Reg Technologies Inc.
(A Development Stage Company)

Consolidated Financial Statements
(Expressed in Canadian Dollars)
April 30, 2011

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ACAL GROUP
CHARTERED ACCOUNTANTS
PCAOB & CPAB Registrant

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Reg Technologies Inc.

We have audited the accompanying consolidated financial statements of Reg Technologies Inc. ("the Company"), which comprise the consolidated balance sheets as at April 30, 2011 and 2010, and the consolidated statements of loss, comprehensive loss and deficit and cash flows and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Reg Technologies Inc. as at April 30, 2011 and 2010, and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $246,000 during the year ended April 30, 2011 and, as of that date, had an accumulated deficit of $21,625,225, since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The consolidated financial statements of the Company for the year ended April 30, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on August 24, 2009.

"ACAL Group"
Chartered Accountants

Vancouver, British Columbia
August 29, 2011

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties and contingencies such as those referred to in note 1 to these consolidated financial statements. Although we conducted our audit in accordance with both Canadian GAAS and the standards of the PCAOB, our report to the shareholders dated August 29, 2011 is expressed in accordance with Canadian reporting standards which do not require a reference to such matters when the uncertainties are adequately disclosed in the consolidated financial statements.

"ACAL Group"
Chartered Accountants

Vancouver, British Columbia
August 29, 2011

Reg Technologies Inc.
(A Development Stage Company)

Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	As at 30 April 2011 $	As at 30 April 2010 $ (Restated 2 (o))
Assets		
Current		
Cash	88,684	364
GST and interest receivable	14,926	9,882
Prepaid expenses	81,052	1,416
Due from related parties (Note 8)	8,490	28,455
Advances to equity accounted investee (Note 6)	865,607	585,859
	1,058,759	625,976
Equipment (Note 5)	2,169	3,346
Mineral Property (Note 7)	232,953	-
	1,293,881	629,322
Liabilities		
Current		
Bank indebtedness	-	494
Accounts payable and accrued liabilities	105,912	57,861
Due to related parties (Note 8)	218,878	146,741
Income taxes payable	-	10,317
Share subscription payable (Note 10)	-	58,877
Convertible debt (Note 11)	19,368	-
Financial instrument liability (Note 10)	35,917	135,816
	380,075	410,106
Shareholders' equity		
Share Capital (Note 4)	12,372,889	12,082,039
Subscription received (Note 4)	289,200	-
Warrants (Note 4)	237,714	245,518
Contributed Surplus	9,441,987	9,270,884
Equity component of convertible debt (Note 11)	8,485	-
Non-controlling interest	188,756	-
Deficit	(21,625,225)	(21,379,225)
	913,806	219,216
	1,293,881	629,322

Nature and Continuance of Operations (Note 1)
Commitments (Note 9)
Subsequent events (Note 14)

On behalf of the Board:

"John Robertson"	Director	*"James L. Vandeberg"*	Director
John Robertson		James L. Vandeberg	

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)

	For the year ended April 30, 2011 $	For the year ended April 30, 2010 $	For the year ended April 30, 2009 $
Expenses			
Amortization	2,128	3,551	4,042
Shareholder communication	41,106	82,026	140,157
Consulting fees	32,209	16,542	28,094
Foreign exchange loss (gain)	(27,048)	81,608	(59,268)
Interest expense	10,894	-	-
Management and directors' fees (Note 8)	61,200	54,700	50,050
Mineral property maintenance costs	(7,254)	8,060	8,060
Office expenses	27,286	33,719	55,950
Professional fees (Note 8)	99,670	105,851	145,407
Research and development	107,700	227,402	185,955
Rent and utilities (Note 8)	15,680	10,182	39,972
Stock-based compensation (Note 4)	89,776	1,348	90,736
Transfer agent and filing fees	15,101	26,925	42,541
Travel and promotion	7,605	15,211	29,616
Wages and benefits	26,750	22,541	24,313
Loss before other items and income taxes	(502,803)	(689,666)	(785,625)
Other income (expense)			
Gain on sale of investee's shares (Note 6)	102,966	142,815	347,099
Net gain on expiration and modification of financial instrument liability	126,404	6,971	-
Interest income	-	-	-
Unrealized gain (loss) on financial instrument liability	5,872	62,916	14,815
Loss before income taxes	(267,561)	(476,964)	(423,711)
Income tax recovery (expense) – current (Note 12)	10,317	22,062	(32,379)
Net and comprehensive loss	(257,244)	(454,902)	(456,090)
Non-controlling interest	11,244	-	-
Net and comprehensive loss after non-controlling interest	(246,000)	(454,902)	(456,090)
Loss per share – basic and diluted	(0.01)	(0.02)	(0.02)
Weighted average number of common shares outstanding – basic and diluted	29,000,177	26,123,280	24,849,721

