REG TECHNOLOGIES INC.
(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

January 31, 2011

READERS' NOTE

Responsibilities for Financial Statements

The accompanying consolidated financial statements for Reg Technologies Inc. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. Management believes the consolidated financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at January 31, 2011 and the results of its operations and its cash flows for the nine months ended January 31, 2011.

Reg Technologies Inc.
(A Development Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	As at January 31, 2011 $	As at April 30, 2010 $
Assets		
Current		
Cash	144,168	364
GST and interest receivable	7,252	9,882
Prepaid expenses	44,898	1,416
Due from related parties (Note 8)	-	28,455
Advances to equity accounted investee (Note 6)	842,081	585,859
	1,038,399	625,976
Equipment (Note 5)	1,722	3,346
Deferred exploration costs	20,522	-
Deferred acquisition costs (Note 14)	10,000	-
	1,070,643	629,322
Liabilities		
Current		
Bank indebtedness	-	494
Accounts payable and accrued liabilities	86,693	57,861
Due to related parties (Note 8)	239,394	146,741
Income taxes payable	10,317	10,317
Share subscription payable (Note 10)	135,344	58,877
Convertible debenture (Note 11)	46,181	-
Share subscription payable – subsidiary (Note 14)	207,500	-
Financial instrument liability (Note 10)	17,941	135,816
	743,370	410,106
Shareholders' equity		
Share capital (Note 4)	12,191,832	12,082,039
Subscription received (Note 4)	174,500	-
Equity component of convertible loan (Note 11)	8,485	-
Warrants (Note 4)	60,371	245,518
Contributed Surplus	2,321,484	2,133,649
Deficit	(14,429,399)	(14,241,990)
	254,782	219,216
	1,070,643	629,322

Nature and Continuance of Operations (Note 1)
Commitments (Note 9)
Subsequent events (Note 15)

On behalf of the Board:

"John Robertson" Director
John Robertson

"Jennifer Lorette" Director
Jennifer Lorette

The accompanying notes are an integral part of these consolidated financial statements.

Reg Technologies Inc.
(A Development Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended January 31, 2011 $	For the three Months ended January 31, 2010 $	For the nine months ended January 31, 2011 $	For the nine Months ended January 31, 2010 $
Expenses				
Amortization	504	820	1,624	2,935
Interest	3,091	-	6,999	-
Shareholder communication	3,549	32,823	18,688	51,844
Consulting fees	23,236	9,563	25,553	13,965
Foreign exchange loss (gain)	3,473	38,836	3,414	40,556
Management and directors' fees (Note 8)	26,221	13,050	49,221	39,150
Office expenses	7,447	16,606	18,488	44,051
Professional fees (Note 8)	21,198	13,743	50,321	80,347
Research and development	19,866	27,797	65,040	98,200
Rent and utilities (Note 8)	11,443	11,233	12,229	27,562
Stock-based compensation (Note 4)	-	-	20,296	31,987
Transfer agent and filing fees	3,249	8,727	10,925	15,889
Travel and promotion	666	4,541	4,674	13,516
Wages and benefits	5,123	7,342	17,813	21,616
Loss before other items and income taxes	(129,066)	(185,081)	(305,285)	(557,813)
Other income (expense)				
Gain on sale of investee's shares (Note 6)	-	-	39,542	26,689
Unrealized gain (loss) on financial instrument liability	11,146	79,229	78,334	144,115
Net and comprehensive loss	(117,920)	(105,852)	(187,409)	(341,495)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares outstanding – basic and diluted	28,830,785	25,768,959	28,562,932	25,732,271

The accompanying notes are an integral part of these consolidated financial statements.

