

**REG TECHNOLOGIES INC.**  
**(A Development Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**July 31, 2016**

**Responsibilities for Financial Statements**

The accompanying financial statements for Reg Technologies Inc. (the “Company”) have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These interim 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 July 31, 2016 and the results of its operations and its cash flows for the three months ended July 31, 2016.

**Reg Technologies Inc.**  
**(A Development Stage Company)**  
Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

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	As at 31 July 2016	As at 30 April 2016 (Audited)
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalent	178	54
HST/GST receivable	3,724	3,095
	<u>3,902</u>	<u>3,149</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	100,496	116,390
Accrued liabilities	18,000	29,000
Due to related parties (Note 7)	153,410	122,711
	<u>271,906</u>	<u>268,101</u>
<b>Shareholders' equity</b>		
Share Capital (Note 6)	13,636,565	13,636,565
Warrants (Note 6)	1,141,249	1,141,249
Contributed Surplus	10,587,750	10,587,750
Deficit	(25,718,103)	(25,715,063)
	<u>(352,539)</u>	<u>(349,499)</u>
<b>Non-controlling interest</b>	<u>84,535</u>	<u>84,547</u>
	<u>3,902</u>	<u>3,149</u>

**Nature and Continuance of Operations** (Note 1)

**Commitments** (Note 8)

**Subsequent events** (Note 10)

**On behalf of the Board:**

"John Robertson" Director  
John Robertson

"Paul Chute" Director  
Paul Chute

**Reg Technologies Inc.****(A Development Stage Company)**

Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	<b>For the three months ended July 31, 2016 \$</b>	<b>For the three months ended July 31, 2015 \$</b>
<b>Expenses</b>		
Shareholder communication	-	4,986
Foreign exchange (gain) loss	1,392	(51,391)
Management and directors' fees (Note 7)	3,500	19,662
Office expenses	1,054	10,931
Professional fees	2,500	3,436
Research and development	-	47,393
Rent and utilities (Note 7)	-	4,401
Transfer agent and filing fees	1,582	2,415
Travel	948	-
Wages and benefits	-	11,082
	<hr/>	<hr/>
<b>Loss before other items</b>	(10,976)	(52,915)
<b>Other income (expense)</b>		
Interest income	-	304
Gain on debt settlement	-	6,586
Recovery (loss) on write-off of receivable from REGI US (Note 7)	7,924	(1,440,392)
	<hr/>	<hr/>
<b>Net and comprehensive loss</b>	(3,052)	(1,486,417)
	<hr/>	<hr/>
<b>Net and comprehensive income (loss) attributable to:</b>		
Shareholders of the Company	(3,040)	(1,511,882)
Non-controlling interest	(12)	25,465
	<hr/>	<hr/>
	(3,052)	(1,486,417)
	<hr/>	<hr/>
<b>Loss per share – basic and diluted</b>	(0.00)	(0.03)
	<hr/>	<hr/>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	49,329,670	49,329,670
	<hr/>	<hr/>

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

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

	<b>For the three months ended July 31, 2016 \$</b>	<b>For the three months ended July 31, 2015 \$</b>
<b>Cash flows provided (used) in operating activities</b>		
Net loss	(3,052)	(1,486,417)
Adjustments to reconcile loss to net cash used by operating activities:		
Gain on debt settlement	-	(6,586)
Loss (recovery) on write-off of receivable from REGI US	(7,924)	1,440,392
Changes in non-cash working capital items:		
GST and interest receivable	(629)	(2,254)
Prepaid expenses	-	25,000
Due from related parties	7,924	(121,350)
Accounts payable and accrued liabilities	(26,894)	(6,721)
Due to related parties	30,699	(808)
	<u>124</u>	<u>(158,744)</u>
<b>Increase (decrease) in cash</b>	124	(158,744)
<b>Cash, beginning</b>	54	175,254
<b>Cash, ending</b>	<u>178</u>	<u>16,510</u>
<b>Supplemental Disclosures</b>		
Interest paid	-	-
Income taxes paid	-	-
<b>Supplemental Non-cash Investment Transactions</b>	<u>-</u>	<u>-</u>