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)

	For the year ended April 30 2011 $	For the year ended April 30 2010 $	For the year ended April 30 2009 $
Cash flows used in operating activities			
Net loss	(246,000)	(454,902)	(456,090)
Adjustments to reconcile loss to net cash used by operating activities:			
Amortization	2,128	3,551	4,042
Gain on sale of investee's shares	(102,966)	(142,815)	(347,099)
Imputed interest	7,853	-	-
Non-controlling interest	(11,244)	-	-
Net gain on expiration and modification of financial instrument liability	(126,404)	(6,971)	-
Stock-based compensation	89,776	1,348	90,736
Unrealized (gain) loss on financial instrument liability	(5,872)	(62,916)	(14,815)
Changes in non-cash working capital items:			
Bank indebtedness	(494)	494	-
GST and interest receivable	(5,044)	(872)	(1,990)
Prepaid expenses	(79,636)	360	3,240
Due from related parties	19,965	(8,918)	(3,046)
Accounts payable and accrued liabilities	48,051	(20,541)	33,813
Due to related parties	72,137	146,741	-
Income taxes payable	(10,317)	(22,062)	32,379
	(348,067)	(567,503)	(658,830)
Cash flows provided by investing activities			
(Advances to) repayments from equity accounted investee	(279,748)	(49,421)	(424,126)
Proceeds on sale of investee's shares and warrants	76,466	240,395	472,730
Mineral property costs	(32,953)	-	-
Purchase of equipment	(951)	-	(740)
	(237,186)	190,974	47,864
Cash flows provided by financing activities			
Proceeds on convertible debt	50,000	-	-
Repayment on convertible debt	(30,000)	-	-
Proceeds from share subscriptions	289,200	-	-
Proceeds from share issuances, net of issuance costs	364,373	375,786	611,815
	673,573	375,786	611,815
Increase (decrease) in cash	88,320	(743)	849
Cash, beginning	364	1,107	258
Cash, ending	88,684	364	1,107
Supplemental Disclosures			
Interest paid	-	-	-
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 $	Subscription Received $	Contributed Surplus $	Warrants $	Convertible Debt $	Non-controlling Interest $	Deficit $	Total Shareholders' Equity $
Balance – April 30, 2008 (restated 2 (o))	23,942,759	11,356,689	–	9,162,067	–	–	–	(20,468,233)	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 (restated 2 (o))	25,713,927	11,800,964	–	9,252,803	167,540	–	–	(20,924,323)	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 (restated 2 (o))	28,369,856	12,082,039	–	9,270,884	245,518	–	–	(21,379,225)	219,216
Warrants exercise	460,929	108,610	–		(16,424)	–	–	–	92,186
Shares issued for cash	1,894,333	182,240	–		89,947	–	–	–	272,187
Warrants expiration	–	–	–	150,807	(150,807)	–	–	–	-
Warrants extension	–	–	–		69,480	–	–	–	69,480
Option vested	–	–	–	20,296	–	–	–	–	20,296
Subscription received	–	–	289,200	–	–	–	–	–	289,200
Equity component of convertible debt	–	–	–	–	–	8,485	–	–	8,485
Non-controlling interest	–	–	–	–	–	–	200,000	–	200,000
Net loss	–	–	–	–	–	–	(11,244)	(246,000)	(257,244)
Balance – April 30, 2011	30,725,118	12,372,889	289,200	9,441,987	237,714	8,485	188,756	(21,625,225)	913,806