Reg Technologies Inc.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended January 31, 2011 $	For the three Months ended January 31, 2010 $	For the nine months ended January 31, 2011 $	For the nine Months ended January 31, 2010 $
Cash flows used in operating activities				
Net loss	(117,920)	(105,852)	(187,409)	(341,495)
Adjustments to reconcile loss to net cash used by operating activities:				
Amortization	504	820	1,624	2,935
Accrued interest	2,091	-	4,658	-
Gain on sale of investee's shares	-	-	-	(26,689)
Stock-based compensation	-	-	20,296	31,987
Realised gain on financial instrument liability	-	-	(39,542)	
Unrealized gain on financial instrument liability	(11,146)	(79,229)	(78,334)	(144,115)
Changes in non-cash working capital items:				
Bank indebtedness	-	-	(494)	-
GST and interest receivable	5,956	9,001	2,630	2,693
Prepaid expenses	(42,207)	11,858	(43,482)	(1,315)
Due from related parties	-	-	28,455	
Accounts payable and accrued liabilities	(63,515)	47,294	33,836	176,131
Advances from (repayment to) related parties	90,820	-	87,653	-
	(135,417)	(116,108)	(170,109)	(299,868)
Cash flows provided by (used in) investing activities				
Deferred exploration cost	(20,522)	-	(20,522)	-
Deferred acquisition cost	(10,000)	-	(10,000)	-
Advances to equity accounted investee	(72,237)	(6,412)	(256,222)	7,007
Proceeds on sale of investee's shares and warrants	-	-	76,467	26,689
	(102,759)	(6,412)	(160,277)	33,696
Cash flows provided by financing activities				
Subscription received by subsidiary	207,500	-	207,500	-
Bank Indebtedness	-	11,939	-	13,878
Advances from (to) related parties	-	(79)	-	140,856
Proceeds from issuance of convertible loan	-	-	50,000	-
Proceeds from share issuances, net of issuance costs	174,500	143,331	266,686	143,331
Subscription receivable	-	(45,000)	-	(45,000)
Subscription received	-	12,000	-	12,000
	382,000	122,191	524,186	265,065
Increase (decrease) in cash	143,824	(329)	143,804	(1,107)
Cash, beginning	344	329	364	1,107
Cash, ending	144,168	-	144,168	-
Supplemental Disclosures				
Interest paid	1,000	-	2,333	-
Income taxes paid	-	-	-	-

The accompanying notes are an integral part of these consolidated financial statements.

Reg Technologies Inc.
(A Development Stage Company)
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)

	Common Shares #	Common Shares $	Contributed Surplus $	Warrants $	Equity Component of Convertible Loan $	Subscription Received $	Deficit $	Total Shareholders' Equity $
Balance – April 30, 2008 (Restated – Note 12)	23,942,759	11,356,689	2,024,832	–	–	–	(13,330,998)	50,523
Shares issued for cash	1,771,168	444,275	–	167,540	–	–	–	611,815
Stock-based compensation	–	–	90,736	–	–	–	–	90,736
Net loss	–	–	–	–	–	–	(456,090)	(456,090)
Balance – April 30, 2009	25,713,927	11,800,964	2,115,568	167,540	–	–	(13,787,088)	296,984
Shares issued for cash	2,655,929	281,075	–	94,711	–	–	–	375,786
Stock-based compensation	–	–	1,348	–	–	–	–	1,348
Expiration of warrants	–	–	16,733	(16,733)	–	–	–	–
Net loss	–	–	–	–	–	–	(454,902)	(454,902)
Balance – April 30, 2010	28,369,856	12,082,039	2,133,649	245,518	–	–	(14,241,990)	219,216
Equity component of convertible loan	–	–	–	–	8,485	–	–	8,485
Shares issued for warrant exercise	460,929	109,793	–	(17,607)	–	–	–	92,186
Stock-based compensation	–	–	20,296	–	–	–	–	20,296
Expiration of warrants	–	–	167,540	(167,540)	–	–	–	–
Subscription received	–	–	–	–	–	174,500	–	174,500
Net loss	–	–	–	–	–	–	(187,409)	(187,409)
Balance – January 31, 2011	28,830,785	12,191,832	2,321,484	60,371	8,485	174,500	(14,429,399)	254,782

1. Nature and Continuance of Operations

Reg Technologies Inc. ("Reg Tech" or the "Company") is a development stage company in the business of developing and commercially exploiting an improved axial vane type rotary engine known as the Rand Cam™/Direct Charge Engine and other RandCam™ / RadMax® applications, such as compressors and pumps (the "Technology"). The worldwide marketing and intellectual rights, other than in the U.S., are held by the Company, which as at January 31, 2011 owns 3.8 million shares of REGI U.S, Inc. ("REGI") (a U.S. public company) representing a 13% interest in REGI. REGI owns the U.S, marketing and intellectual rights. The Company and REGI have a project cost sharing agreement whereby these companies each fund 50% of the development of the Technology.

