

EYI INDUSTRIES INC.  
Form 10QSB  
November 20, 2006

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

**FORM 10-QSB**

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2006**

Transition Report under Section 13 or 15(d) of the Exchange Act

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

Commission File Number: **000-29803**

**EYI INDUSTRIES, INC.**

(Exact name of small business issuer as specified in its charter)

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**88-0407078**

(IRS Employer Identification No.)

**7865 Edmonds Street**

**Burnaby, BC CANADA**

(Address of principal executive offices)

**V3N 1B9**

(Zip Code)

Issuer's telephone number:

**(604) 759-5031**

**NOT APPLICABLE**

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes  No

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 336,267,350 shares of common stock issued and outstanding as of November 17, 2006.

Transitional Small Business Disclosure Format (check one): Yes  No

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the nine month period ended September 30, 2006 are not necessarily indicative of the results that can be expected for the year ending December 31, 2006.

As used in this quarterly report, the terms "we", "us", "our", "EYI" and "our company" mean EYI Industries, Inc. and its subsidiaries unless otherwise indicated. All dollar amounts in this quarterly report are in U.S. dollars unless otherwise stated.

**EYI INDUSTRIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2006 (Unaudited)	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,879,075	\$ 25,639
Accounts receivable, net of allowance	36,193	48,783
Related party receivables	31,250	-
Prepaid expenses	97,795	12,387
Inventory	511,625	295,248
<b>TOTAL CURRENT ASSETS</b>	<b>2,555,938</b>	<b>382,057</b>
<b>OTHER ASSETS</b>		
Property, plant and equipment, net	75,714	49,671
Deposits	26,011	67,603
<b>TOTAL OTHER ASSETS</b>	<b>101,725</b>	<b>117,274</b>
<b>INTANGIBLE ASSETS</b>	<b>13,387</b>	<b>15,044</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,671,050</b>	<b>\$ 514,375</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,374,522	\$ 1,929,049
Accounts payable - related parties	460,149	328,038
Convertible debt - related party, net of discount	2,549,263	-
Derivative on convertible debt	1,354,824	-
Interest payable, convertible debt	149,681	-
Notes payable - related party	50,000	90,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,938,439</b>	<b>2,347,087</b>
Net liabilities from discontinued operations	375,344	375,344
<b>COMMITMENTS AND CONTINGENCIES MINORITY INTEREST IN SUBSIDIARY</b>	<b>140,813</b>	<b>262,057</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 3,000,000,000 shares authorized, 294,011,932 and 217,600,875 shares issued and outstanding, respectively	294,011	217,600
Additional paid-in capital	9,114,960	6,155,518
Stock options and warrants	4,446,082	2,698,984
Subscription receivable	(195,000)	(195,000)
Accumulated deficit	(17,443,599)	(11,347,215)

<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	(3,783,546)	(2,470,113)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	\$ 2,671,050	\$ 514,375

3

---

**EYI INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30, 2006 (Unaudited)	Three Months Ended September 30, 2005 (Unaudited)	Nine Months Ended September 30, 2006 (Unaudited)	Nine Months Ended September 30, 2005 (Unaudited)
<b>REVENUE, NET OF RETURNS AND ALLOWANCES</b>	\$ 949,429	\$ 1,335,963	\$ 3,068,166	\$ 3,850,246
<b>COST OF GOODS SOLD</b>	268,763	350,188	947,611	840,125
<b>GROSS PROFIT BEFORE COMMISSION EXPENSE</b>	680,666	985,775	2,120,555	3,010,121
<b>COMMISSION EXPENSE</b>	355,556	513,449	1,120,273	1,435,911
<b>GROSS PROFIT AFTER COST OF GOODS SOLD AND COMMISSION EXPENSE</b>	325,110	472,326	1,000,282	1,574,210
<b>OPERATING EXPENSES</b>				
Consulting fees	259,639	273,026	743,738	751,836
Legal and professional fees	266,908	107,333	428,150	254,090
Customer service	62,718	9,771	169,721	161,776
Finance and administration	214,835	299,735	643,529	663,213
Sales and marketing	59,339	42,569	271,631	47,560
Telecommunications	32,930	118,881	97,955	361,139
Wages and benefits	264,899	252,095	864,292	995,247
Warehouse expense	98,995	66,220	229,668	128,066
<b>TOTAL OPERATING EXPENSES</b>	1,260,263	1,169,630	3,448,684	3,362,927
<b>LOSS FROM OPERATIONS</b>	(935,153)	(697,304)	(2,448,403)	(1,788,717)
<b>OTHER INCOME (EXPENSES)</b>				
Interest and other income	2,162	158	2,405	3,625
Interest expense	(117,803)	(103,581)	(174,537)	(158,159)
Financing fees	(285,534)	30,318	(592,471)	-
Loss on derivatives	(1,731,034)	-	(3,026,542)	-
Foreign currency gain (discount)	5,587	-	21,919	(119,169)
<b>TOTAL OTHER INCOME (EXPENSES)</b>	(2,126,622)	(73,105)	(3,769,226)	(273,703)
<b>NET LOSS BEFORE TAXES</b>	(3,061,775)	(770,409)	(6,217,628)	(2,062,420)
<b>PROVISION FOR INCOME TAXES</b>	-	-	-	-
<b>NET LOSS BEFORE ALLOCATION TO MINORITY INTEREST</b>	(3,061,775)	(770,409)	(6,217,628)	(2,062,420)
<b>ALLOCATION OF LOSS TO MINORITY INTEREST</b>	59,705	14,886	121,244	47,635
<b>ALLOCATION OF LOSS TO DISCONTINUED OPERATIONS</b>	-	7,093	-	(380,368)
<b>NET LOSS</b>	\$ (3,002,070)	\$ (748,430)	(6,096,384)	\$ (2,395,153)
<b>BASIC AND DILUTED NET LOSS PER COMMON SHARE</b>	\$ nil	\$ (0.01)	nil	(0.02)

**WEIGHTED AVERAGE NUMBER  
OF  
COMMON STOCK SHARES  
OUTSTANDING  
FOR BASIC AND DILUTED  
CALCULATION**

286,014,193	172,702,928	286,014,193	168,678,060
-------------	-------------	-------------	-------------

The accompanying condensed notes are an integral part of these financials

**EYI INDUSTRIES, INC.****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**

	Common Stock		Additional			Accumulated Deficit	Total
	Number of Shares	Amount	Paid-in Capital	Subscription Receivable	Option/ Warrants		
Balance December 31, 2004	162,753,292	\$ 162,753	\$ 3,048,606	\$ (15,000)	\$ 2,563,044	\$ (7,085,205)	\$ (1,325,802)
Stock issued at \$0.06 per Share for promissory note for exercise of options	3,000,000	3,000	177,000	(180,000)	-	-	-
Vested stock options issued for consulting at an average price of \$0.07 per share	-	-	-	-	35,250	-	35,250
Vested stock options issued for employee compensation at an average price of \$0.07 per share	-	-	-	-	133,750	-	133,750
Stock issued to employee for financing guaranty & pledge valued at \$0.05 per share	800,000	800	39,200	-	-	-	40,000
Consultant-options exercised	250,000	250	14,750	-	(5,000)	-	10,000
Gladys Sargeant 506 Subscription Agreement	1,000,000	1,000					