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 April 30, 2011 owns 3.38 million shares of REGI U.S, Inc. ("REGI") (a U.S. public company) representing a 11.75% 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 $21,625,225 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. Significant Accounting Policies

a) **Basis of accounting and principles of consolidation**
These consolidated financial statements are prepared using Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

These financial statements include the accounts of the Company, its 80% owned subsidiary Minewest Silver and Gold Inc. ("Minewest") and its 51% owned subsidiary, Rand Energy Group Inc. ("Rand"), which owns a 2.2% (2010 – 2.8%) interest in REGI. The Company also owns a 9.55% (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.

2. Significant Accounting Policies (Cont'd)

a) **Basis of accounting and principles of consolidation (Cont'd)**

All inter-company accounts and transactions have been eliminated on consolidation.

b) **Investments**

Investments in which the Company has the ability to exert significant influence but does not have control are accounted for using the equity method whereby the original cost of the investment is adjusted annually for the Company's share of earnings, losses and dividends during the current year. When the Company's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

c) **Comparative numbers**

The 2010 and 2009 comparative numbers have been reclassified, where applicable, in order to conform with the presentation used in the current year.

d) **Use of estimates**

The preparation of financial statements in conformity with Canadian 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. Significant areas requiring the use of management estimates relate to the useful life and recoverability of long-lived assets, assumptions used in the determination of the fair value of stock-based compensation, assumptions used in determining the fair value of financial instruments and future income tax asset valuation allowances. Actual results could differ from those estimates. 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 and future cash flows would be affected.

e) **Equipment**

Equipment consists of office furniture and equipment, and computer hardware recorded at cost and amortized on a straight-line basis over a five-year and three-year period, respectively.

2. Significant Accounting Policies (Cont'd)

f) **Research and development costs**

The Company carries on various research and development activities to develop its technology. Research costs are expensed in the periods in which they are incurred. Development costs that meet all of the criteria to be recognized as an intangible asset, including reasonable expectation regarding future benefits, are capitalized and are amortized over their expected useful lives. To date the Company has not capitalized any development costs.

g) **Mineral property interests**

The Company initially records the acquisition of resource property interests, including option payments under purchase agreements at cost which does not necessarily reflect market or recoverable value. Recoverable value is dependent upon the successful funding and development or sale of the mineral interests and is subject to measurement uncertainty. Exploration and development expenditures are deferred and capitalized to a property until the project is put into commercial production, sold, abandoned, or when changes in events or circumstances indicate that the carrying value may be impaired. Where a resource property interest is abandoned, the accumulated acquisition and deferred costs relating to that property are written off to operations.

h) **Long-lived assets and impairment**

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate recoverable values may be less than carrying amounts. Recoverable value determinations are based on management's estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations based on management's estimate of recoverable value.

i) **Foreign currency translation**

(i) Translation of foreign currency transactions and balances:

Monetary balance sheet items are translated at the rate prevailing at the balance sheet date. Revenues, expenses and non-monetary balance sheet items in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange prevailing on the transaction dates. The resulting exchange gain or loss is included in operations.

2. Significant Accounting Policies (Cont'd)

i) **Foreign currency translation (Cont'd)**

(ii) Translation of foreign subsidiary balances:

Foreign currency transactions are translated using the current rate method. Assets and liabilities of non-integrated foreign subsidiaries are translated into Canadian dollar equivalents at the rates of exchange on the balance sheet date. The foreign subsidiary's operating results are translated into Canadian dollar equivalents using the average exchange rate for the year. Any resulting translation gain or loss is deferred and included as a separate component of shareholders' equity.

j) **Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

k) **Stock-based compensation**

The Company has adopted the fair value method of accounting for all stock-based compensation. The fair value of stock options granted is determined using the Black-Scholes option pricing model. Stock-based compensation is expensed over the period of vesting and initially credited to contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital. When options are exercised, previously recorded compensation is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

l) **Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

2. Significant Accounting Policies (Cont'd)

m) **Financial instruments**

The Company follows Canadian Institute of Chartered Accountants ("CICA") Sections 3855, "Financial Instruments – Recognition and Measurement" and Section 3856, "Hedges". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash, interest receivable, due from (to) related parties, advances to equity accounted investee, accounts payable, shares subscription payable, convertible debt and a financial instrument liability. The carrying values of these financial instruments approximate their fair value unless otherwise noted.