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 incurred recurring operating losses as is normal in development stage companies. The Company has accumulated losses of $14,429,399 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.

Management is aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. The Company receives interim support from affiliated companies and plans to raise additional capital through debt and/or equity financings. There continues to be insufficient funds to provide adequate working capital to fund ongoing operations for the next twelve months. The Company may also raise additional funds though the exercise of warrants and stock options.

There is no certainty that the Company's efforts to raise additional capital will be successful. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in normal operations.

2. Basis of accounting and principles of consolidation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended April 30, 2010. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements of the Company and should be read in conjunction with the audited consolidated financial statements of the Company as at April 30, 2010.

2. Basis of accounting and principles of consolidation (Cont'd)

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

These financial statements include the accounts of the Company, its 100% owned subsidiary Minewest Silver and Gold Inc. ("Minewest") and its 51% owned subsidiary, Rand Energy Group Inc. ("Rand"), which owns a 2.8% (April 30, 2010 – 2.8%) interest in REGI. The Company also owns a 10.6% (April 30, 2010 – 10.6%) interest in REGI. Prior to April 30, 2008, REGI was considered a controlled subsidiary for consolidation purposes by way of control through an annually renewable voting trusts agreement, with other affiliated companies. This trusts agreement gave the Company 50% control of the voting shares of REGI. The agreement could be cancelled by the President of the 51% owned subsidiary with seven days' written notice to the affiliated companies. Effective April 30, 2008, the voting trusts agreement was cancelled (Note 6) and consequently the investment in REGI has been accounted for as an equity investment.

3. Financial Instruments

Foreign exchange risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities that are denominated in United States dollars:

January 31, 2011	Cash	Advances to Equity Accounted Investee	Accounts Payable
	$ 144,168	$ 842,081	$ 91,693

At January 31, 2011 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- $31,806.

3. Financial Instruments (Cont'd)

Interest rate and credit risk

The Company has minimal cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest any significant excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Receivables consist of goods and services tax due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

Fair Value Measurement

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

– Level 1 – quoted prices in active markets for identical assets or liabilities.

– Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).

– Level 3 – inputs for the asset or liability that are not based on observable market data.

At January 31, 2011, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

	Level 1	Level 2
Cash	$ 144,168	
Financial instrument liability		$ 17,941

4. Share Capital

Authorized

50,000,000 Common shares without par value
10,000,000 Preferred shares with a $1 par value, redeemable for common shares on the basis of 1 common share for 2 preferred shares
5,000,000 Class A non-voting shares without par value. Special rights and restrictions apply.

Treasury Shares

At January 31, 2011, Rand owns 217,422 (April 30, 2010 – 217,422) shares of the Company valued at $39,156 that have been deducted from the total shares issued and outstanding. The value of these shares has been deducted from share capital.

Private placements

On July 31, 2008, the Company completed a private placement, whereby it issued 1,315,168 units at $0.40 per unit for proceeds of $526,067. Each unit consisted of one common share and one non-transferable share purchase warrant, entitling the holder to acquire one additional common share for a period of one year at $0.50 per share and at $0.60 per share in the second year. The fair value of the warrants included in the units was estimated to be $0.115 per warrant using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 3.10%, expected volatility of 107%, an expected life of 1 year and no expected dividends. The Company incurred finders' fees of $22,212 in connection with this private placement, which are included in share issuance costs.

On April 1, 2009, the Company completed a private placement, whereby it issued 456,000 units at $0.25 per unit for proceeds of $114,000. Each unit consisted of one common share and one-half non-transferable share purchase warrant. Two one-half warrants entitle the holder to purchase one additional share of common stock at a price of $0.35 per share for one year. The fair value of the warrants included in the units was estimated to be $0.07 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.10%, expected volatility of 115%, an expected life of 1 year and no expected dividends. The Company incurred finders' fees of $6,040 in connection with this private placement, which are included in share issuance costs.

On January 26, 2010, the Company completed a private placement, whereby it issued 1,012,596 units at $0.15 per unit for proceeds of $151,889. Each private placement unit consisted of one common share and share purchase warrant. Each warrant entitles the holder to purchase one additional share of common stock at a price of $0.20 per share for one year. The fair value of the warrants included in the units was estimated to be $0.04 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.17%, expected volatility of 97%, an expected life of 1 year and no expected dividends. Finders' fees of $7,050 were paid in connection with the private placement, which are included in share issuance costs. 460,929 of the warrants were exercised during the nine months ended January 31, 2011, the expiration of the remaining 551,667 warrants was extended to July 26, 2011. The value of the extended warrants are recorded at $35,250 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.20%, expected volatility of 109%, an expected life of 0.50 year and no expected dividends.

