Company issued to the investor a warrant ( Investor warrant ) to purchase 1,000,000 shares of the Company's common stock at \$1.30 per share (the Exercise Price ) for five years, and to an agent a warrant ( Placement warrant ) to purchase 640,000 shares of the Company's common stock at \$1.30 per share for five years. If the Company fails to register the shares issuable upon the exercise of the Investor or Placement warrant, the holder is entitled to exercise the warrant and receive, for no consideration, a certificate equal to the number of shares obtained by



subtracting the Exercise Price of the warrant for the volume weighted average price on the trading day immediately preceding the date of such election and multiplying that amount by the number of shares issuable upon the exercise of the warrant.

The Company filed an SB-2 Registration Statement with the United States Securities and Exchange Commission that was declared effective February 9, 2007, to register shares of common stock potentially issuable under this equity line of credit (6,160,000 shares) and the related warrants (1,640,000 shares).

Pursuant to the agreement, if the Company issues any common stock, or rights to acquire common stock at a price less than the Exercise Price, the Exercise Price will be adjusted to the lower price. In addition, the number of shares issuable will be increased such that the aggregate exercise price after adjustment is equal to the aggregate exercise price prior to adjustment.

Subsequent to the issuance of the warrants, the Company completed an equity financing at \$1 per share. The issuance of the Company's common shares lowered the Exercise Price of the Investor warrants to \$1 and increased the number of shares issuable upon exercise of the warrants to 2,132,000 shares, of which 13,000 have been exercised. The Company recognized the change in fair value of the warrants of \$222,681 as share issuance costs.

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**3. COMMON STOCK** (Continued)

(e) Share Purchase Warrants (Continued)

The Company has determined that, in accordance with SFAS 133, *Accounting for Derivative Instruments and Fair Value Hedges*, the warrants are not derivative instruments and, accordingly, guidance in EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, relating to net cash settlement versus net share settlement should be followed. The contract permits the Company to settle in unregistered shares, the Company has a sufficient number of unissued authorized shares available to settle the contract, and there is an explicit limit on the number of shares to be delivered in a share settlement. As the issuance of shares and, thus, the modification of the exercise price is wholly under the control of the Company and the Company has the ability to control net-settlement, these warrants have been classified as equity and their fair value of \$1,338,725 has been recognized as share issuance costs.

- (f) In the previous fiscal year, the Company received subscriptions of \$3,750 upon the exercise of stock options for 18,750 shares issued during the year ended April 30, 2007.
- (g) During the year ended April 30, 2007, the Company issued 643,500 shares upon the exercise of stock options for proceeds of \$140,188.
- (h) During the year ended April 30, 2007, the Company issued 255,833 shares at \$0.80 per share upon the exercise of warrants for proceeds of \$204,666.
- (i) During the year ended April 30, 2007, the Company issued 13,000 shares at \$1 per share upon the exercise of warrants for proceeds of \$13,000.
- (j) During the year ended April 30, 2007, the Company issued 120,000 shares at \$1 per share pursuant to a private placement for cash proceeds of \$116,496, net of issue costs of \$3,504.
- (k) As of April 30, 2007, the Company had received subscriptions of \$10,000 upon the exercise of warrants for 12,500 shares issued subsequent to the year-end.
- (l) As of April 30, 2007, the Company had received subscriptions pursuant to a private placement for cash proceeds of \$249,027, net of subscription costs of \$13,673.

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**4. RELATED PARTY TRANSACTIONS (Continued)**

- (i) During the year ended April 30, 2007, the spouse of the President of the Company exercised 100,000 share purchase warrants for cash proceeds of \$80,000.
- (j) During the year ended April 30, 2007, the value of consulting services of \$90,000 (2006 - \$90,000) was contributed by the President, CEO and Director of the Company, charged to operations and treated as donated capital.
- (k) During the year ended April 30, 2007, the value of consulting services of \$30,000 (2006 - \$30,000) was contributed by the Vice President and Director of the Company, charged to operations and treated as donated capital.
- (l) During the year ended April 30, 2007, the value of consulting services of \$30,000 (2006 - \$30,000) was contributed by the CFO, COO and Director of the Company, charged to operations and treated as donated capital.
- (m) During the year ended April 30, 2007, rent of \$3,009 (2006 - \$4,797) was paid to a company having common officers and directors.
- (n) During the year ended April 30, 2007, project management fees of \$30,000 (2006 - \$30,000) were paid to a company having common officers and directors.

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## 7. INCOME TAXES

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has net operating losses of \$7,745,000, which commence expiring in 2013. Pursuant to SFAS No. 109, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit of net operating losses has not been recognized in these financial statements because the Company cannot be assured it more likely than not will utilize the net operating losses carried forward in future years. For the years ended April 30, 2007 and 2006, the valuation allowance established against the deferred tax assets increased by \$350,700 and \$273,100, respectively.

The components of the net deferred tax asset at April 30, 2007 and 2006 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are scheduled below:

	April 30, 2007	April 30, 2006
	\$	\$
Net Operating Losses	7,745,000	6,743,000
Statutory Tax Rate	35%	35%
Effective Tax Rate		
Deferred Tax Asset	2,710,800	2,236,100
Valuation Allowance	(2,710,800)	(2,236,100)
Net Deferred Tax Asset		

Pursuant to SFAS No. 109, the Company is required to compute tax asset benefits for non-capital losses carried forward. Potential benefit of non-capital losses has not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the losses carried forward in future years. The reconciliation of income tax attributable to continuing operations computed at the statutory tax rates to income tax expense is:

	April 30, 2007	April 30, 2006
	\$	\$
Income tax benefit computed at U.S. statutory rates	494,653	369,375
Stock-based compensation	(91,199)	(43,678)
Compensation recognized as donated capital	(52,500)	(52,500)
Non-deductible write-off of accounts payable		26,168
Non-deductible meals and entertainment	(225)	(354)
Unrecognized tax losses	(350,729)	(246,676)
Future income tax benefit		

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**8. SUBSEQUENT EVENTS**

- (a) On May 24, 2007, the Company approved the increase of the authorized share capital of the Company to 100,000,000 shares from 50,000,000.
- (b) Issued 13,500 common shares upon the exercise of options for cash proceeds of \$3,375.
- (c) Issued 60,000 common shares upon the exercise of warrants at \$1 per share for cash proceeds of \$60,000.
- (d) Issued 12,500 common shares upon the exercise of warrants at \$0.80 per share for cash proceeds of \$10,000.
- (e) Issued 3,000 common shares upon the exercise of options at \$1.30 per share for cash proceeds of \$3,900.
- (f) Extended 75,000 options set to expire on May 10, 2007 to May 10, 2009.

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