Cash is measured at face value, representing fair value, and classified as held-for-trading. Interest receivable, due from related parties, and advances to equity accounted investee, which are measured at amortized cost, are designated as loans and receivables. Accounts payable, due to related parties and shares subscription payable are measured at amortized cost and designated as other financial liabilities. The financial instrument liability, which is measured at fair value, is classified as held-for-trading.

The Company does not use any hedging instruments.

n) **Comprehensive income (loss)**

The Company follows the CICA Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income (loss) which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss).

o) **Newly adopted standards for the years ended April 30, 2011 and 2010**

On May 1, 2008, the Company adopted new CICA accounting standards related to accounting changes, capital disclosures, financial instruments – presentation and disclosure, going concern and credit risk. These standards were adopted on a prospective basis and are primarily related to disclosures. There were no adjustments recorded to opening balance sheet items or deficit as a result of the adoption of these standards.

2. Significant Accounting Policies (Cont'd)

o) **Newly adopted standards for the years ended April 30, 2011 and 2010 (Cont'd)**

Accounting Changes – CICA Handbook Section 1506

This standard establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

Capital Disclosure – CICA Handbook Section 1535

This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as a capital; (iii) whether the entity has not complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures in Note 13 as recommended by this new section.

Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replaced CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation. These standards increase the disclosures currently required, which enables users to evaluate the significance of financial instruments for an entity's position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk, interest rate risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. This standard is effective for the Company for interim and annual periods relating to fiscal years beginning on or after May 1, 2008.

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. Additional disclosure has been included in the Company's consolidated financial statements (See Note 3).

General Standards of Financial Statement Presentation – CICA Handbook Section 1400

In June 2007, the CICA modified Section 1400 "General Standards of Financial Statement Presentation" to require management assess the Company's ability to continue as going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The Company has included disclosures in Note 1 as recommended by this new section.

2. Significant Accounting Policies (Cont'd)

o) **Newly adopted standards for the years ended April 30, 2011 and 2010 (Cont'd)**

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC 173

In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time. The Company has early adopted and applied retroactively these sections on May 1, 2010. As a result, the Company treated $7,137,235 in gain due to ownership of net assets resulting from subsidiary shares issued as equity transactions, which previously have been charged to the statements of loss during the prior years.

p) **Recent Accounting Pronouncements Not Yet Adopted**

<u>International Financial Reporting Standards</u>

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company is currently in the process of executing an IFRS conversion plan. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS as well as certain presentation differences.

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:

April 30, 2011	Cash	Due to Related Party	Advances to Equity Accounted Investee	Accounts Payable
	$ (1,023)	$ 3,465	$ 604,869	$ 21,745

At April 30, 2011 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- $63,110.

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.

(Expressed in Canadian Dollars)

3. Financial Instruments (Cont'd)

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 April 30, 2011, all of the financial instruments measured at fair value are included in Level 1 except financial instrument liability and convertible debts, which are in Level 2.

4. Common Stock

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 April 30, 2011, Rand owns 217,422 (2010 – 217,422) shares of the Company valued at $43,485 that have been deducted from the total shares issued and outstanding. The value of these shares has been deducted from share capital.

4. Common Stock (Cont'd)

Private placements

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. 172,596 of the warrants were exercised during the year ended April 30, 2011 and the expiration date of the remaining 840,000 warrants was extended to July 26, 2011. The value of the extended warrants was estimated at $6,184 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.64%, expected volatility of 148.48%, an expected life of 0.5 year and no expected dividends. The warrants expired on July 26, 2011.