4. Share Capital (Cont'd)

Private placements (Cont'd)

On March 28, 2010, the Company completed a private placement, whereby it issued 1,643,333 units at $0.15 per unit for proceeds of $246,500. Each private placement unit consisted of one common share and share purchase warrant. Each warrant entitles the holder to purchase one additional share of common stock at a price of $0.20 per share for one year. The fair value of the warrants included in the units was estimated to be $0.03 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 0.87%, expected volatility of 99%, an expected life of 1 year and no expected dividends. Finders' fees of $12,068 were paid in connection with the private placement, which are included in share issuance costs. None of the warrants were exercised and their expiration date was extended to September 24, 2011.

Stock Options

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors. Pursuant to the Plan, the Board of Directors has discretion to grant options for up to a maximum of 10% of the issued and outstanding common shares of the Company at the date the options are granted. The option price under each option shall be not less than the discounted market price on the grant date. The expiry date of an option shall be set by the Board of Directors at the time the option is awarded, and shall not be more than five years after the grant date.

These options 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.

Options granted to consultants engaged in investor relations activities will vest in stages over a minimum of 12 months with no more than 25% of the options vesting in any three-month period.

During the nine months ended January 31, 2011, the Company recorded stock-based compensation of $20,296 (2010 - $31,987) as a general and administrative expense.

4. Share Capital (Cont'd)

Stock Options (Cont'd)

On August 1, 2008, the Company granted 400,000 stock options from the Plan to employees, directors and consultants exercisable at $0.40 per share, up to August 1, 2013. The fair value of options was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 1.69%, expected volatility of 134%, an expected option life of 1 - 5 years and no expected dividends. The weighted average fair value of options granted was $0.31 per option. During the year ended April 30, 2010 the Company recognized $nil (2009 - $43,648) as stock-based compensation in relation to this grant, with $46,990 (2009 - $46,990) to be recognized in future accounting periods as the options continue to vest.

On April 22, 2009, the Company granted 375,000 stock options from the Plan to two directors and a consultant exercisable at $0.21 per share, up to April 22, 2014. The fair value of options was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 3.19%, expected volatility of 106%, an expected option life of 1 - 5 years and no expected dividends. The weighted average fair value of options granted was $0.18 per option. During the year ended April 30, 2010 the Company recognized $nil (2009 - $16,502) as stock-based compensation in relation to this grant, with $37,419 (2009 - $37,419) to be recognized in future accounting periods as the options continue to vest.

On April 19, 2010, the Company granted 50,000 stock options from the Plan to a consultant exercisable at $0.21 per share, up to April 19, 2015. The fair value of options was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 2.74%, expected volatility of 102%, an expected option life of 5 years and no expected dividends. The weighted average fair value of options granted was $0.11 per option. The Company recognized $1,348 as stock-based compensation in relation to this grant, with $4,044 to be recognized in future accounting periods as the options continue to vest.

On October 21, 2010, the Company granted 750,000 stock options from the Plan to the president of the Company exercisable at $0.14 per share, up to October 21, 2015. The fair value of options was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 1.72%, expected volatility of 106%, an expected option life of 5 years and no expected dividends. The weighted average fair value of options granted was $0.11 per option. The Company recognized $20,296 as stock-based compensation in relation to this grant, with $60,889 to be recognized in future accounting periods as the options continue to vest.