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

**Reg Technologies Inc.****(A Development Stage Company)**

Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Common Shares #	Common Shares \$	Contributed Surplus \$	Warrants \$	Deficit \$	Total Shareholders' Equity \$	Non- Controlling interest \$
<b>Balance – April 30, 2015 (Audited)</b>	<b>49,329,670</b>	<b>13,636,565</b>	<b>10,587,750</b>	<b>1,141,249</b>	<b>(24,055,726)</b>	<b>1,309,838</b>	<b>71,918</b>
Net loss	–	–	–	–	(1,511,882)	(1,511,882)	25,465
<b>Balance – July 31, 2015 (Unaudited)</b>	<b>49,329,670</b>	<b>13,636,565</b>	<b>10,587,750</b>	<b>1,141,249</b>	<b>(25,567,608)</b>	<b>(202,044)</b>	<b>97,383</b>
Net loss	–	–	–	–	(147,455)	(147,455)	(12,836)
<b>Balance – April 30, 2016 (Audited)</b>	<b>49,329,670</b>	<b>13,636,565</b>	<b>10,587,750</b>	<b>1,141,249</b>	<b>(25,715,063)</b>	<b>(349,499)</b>	<b>84,547</b>
Net loss	–	–	–	–	(3,040)	(3,040)	(12)
<b>Balance – July 31, 2016 (Unaudited)</b>	<b>49,329,670</b>	<b>13,636,565</b>	<b>10,587,750</b>	<b>1,141,249</b>	<b>(25,718,103)</b>	<b>(352,539)</b>	<b>84,535</b>

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

# **Reg Technologies Inc.**

## **(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended 31 July 2016 and 2015**

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### **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 July 31, 2016 owns a 10.17% interest in REGI U.S. Inc. (“REGI”) (a U.S. public company). REGI owns the U.S. marketing and intellectual rights. The Company and REGI have a project cost sharing agreement whereby these two companies each fund 50% of the development of the Technology.

On July 6, 2010, Reg Tech incorporated a wholly owned subsidiary Minewest Silver and Gold Inc. (“Minewest”) under the laws of British Columbia. Pursuant to a Plan of Arrangement with Minewest, Reg Tech signed an asset transfer agreement (the “Transfer Agreement”) on August 5, 2010 with Minewest to transfer Reg Tech’s undivided 45% interest in mineral claims in the Liard Mining Division, located in northern British Columbia (the “Silverknife Claims”) to Minewest for consideration of cash payment of \$25,000 and issuance of 8,000,000 common shares of the Company.

Effective November 17, 2011 Reg Tech obtained court approval for the Plan of Arrangement. On December 14, 2011, Reg Tech declared Minewest shares as dividend for Reg Tech shareholders on the record date of December 21, 2011, whereby one Minewest share is distributed for seven Reg Tech shares. As a result of the dividend declaration, the Company expects to retain approximately 3,287,737 shares of Minewest.

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 \$25,718,103 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. The Company may also raise additional funds through 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.

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**2. Statement of compliance**

These unaudited interim financial statements (“interim financial statements”) are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted. These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended April 30, 2016.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 29, 2016.

**3. Significant Accounting Policies**

Basis of preparation

The preparation of financial statements in accordance with IAS 34 and IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation and presentation

These financial statements include the accounts of the Company, its 80% owned subsidiary Minewest Silver and Gold Inc. (“Minewest”) until November 18, 2011 when the Company lost control, and its 51% owned subsidiary, Rand Energy Group Inc. (“Rand”), which owns a 1.80% (April 30, 2016 – 1.80%) interest in REGI. The Company also owns an 8.37% (April 30, 2016 – 8.37%) 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 and consequently the investment in REGI has been accounted for as investment in associates.

Starting from November 18, 2011, the accounts of Minewest ceased to be consolidated as a result of Reg Tech’s loss of control in Minewest and consequently were accounted for as investment in associates.

All significant inter-company balances and transactions have been eliminated upon consolidation.

**Reg Technologies Inc.**  
**(A Development Stage Company)**  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
(Expressed in Canadian Dollars)  
**For the Three Months Ended July 31, 2016 and 2015**

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**3. Significant Accounting Policies (Cont'd)**

New standards and interpretations

The following standard has been issued but is not yet effective:

(i) Financial instruments

The IASB has issued IFRS 9 - Financial Instruments ("IFRS 9") which intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments. The IASB tentatively decided to defer the mandatory effective date until January 1, 2018 with earlier adoption still permitted. The Company will evaluate the impact the final standard will have on its financial statements based on the characteristics of its financial instruments at the time of adoption. The Company is currently evaluating the impact of the standard on its financial performance and financial statements disclosures but expects that such impact will not be material.