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. 288,333 of the warrants were exercised during the year ended April 30, 2011 and the expiration date of the remaining 1,355,000 warrants was extended to September 24, 2011. The value of the extended warrants was estimated at $63,296 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.56%, expected volatility of 145%, an expected life of 0.5 year and no expected dividends.

On April 24, 2011, the Company completed a private placement, whereby it issued 1,894,333 units at $0.15 per unit for proceeds of $284,150. 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 $0.07 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.69%, expected volatility of 144%, an expected life of 1 year and no expected dividends. Finders' fees of $8,500 and other related costs of $3,463 were paid in connection with the private placement, which are included in share issuance costs.

As at April 30, 2011, the Company and Minewest received total subscriptions of $289,200. These shares were not issued as at April 30, 2011.

4. Common Stock (Cont'd)

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 year ended April 30, 2011, the Company recorded stock-based compensation of $20,296 (2010 - $1,348) as a general and administrative expense.

On April 19, 2010, the Company granted 50,000 stock options from the Plan 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 a director 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. During the year ended April 30, 2011 the Company recognized $20,296 as stock-based compensation in relation to this grant, with $60,888 to be recognized in future accounting periods as the options continue to vest.

As at April 30, 2011, as the Company believes that it is not probable that any options would vest except the first 25% of the options that vested immediately at a date of the First Exercise, the fair value of the first 25% of the options that vested were charged to the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

4. Common Stock (Cont'd)

Stock Options (Cont'd)

The following is a summary of options activities during the years ended April 30, 2011 and 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)	0.30
Granted	750,000	0.14
Outstanding at April 30, 2011	1,575,000	0.30
Weighted average fair value of options granted during the year ended April 30, 2011		0.11

The following options were outstanding at April 30, 2011:

Expiry Date	Exercise price	Number of options	Remaining contractual life (years)
	$		
August 1, 2013	0.40	400,000	2.26
April 22, 2014	0.21	375,000	2.98
April 19, 2015	0.21	50,000	3.97
October 21, 2015	0.14	750,000	4.48
Options Outstanding		1,575,000	
Options Exercisable		393,570	

(Expressed in Canadian Dollars)

4. Common Stock (Cont'd)

Share Purchase Warrants

The following is a summary of warrant activities during the years ended April 30, 2011 and 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
Expired	(1,315,168)	0.60
Exercised	(460,929)	0.20
Issued	1,894,333	0.20
Outstanding at April 30, 2011	4,089,333	0.20

The following warrants were outstanding at April 30, 2011:

Expiry Date	Exercise price $	Number of warrants
July 26, 2011	0.20	840,000
September 24, 2011	0.20	1,355,000
February 24, 2012	0.20	1,894,333
Warrants Outstanding		4,089,333

5. Equipment

	Cost	Accumulated Amortization	2011 Net
Computer hardware	$ 8,323	$ 7,187	$ 1,136
Office furniture and equipment	8,849	7,816	1,033
Total	$ 17,172	$ 15,003	$ 2,169

	Cost	Accumulated Amortization	2010 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 April 30, 2011, the Company is owed an aggregate of $865,607 (2010 - $585,859) by REGI. The amounts owed are unsecured, non-interest bearing and due on demand.

During the year ended April 30, 2011, the Company recognized a gain of $102,966 (2010 – $142,815) relating to the sale of 458,300 (2010 – 621,725) of shares of REGI by the Company and Rand.

7. Mineral property, 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 45% 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 (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 (issued).

As at April 30, 2011, Minewest has incurred acquisition costs of $210,000 and exploration expenditures of $22,953 consisting of geological consulting fees of $17,311 and mineral claim renewal of $5,642 on the Silverknife property.

8. Related Party Transactions

At April 30, 2011, the Company is owed an aggregate of $8,490 (2010 - $28,455) by related parties and owed an aggregate of $218,878 (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 year ended April 30, 2011, rent of $15,680 (2010 - $10,181) incurred with a company having common officers and directors.