(Expressed in Canadian Dollars)

4. Share Capital (Cont'd)

The following is a summary of options activities during the nine months ended January 31, 2011 and the year ended April 30, 2010:

	Number of options	Weighted average exercise price
		$
Outstanding at April 30, 2009	1,525,000	0.30
Granted	50,000	0.21
Outstanding at April 30, 2010	1,575,000	0.30
Expired	(750,000)	0.22
Granted	750,000	0.14
Outstanding at January 31, 2011	1,575,000	0.26
Weighted average fair value of options granted during the nine months ended January 31, 2011		0.14

Stock Options (Cont'd)

The following options were outstanding at January 31, 2011:

Expiry Date	Exercise price	Number of options	Remaining contractual life (years)
	$		
August 1, 2013	0.40	400,000	2.51
April 22, 2014	0.21	375,000	3.23
April 19, 2015	0.21	50,000	4.22
October 21, 2015	0.14	750,000	4.72
Options Outstanding		1,575,000	
Options Exercisable		393,570	

(Expressed in Canadian Dollars)

4. Share Capital (Cont'd)

Share Purchase Warrants

The following is a summary of warrant activities during the nine months ended January 31, 2011 and year ended April 30, 2010:

	Number of warrants	Weighted average exercise price $
Outstanding at April 30, 2009	1,543,168	0.56
Issued	2,655,929	0.20
Expired	(228,000)	0.35
Outstanding at April 30, 2010	3,971,097	0.33
Exercised	(460,929)	0.20
Expired	(1,315,168)	0.60
Outstanding at January 31, 2011	2,195,000	0.20

The following warrants were outstanding at January 31, 2011:

Expiry Date	Exercise price $	Number of warrants
July 26, 2011	0.20	551,667
September 24, 2011	0.20	1,643,333
Warrants Outstanding		2,195,000

5. Equipment

October 31, 2010	Cost	Accumulated Amortization	Net
Computer hardware	$ 7,372	$ 7,126	$ 246
Office furniture and equipment	8,849	7,373	1,476
Total	$ 16,221	$ 14,499	$ 1,722

April 30, 2010	Cost	Accumulated Amortization	Net
Computer hardware	$ 7,372	$ 6,829	$ 543
Office furniture and equipment	8,849	6,046	2,803
Total	$ 16,221	$ 12,875	$ 3,346

6. Equity Accounted Investee

The Company's investment in REGI has been reduced to $nil as the Company's share of past losses exceeded the carrying value of the investment in REGI.

At January 31, 2011, the Company is owed an aggregate of $842,081 (April 30, 2010 - $585,859) by REGI. The amounts owed are unsecured, non-interest bearing and due on demand.

During the year ended April 30, 2010, the Company recognized a gain of $142,815 (2009 – gain of $347,099) relating to the sale of 621,725 (2009 – 1,394,608) of shares of REGI by the Company and Rand.

7. Dilution Gain

During the year ended April 30, 2008, prior to the de-consolidation, REGI issued shares to third parties. These issuances reduced Rand's interest in REGI, which resulted in a gain on dilution of $228,934.

8. Related Party Transactions

At January 31, 2011, the Company is owed an aggregate of $Nil (April 30, 2010 - $28,455) by related parties and owed an aggregate of $239,394 (April 30, 2010 - $146,741) to related parties. The amounts owed are unsecured, non-interest bearing and due on demand. These parties are companies that the President of the Company controls or significantly influences.

During the nine month period ended January 31, 2011, rent of $12,229 (2010 - $27,562) incurred with a company having common officers and directors.

During the nine month period ended January 31, 2011, management fees of $22,500 (2010 - $22,500) were accrued to a company having common officers and directors in accordance with the management agreement dated May 1, 2007. As at January 31, 2011 an aggregate balance of $27,724 was owed to this related party by Rand and the Company. On December 1, 2010 the management agreement was amended whereby the related party agrees to accrue the $5,000 per month management fees, but not to be paid until the Company is sufficiently funded for operations and not to charge interest on outstanding balances.

During the nine month period ended January 31, 2011, research and development costs of $65,040 (2010 - $98,200) were paid to a company having common officers and directors.

During the nine month period ended January 31, 2011, administrative and management fees, included in miscellaneous office expenses, of $9,509 (2010 - $20,250) and directors' fees of $9,000 (2010 - $9,000) were paid to officers, directors and companies controlled by officers and directors for services rendered.

The above transactions were in the normal course of operations and are recorded at their exchange amounts.

9. Commitments

a) In connection with the acquisition of Rand, the Company has the following royalty obligations:

i) A participating royalty is to be paid based on 5% of all net profits from sales, licenses, royalties or income derived from the patented technology, to a maximum amount of $10,000,000. The participating royalty is to be paid in minimum annual instalments of $50,000 per year beginning on the date the first revenues are derived from the license or sale of the patented technology.