The Company has adopted the following new accounting standards effective May 1, 2014. These changes were in made in accordance with the applicable transitional provisions and had no impact on the financial statements.

(ii) Levies

The IASB issued IFRIC 21 - Levies ("IFRIC 21"), an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

(iii) Impairment of assets

The IASB issued amendments to IAS 36 - Impairment of Assets ("amendments to IAS 36"). The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.



**Reg Technologies Inc.**  
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Notes to Interim Consolidated Financial Statements  
(Unaudited)  
(Expressed in Canadian Dollars)  
**For the Three Months Ended July 31, 2016 and 2015**

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**4. Critical Accounting Estimates and Judgments**

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include receivable from REGI, determination of accrued liabilities, deferred tax assets and stock-based compensation. Actual results could differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

(i) Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

(ii) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(iii) Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

(iv) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements.

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**5. Financial Instruments and Risk Management**

*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:

<u>July 31, 2016</u>	<u>Cash</u>	<u>Accounts Payable</u>
\$ 146	\$ 36,457	

At July 31, 2016 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- \$36,311.

*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 9.

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**6. Share Capital**

*Authorized*

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

*Treasury Shares*

At July 31, 2016, Rand owns 217,422 (April 30, 2016 – 217,422) shares of the Company valued at \$19,567 that have been deducted from the total shares issued and outstanding. The value of these shares has been deducted from share capital.

*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.

All options granted under the 2000 plan have the following vesting schedule:

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

All options granted under the 2009 plan have the following vesting schedule:

- (i) no more than 25% of an option may be exercised during any 90 day period during the term of the option; and
- (ii) each optionee is restricted from selling more than 25% of the shares that may be acquired upon exercise of an option during any 90 day period.

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.

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**6. Share Capital (Cont'd)**

*Stock Options(Cont'd)*

As at July 31, 2016, 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.

The following is a summary of options activities during the year ended April 30, 2016 and three months ended July 31, 2016:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		\$
Outstanding at April 30, 2015	4,025,000	0.11
Forfeited	(725,000)	0.11
Expired	(750,000)	0.14
Outstanding at April 30, 2016 and July 31, 2016	<u>2,550,000</u>	<u>0.11</u>

The following options were outstanding at July 31, 2016:

<b>Expiry Date</b>	<b>Exercise price</b>	<b>Number of options</b>	<b>Remaining contractual life (years)</b>
	\$		
April 11, 2018	0.11	1,350,000	1.70
August 21, 2018	0.10	200,000	2.06
July 10, 2019	0.10	<u>1,000,000</u>	2.94
Options Outstanding		<u>2,550,000</u>	
Options Exercisable		<u>637,500</u>	

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**6. Share Capital (Cont'd)**

*Share Purchase Warrants*

There were no warrant activities during the year ended April 30, 2016 and three months ended July 31, 2016.

The following warrants were outstanding at July 31, 2016:

<b>Expiry Date</b>	<b>Exercise price</b> <b>\$</b>	<b>Number of warrants</b>
March 26, 2017	0.15	2,200,000
April 30, 2017	0.15	7,700,000
	<u>0.15</u>	<u>9,900,000</u>

**7. Equity Accounted Investees and Related Party Transactions**

*REGI*

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 July 31, 2016, the Company is owed an aggregate of \$1,449,061 (April 30, 2016 - \$1,456,985) by REGI. The amounts owed are unsecured, non-interest bearing and due on demand. However, as the management does not have reasonable expectations for the recovery of this amount, the balance is recorded as impaired at July 31, 2016.

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

**7. Equity Accounted Investees and Related Party Transactions (Cont'd)**

*REGI (Cont'd)*

The following summarizes the consolidated financial information of REGI.