During the year ended April 30, 2011, management fees of $30,000 (2010 - $32,500) were incurred to a company having common officers and directors.

During the year ended April 30, 2011, research and development costs of $75,000 (2010 - $63,300) were paid to a company having common officers and directors.

During the year ended April 30, 2011, management and directors' fees of $31,200 (2010 - $22,200) 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 all 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 extended the office lease agreement for one additional year for a total of $13,185.

(Expressed in Canadian Dollars)

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. The warrants expired on November 9, 2010.

During March, 2010, 163,000 warrants issued in March, 2009 were exercised at US$0.35 per share of REGI shares and the additional 163,000 shares of REGI were sold by Rand 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. These warrants expired on March 12, 2011.

As at April 30, 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
October 5, 2010	295,300	US$ 0.30	October 5, 2011

The fair value of the warrants as follows:

Expiry date	Fair value at April 30, 2011	Fair value at April 30, 2010
March 27, 2013	$ 9,874	$ 6,292
May 6, 2013	5,120	3,120
October 5, 2011	20,923	-
March 12, 2011	-	86,863
November 9, 2010	-	39,541
Total	$ 35,917	$ 135,816

(Expressed in Canadian Dollars)

10. Financial Instrument Liability (Cont'd)

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:

	30 April 2011	30 April 2010
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	207.57%	98% - 115%
Risk-free interest rate	1.67%	0.38% - 2.42%
Expected life of warrants (years)	1.91 – 2.02	0.87 – 3.01

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 expired on 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 fair value of the warrants at April 30, 2010 was determined at $21,373 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 0.53 year and no expected dividends.

On October 6, 2010, Reg Tech sold 295,300 units $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 October 5, 2011.

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 $32,377 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 1.21%, expected volatility of 222.74%, an expected option life of 1 year and no expected dividends. The fair value of the warrants at April 30, 2011 was determined at $20,923 using the Black-Scholes option pricing model using the following weighted average assumptions: risk free interest rate of 1.10%, expected volatility of 193%, an expected option life of 0.44 year and no expected dividends.

(Expressed in Canadian Dollars)

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.

On February 18, 2011 principal amount of $30,000 was repaid to the debt holder, with loss on early payment of $1,564 recorded as financing cost.

As at April 30, 2011, $6,289 interest has been amortized with its debt component carried at amortized cost of $19,368. As at April 30, 2011, interest of $3,062 has been paid to the lender.

12. Income Taxes

Income tax expense differs from the amount that would result from applying the combined federal and provincial income tax rate to earnings before income taxes. These differences result from the following items:

	For the year ended April 30, 2011 $	**For the year ended April 30, 2010 $**
Net loss before income taxes	(267,561)	(476,964)
Combined federal and provincial income tax rate	27.80%	29.50%
Expected income tax recovery	(74,383)	(140,705)
Increase (decrease) due to:		
Non-deductible expenses	37,124	4,898
Change in long-term Canadian tax rate and other	5,008	25,191
Expiry of non-capital losses	-	27,354
Change in valuation allowance	76,185	80,922
Non-taxable portion of gain	(54,251)	(19,722)
Income tax expense (recovery)	(10,317)	(22,062)

(Expressed in Canadian Dollars)

12. Income Taxes (Cont'd)

The components of future income tax assets are as follows:

	2011 $	2010 $
Non-capital losses	767,506	678,000
Intangible assets and other	147,056	160,000
Equipment	49,924	50,000
	964,486	888,000
Valuation allowance	(964,486)	(888,000)
Net future income tax asset assets	-	-

The Company has non-capital losses of approximately $3,070,026 that may be available to offset future income for income tax purposes. These losses expire as follows:

	$
2014	145,129
2015	211,935
2026	402,253
2027	316,606
2028	571,468
2029	711,984
2030	352,737
2031	357,914
	3,070,026

A full valuation allowance has been recorded against the potential future income tax assets as their utilization is not considered more likely than not.

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.

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 year ended April 30, 2011.