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

iii) A 1% net profit royalty will be payable to a director on all U.S. – based sales.

b) The Company is committed to fund 50% of the further development of the Rand Cam™/Direct Charge Engine Technology.

c) On November 1, 2010, the Company entered into a lease agreement for one additional year for a total of $13,185.

10. Financial Instrument Liability

Rand's private sales of REGI shares

On November 9, 2009, Rand sold 238,000 units at US$0.25 per unit consisting one common share of REGI and one share purchase warrant entitling the holder to purchase one additional share of REGI at US$0.35 per share expiring November 9, 2010.

During the year ended April 30, 2009, Rand sold 40,000 units at US$1.00 per unit consisting of one common share of REGI and one share purchase warrant entitling the holder to purchase one additional share of REGI at US$1.50 per share expiring May 6, 2013.

During the year ended April 30, 2009, Rand sold 1,264,933 units at US$0.25 per unit consisting of one common share of REGI and one share purchase warrant entitling the holder to purchase one additional share of REGI at US$0.35 per share expiring March 12, 2010.

The warrants are a derivative, and the proceeds on the sale of the units were bifurcated between the fair value of the common shares and the share purchase warrants. During the year ended April 30, 2010 the proceeds allocated to the warrants were $17,400 upon issuance. The fair value of the warrants at the closing date was determined using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 0.24%, expected volatility of 121%, an expected option life of 1 year and no expected dividends.

(Expressed in Canadian Dollars)

10. Financial Instrument Liability (Cont'd)

Rand's private sales of REGI shares (Cont'd)

During March, 2010, 163,000 warrants issued in March, 2009 were exercised at US$0.35 per share of REGI shares for total proceeds of $58,877(US$57,050). These shares were transferred by Rand to the purchasers on May 4, 2010.

On March 12, 2010, 1,101,933 warrants issued on March 12, 2009 expired, of which 894,333 warrants were extended for one year expiring March 12, 2011. The fair value of the extended warrants on March 12, 2010 was determined using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 0.15%, expected volatility of 117%, an expected option life of 1 year and no expected dividends. The warrants expired subsequent to January 31, 2011.

As at January 31, 2011 the details of the share purchase warrants are as follows:

Closing date of sale	# of warrants	Exercise price	Expiry date
March 27, 2008	80,000	US$ 1.50	March 27, 2013
May 6, 2008	40,000	US$ 1.50	May 6, 2013
March 12, 2009	894,333	US$ 0.35	March 12, 2011

The fair value of the warrants as follows:

Expiry date	Fair value at January 31, 2011	Fair value at April 30, 2010
March 27, 2013	$ 2,580	$ 6,292
May 6, 2013	1,400	3,120
March 12, 2011	7,166	86,863
Total	$ 11,146	$ 135,816

Black-Scholes Option-Pricing Model Assumptions

The fair value of each warrant issued was calculated using the Black-Scholes option-pricing model with the following assumptions:

	January 31, 2011	April 30, 2010
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	112% - 166%	98% - 115%
Risk-free interest rate	0.3% - 1.67%	0.38% - 2.42%
Expected life of warrants (years)	0.02 – 2.52	0.87 – 3.01

10. Financial Instrument Liability (Cont'd)

Reg Tech's private sales of REGI shares

On November 9, 2009, Reg Tech sold 280,000 units (2009 – nil units) at $0.25 per unit consisting one common share of REGI and one share purchase warrant entitling the holder to purchase one additional share of REGI at $0.35 per share expiring November 9, 2010.

The warrants are a derivative, and the proceeds on the sale of the units were bifurcated between the fair value of the common shares and the share purchase warrants. The proceeds allocated to the warrants were $21,304 (2009 - $nil) upon issuance. The fair value of the warrants at the closing date was determined using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 0.31%, expected volatility of 121%, an expected option life of 1 year and no expected dividends. The 280,000 warrants expired on November 9, 2010.

During the nine months ended January 31, 2011 Reg Tech received gross proceeds of $76,467 (US$72,300) as subscriptions for 361,500 REGI units at $0.25 per unit consisting one common share of REGI and one share purchase warrant entitling the holder to purchase one additional share of REGI at $0.30 per share expiring one year after the issuance date. The shares have not been transferred to the purchasers.