	July 31, 2016	April 30, 2016
	US\$	US\$
Total current assets and total assets	10	42
Total current liabilities and total liabilities	2,120,511	2,109,628

  

	Three Months Ended July 31,	
	2016	2015
	US\$	US\$
Revenue	-	-
Loss from operations	(11,221)	(99,054)
Other income	306	(360)
Net loss	(10,915)	(99,414)

Effective April 30, 2008, the investment in REGI has been accounted for as investment in associates. The Company's annual and accumulated share of REGI's losses that were not recognized after the investment was written down to zero is as follows:

	Unrecognized share of loss
Year ended April 30, 2008	US\$ 259,682
Year ended April 30, 2009	159,115
Year ended April 30, 2010	158,645
Year ended April 30, 2011	28,104
Year ended April 30, 2012	45,575
Year ended April 30, 2013	59,471
Year ended April 30, 2014	59,989
Year ended April 30, 2015	41,824
Year ended April 30, 2016	22,696
Three months ended July 31, 2016	10,915
Accumulated loss	US\$ 846,016
Investment in REGI written off at cost in 2008	CAD\$ 215,800

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**7. Equity Accounted Investees and Related Party Transactions (Cont'd)**

*Minewest*

On July 20, 2010 the Company signed an asset transfer agreement with its newly incorporated wholly owned subsidiary Minewest 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).

Effective November 18, 2011 Reg Tech obtained court approval for the Plan of Arrangement. On December 14, 2011, Reg Tech declared approximately 4,712,263 Minewest shares to be distributed to as dividend to Reg Tech shareholders on the record date of December 21, 2011, whereby one Minewest share is to be distributed for seven Reg Tech shares of holders. As at July 31, 2016, these shares have not been distributed and are recorded at \$nil after \$471,200 for Minewest shares held by the Company for its shareholders was written off to statement of operation as a result of uncertainty of Minewest's future after being ceased traded since January 8, 2014. The distribution is subject to Minewest being listed on the Canadian Stock Exchange.

As a result of the dividend declaration, Reg Tech retains approximately 3,287,737 shares of Minewest, representing approximately 26.10% of the issued and outstanding common shares of Minewest at July 31, 2016 and has its controlling interest reduced to significant influence effective November 18, 2011.

During the year ended April 30, 2015 as a result of uncertainty of Minewest's future after being ceased traded since January 8, 2014, the Company recorded impairment of equity investment in Minewest of \$174,968 after recording loss on equity investment in Minewest of \$77,119.

As at July 31, 2016 and April 30, 2016 the Company's investment in Minewest was recorded at \$Nil under equity method and held 26.10% ownership in Minewest.

At July 31, 2016, the Company recorded a balance due of \$6,253 to Minewest (April 30, 2016 - \$6,253).

**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**7. Equity Accounted Investees and Related Party Transactions (Cont'd)**

*Other related parties*

At July 31, 2016, the Company is owed an aggregate of \$153,410 (April 30, 2016 - \$122,711) due to related parties. The amounts owed are unsecured, non-interest bearing and due on demand. These parties are the directors or officers of the Company or companies that any director or officer of the Company control or significantly influence.

During the three months ended July 31, 2016, management fees of \$3,500 were accrued to the sole officer of the Company. During the three months ended July 31, 2015, management fees of \$7,500 were accrued to a company with common directors.

During the three months ended July 31, 2016, management fees of \$Nil (2016 - \$3,162) and director fees of \$Nil (2016 - \$9,000) were paid or accrued to officers, directors and companies controlled by officers and directors for services rendered.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

**8. 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 former director on all U.S. – based sales.

b) The Company is committed to fund 50% of the further development of the Rand Cam<sup>TM</sup>/Direct Charge Engine Technology, with the remaining 50% funded by REGI.



**Reg Technologies Inc.**  
**(A Development Stage Company)**

Notes to Interim Consolidated Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Three Months Ended July 31, 2016 and 2015**

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**9. 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 three months ended July 31, 2016.

**10. Subsequent Events**

During September, 2016 the Company entered into an asset purchase and sale agreement with REGI U.S., Inc. subject to shareholder and TSX Venture Exchange approval, pursuant to which the Company will sell all of its assets, including but not limited to all Intellectual Property to REGI U.S., Inc. The consideration is one & one tenth (1.1) shares of REGI U.S., Inc. for each one (1) share of Reg Technologies, Inc.

The agreement is subject to shareholder approval and a special shareholder meeting will be called to vote on the proposed agreement.