14. Subsequent Events

Convertible Debenture

On June 1, 2011, the convertible debenture for total principal of $20,000 matured and renewed to June 1, 2012. The debenture bears interests at 8% per annum payable monthly and is unsecured. 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.

Warrants expired

On July 26, 2011, 840,000 warrants of the Company exercisable at $0.20 per share into the Company's common stock have expired, unexercised.

Private placement

On June 9, 2011, the Company completed a private placement, whereby it issued 2,043,300 units at $0.15 per unit for proceeds of $306,450. Each private placement unit consisted of one common share and one half share purchase warrant. Two half warrants entitle the holder to purchase one additional share of common stock at a price of $0.20 per share for one year.

Minewest subscription received

During May, 2011 Minewest received total subscriptions of $20,000 for 100,000 common shares of Minewest. The shares have not yet been issued.

15. Reconciliation of United States and Canadian Generally Accepted Accounting Principles ("US GAAP and "Canadian GAAP")

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). A description of US GAAP and practices prescribed by the US Securities and Exchange Commission (collectively US GAAP) that result in material measurement differences from Canadian GAAP are as follows:

a) Development Stage Company

Pursuant to US GAAP, the Company would be subject to the disclosure requirements applicable to a development stage enterprise as the Company is devoting its efforts to establishing commercially viable products. However, the identification of the Company as such for accounting purposes does not impact the measurement principles applied to these financial statements.

b) Mineral Properties and Deferred Exploration Costs

Under Canadian GAAP, mineral property interests and deferred exploration costs, including acquisition and exploration costs, are carried at cost and written down if the properties are abandoned, sold or if management determines there to be an impairment in value. Under United States GAAP, mineral property interests are carried at cost and deferred exploration costs are expensed as incurred.

c) Donated Capital

Under US GAAP, the Company recognizes the value of services provided by management at no charge to the Company as donated capital. Under Canadian GAAP, no amount is recognized.

d) Asset Retirement Obligations

Under US GAAP, ASC 410, "Asset Retirement and Environmental Obligations" requires companies to record the fair value of the liability for closure and removal costs associated with legal obligations upon the retirement or removal of any tangible long-lived assets effective June 1, 2003. Under this standard, the initial recognition of the liability is capitalized as part of the asset cost and amortized over its estimated useful life. For Canadian GAAP purposes, effective June 1, 2004, the Company adopted the provisions of CICA HB Section 3110, "Asset Retirement Obligations", which are substantially similar to those of ASC 410. The Company has determined that there were no material differences in the measurement and presentation of asset retirement obligations between Canadian GAAP and US GAAP as at April 30, 2011 and 2010.

15. Reconciliation of United States and Canadian Generally Accepted Accounting Principles ("US GAAP and "Canadian GAAP") (Cont'd)

e) Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162"**.** Under FASB ASC 105 the "FASB Accounting Standards Codification" ("Codification") will become the source of authoritative US GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification became effective for financial statements issued for interim and annual periods ending after September 15, 2009. On the effective date, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Company changed the Company's references to U.S. GAAP accounting standards but did not impact the Company's results of operations, financial position or cash flows.

In June 2009, the Securities and Exchange Commission's Office of the Chief Accountant and Division of Corporation Finance announced the release of Staff Accounting Bulletin (SAB) No. 112. This staff accounting bulletin amends or rescinds portions of the interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with current authoritative accounting and auditing guidance and Securities and Exchange Commission rules and regulations. Specifically, the staff is updating the Series in order to bring existing guidance into conformity with recent pronouncements by the Financial Accounting Standards Board, namely, Statement of Financial Accounting Standards No. 141 (revised 2007) (ASC Topic 805), Business Combinations, and Statement of Financial Accounting Standards No. 160 (ASC Topic 810), Non-controlling Interests in Consolidated Financial Statements. The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

In April 2009, an update was made to the FASB ASC 820, "Fair Value Measurements and Disclosures", that provides additional guidance for estimating fair value when the volume and level of activity for the assets or liability have significantly decreased. This update is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The adoption of this guidance did not impact the Company's results of operations, financial position or cash flows.