11. Convertible Debenture

On June 1, 2010, the Company issued a convertible debenture for total proceeds of $50,000 which bears interests at 8% per annum payable monthly, is unsecured and due one year from date of issuance. The unpaid amount of principal can be converted at any time at the holder's option into shares of the Company's common stock at a price of $0.20 per share. The Company has the option to repay principal and accrued interest before the due date with 30 days' notice.

The fair value of the debt component of the convertible loan was estimated using discounted cash flow at 10% for equivalent debt without the conversion feature. The fair value of equity component was estimated using Black-Scholes option pricing model with following assumptions: risk-free interest rate of 1.11%, dividend of 0%, expected life of 1 year and expected volatility of 93%. The debt and equity components of the convertible loans were then measured using the proportional or relative fair value method and were initially recorded at $41,515 and $8,485 respectively. As at January 31, 2011, $3,819 interest has been amortized with its debt component carried at amortized cost of $46,181. As at January 31, 2011, interest of $2,333 has been paid to the lender.

(Expressed in Canadian Dollars)

12. Restatement

During the year ended April 30, 2008, the Company, through its subsidiary Rand, sold 80,000 units to a third party. Each unit consisted of one REGI share and one share purchase warrant entitling the holder to acquire one additional common share in REGI for a period of five years at US$1.50 per share. The warrants are a derivate financial instrument and classified as held-for-trading and initially recorded and subsequently measured at fair value. However, in preparation of the consolidated financial statements for the year ended April 30, 2008, the Company did not allocate any of the proceeds on this sale to the warrants, and the warrants were not subsequently measured at fair value.

The following presents the effect of the previously issued consolidated financial statements for the year ended April 30, 2008.

Consolidated balance sheet

	2008 As previously reported	Increase	2008 Restated
Financial instrument liability	$ -	$ 56,184	$ 56,184
Deficit	13,274,814	56,184	13,330,998

Consolidated statement of operations

	2008 As previously reported	Increase (Decrease)	2008 Restated
Gain on sale of investee's shares	$ 292,149	$ (30,798)	$ 261,351
Unrealized gain (loss) on financial instrument liability	-	(25,386)	(25,386)
Net and comprehensive loss	480,145	56,184	536,329

13. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the development stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the share capital as well as cash, receivables, related party receivables and advances to equity accounted investee.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and short-term investments.

13. Capital Management (Cont'd)

The Company expects its capital resources, which include a share offering and the sale of investee shares and warrants, will be sufficient to carry its research and development plans and operations through its current operating period.

The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the nine months ended January 31, 2011.

14. Minewest and Asset Transfer Agreement

On July 20, 2010 the Company signed an asset transfer agreement with its newly incorporated subsidiary, Minewest, a private company incorporated in British Columbia for the purpose of acquiring and exploring mineral properties. In accordance with the agreement the Company transfers its 100% ownership in its undivided 50% interest subject to a 5% net smelter return in 33 mining claims situated in the Tootsee River area in the Province of British Columbia for following consideration:

- Cash payment of $25,000 on or before August 15, 2010 (paid);
- Issuance of 8,000,000 shares of Minewest voting common shares (not issued).

Effective December 15, 2010 Minewest signed a purchase agreement with Rapitan Resources Inc. ("Rapitan"), wherein Minewest purchased 100% of Rapitan's 25% interest in the Silverknife property for the following consideration:

– Cash payment of $10,000 (paid);
– Issuance of 2,000,000 shares of common stocks of Minewest (not issued).

The transfer of title to the asset is subject to regulatory approval. The non-refundable payment of $10,000 is recorded as deferred acquisition cost.

From its inception in July, 2010 to January 31, 2011 Minewest received total subscriptions of $207,500 for 2,075,000 common shares of Minewest at $0.10 per share. The shares are not issued as at January 31, 2011 or the date of this filing.

15. Subsequent Event

On February 24, 2011 the Company issued 1,994,333 units of private placement at $0.15 per unit at $0.15 per unit consisting of one common share of the Company and one share purchase warrant entitling the holder to purchase one additional share of common stock at a price of $0.20 for one year from February 24, 2011.

On March 24, 2011, 1,643,333 warrants exercisable into the Company's common share at $0.20 per share with initial expiration date of March 28, 2011 were extended to September 24, 2011.

During February and March, 2011 Minewest raised total subscription of $7,200 for 72,000 common shares of Minewest at $0.10 per share.