15. Reconciliation of United States and Canadian Generally Accepted Accounting Principles ("US GAAP and "Canadian GAAP") (Cont'd)

e) Recent Accounting Pronouncements (continued)

In April 2009, an update was made to FASB ASC 825, "Financial Instruments", which requires a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. This update is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this guidance did not impact the Company's results of operations, financial position or cash flows.

In May 2009, the FASB announced the issuance of FASB ASC 855, "Subsequent Events", formerly referenced as SFAS No. 165, Subsequent Events. FASB ASC 855 should not result in significant changes in the subsequent events that an entity reports. Rather, FASB ASC 855 introduces the concept of financial statements being available to be issued. Financial statements are considered available to be issued when they complete in a form and format that complies with generally accepted accounting principles (GAAP) and all approvals necessary for issuance have been obtained. The Company has already adopted this policy and its full disclosure is included in Note 14.

In April 2010, the FASB issued Accounting Standards Update 2010-13, "Compensation – Stock Compensation (ASC 718)", which addresses the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. The Update provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company is currently evaluating the impact of this update on the financial statements.

(Expressed in Canadian Dollars)

15. Reconciliation of United States and Canadian Generally Accepted Accounting Principles ("US GAAP and "Canadian GAAP") (Cont'd)

f) The net loss for the years ended April 30, 2011, 2010 and 2009 and deficit accumulated during the development stage as determined under U.S. GAAP is as follows:

	2011	2010	2009
	$	$	$
Net income (loss), as determined under Canadian GAAP	(246,000)	(454,902)	(456,090)
Deferred exploration expenditures	(22,953)	-	-
Donated services	(151,845)	(161,071)	(171,705)
Net loss, as determined under U.S. GAAP	(420,798)	(615,973)	(627,795)
Loss per share, weighted average basis (excluding escrowed shares) under US GAAP	(0.01)	(0.02)	(0.03)
Deficit accumulated during the development stage, as determined under U.S. GAAP			
Beginning of year	(22,971,961)	(22,355,988)	(21,728,193)
Loss for the year	(420,798)	(615,973)	(627,795)
End of year	(23,392,759)	(22,971,961)	(22,355,988)

g) Material effects of the different generally accepted accounting principles on the Company's balance sheet as at April 30, 2011 and 2010 are as follows:

	2011	2010
	$	$
Donated capital, under Canadian GAAP	-	-
Donated services	1,744,581	1,592,736
Donated capital, under U.S. GAAP	1,744,581	1,592,736
Mineral property, under Canadian GAAP	232,953	-
Deferred exploration expenditures	(22,953)	-
Mineral property, under U.S. GAAP	210,000	-
Deficit, ending balance, under Canadian GAAP	21,625,225	21,379,225
Deficit, under U.S. GAAP	23,392,759	22,971,961
Net increase to deficit, under U.S. GAAP	1,767,534	1,592,376

(Expressed in Canadian Dollars)

15. Reconciliation of United States and Canadian Generally Accepted Accounting Principles ("US GAAP and "Canadian GAAP") (Cont'd)

h) The impact of the differences between Canadian GAAP and US GAAP on the consolidated statements of cash flows would be as follows:

	2011 $	2010 $	2009 $
Cash flows used in operating activities, Canadian GAAP	(348,067)	(567,503)	(658,830)
Adjustment:			
Exploration expenditures	(22,953)	-	-
Cash flows used in operating activities, US GAAP	(371,020)	(567,503)	(658,830)
Cash flows provided by financing activities, Canadian and US GAAP	673,573	375,786	611,815
Cash flows used in investing activities, Canadian GAAP	(237,186)	190,974	47,864
Adjustment:			
Exploration expenditures	22,953	-	-
Cash flows used in investing activities, US GAAP	(214,233)	190,974	47,864
(Decrease) increase in cash	88,320	(743)	849
Cash, beginning of year	364	1,107	258
Cash, end of year	88,684	364	1,107