

**REG TECHNOLOGIES INC.**

**INTERIM FINANCIAL STATEMENTS**

**(UNAUDITED)**

**October 31, 2017**

**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 financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. Management believes the financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at October 31, 2017 and the results of its operations and its cash flows for the six months ended October 31, 2017.

**Reg Technologies Inc.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

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	<b>As at October 31, 2017 (Unaudited) \$</b>	<b>As at April 30, 2017 (Audited) \$</b>
<b>Assets</b>		
<b>Current</b>		
GST receivable	4,133	4,010
	<u>4,133</u>	<u>4,010</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	85,798	84,014
Accrued liabilities	60,000	45,000
Due to related parties (Note 7)	72,684	53,835
	<u>218,482</u>	<u>182,849</u>
<b>Shareholders' Deficit</b>		
Share Capital (Note 6)	13,636,565	13,636,565
Warrants (Note 6)	1,141,249	1,141,249
Contributed Surplus	10,864,172	10,864,172
Deficit	<u>(25,856,335)</u>	<u>(25,820,825)</u>
	<u>(214,349)</u>	<u>(178,839)</u>
	<u>4,133</u>	<u>4,010</u>

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

**Subsequent events** (Note 6 and 9)

**On behalf of the Board:**

"Paul Chute" Director  
Paul Chute

**Reg Technologies Inc.**  
**Statements of Operations and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	<b>For the Six Months Ended October 31, 2017</b>	<b>For the Six Months Ended October 31, 2016</b>	<b>For the Three Months Ended October 31, 2017</b>	<b>For the Three Months Ended October 31, 2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>				
Foreign exchange loss	2,560	2,412	1,268	1,020
Management fees (Note 7)	15,000	20,000	7,500	15,000
Office expenses	-	1,741	-	1,473
Professional fees	15,000	13,750	7,500	10,500
Transfer agent and filing fees	2,950	4,420	20	2,838
Travel and promotion	-	3,097	-	2,149
<b>Net and comprehensive loss</b>	<b>(35,510)</b>	<b>(45,420)</b>	<b>(16,288)</b>	<b>(32,980)</b>
<b>Loss per share – basic and diluted</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>49,547,092</b>	<b>49,329,670</b>	<b>49,547,092</b>	<b>49,329,670</b>

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

**Reg Technologies Inc.**  
**Statements of Cash Flows**  
 (Expressed in Canadian Dollars)  
 (Unaudited)

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	<b>For the Six Months Ended October 31, 2017 \$</b>	<b>For the Six Months Ended October 31, 2016 \$</b>
<b>Cash flows used in operating activities</b>		
Net loss	(35,510)	(45,420)
Adjustments to reconcile loss to net cash used by operating activities:		
Changes in non-cash working capital items:		
GST Receivable	(123)	(153)
Accounts payable and accrued liabilities	16,784	(24,881)
Due to related parties	18,849	37,623
Net cash from operating activities	-	(32,831)
<b>Increase in cash</b>	-	(32,831)
<b>Cash and cash equivalent, beginning</b>	-	36
<b>Cash and cash equivalent, ending</b>	-	(32,795)
<b>Supplemental Disclosures</b>		
Interest paid	-	-
Income taxes paid	-	-

**Reg Technologies Inc.**  
**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, 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	-	-	-	-	(45,420)	(45,420)	-
<b>Balance – October 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>(25,760,483)</b>	<b>(394,919)</b>	<b>84,547</b>
Disposition of assets	217,422	-	84,547	-	-	84,547	(84,547)
Liabilities settled by REGI U.S., Inc.	-	-	191,875	-	-	191,875	-
Net loss	-	-	-	-	(60,342)	(60,342)	-
<b>Balance – April 30, 2017 (Audited)</b>	<b>49,547,092</b>	<b>13,636,565</b>	<b>10,864,172</b>	<b>1,141,249</b>	<b>(25,820,825)</b>	<b>(178,839)</b>	<b>-</b>
Net loss	-	-	-	-	(35,510)	(35,510)	-
<b>Balance – October 31, 2017 (Unaudited)</b>	<b>49,547,092</b>	<b>13,636,565</b>	<b>10,864,172</b>	<b>1,141,249</b>	<b>(25,856,335)</b>	<b>(214,349)</b>	<b>-</b>

## **Reg Technologies Inc.**

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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### **1. Nature and Continuance of Operations**

Reg Technologies Inc. (“Reg Tech” or the “Company”) was 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 (the “Technology”). The worldwide marketing and intellectual rights, other than in the U.S., were held by the Company. REGI U.S., Inc. (“REGI”) (a U.S. public company) owned the U.S. marketing and intellectual rights. The Company and REGI had a project cost sharing agreement whereby these two companies each funded 50% of the development of the Technology.

Effective February 17, 2017 REGI purchased all of Reg Tech’s assets including all rights to the Technology with the issuance of 51,757,119 shares of REGI’s common stock, which were distributed to the shareholders of the Company as dividend in kind. The Company is currently actively searching for a business.

#### **Asset Sales Agreement**

On September 16, 2016, the Company entered into an asset sales/purchase agreement (the “ASA”) with REGI, a public company with a common director and officer and whose common stock is listed on OTC.QB to sell all of the Company’s assets to REGI, with the issuance of 46,173,916 unregistered common shares of REGI. The ASA was amended on February 14, 2017 to increase the consideration shares to an aggregate of 51,757,119 unregistered common shares of REGI and to amend the list of the assets purchased. The shares issued to the Company were distributed to the Company’s shareholders as dividend in kind. The transaction was closed on February 17, 2017 upon TSX Venture Exchange approval.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, REGI settled on behalf of Reg Tech the Company’s accounts payable of \$67,800 and balances owed to other related parties of \$124,075, the total settlement of \$191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

#### **Going Concern**

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 net capital deficiency and has accumulated losses of \$25,856,335 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 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.**

### Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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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, 2017.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 2, 2018.

#### **3. Significant Accounting Policies**

##### Basis of preparation

These financial statements were prepared on a going concern basis, under the historical cost convention, except for the revaluation of certain financial instruments.

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, and its 51% owned subsidiary, Rand Energy Group Inc. (“Rand”) until February 17, 2017 when it was sold to REGI and the related non-controlling interest of \$84,547 was reclassified to contributed surplus.

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

##### New standards and interpretations

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is adopted May 1, 2018.

Other new accounting standards and interpretations are either not applicable or not expected to have a significant impact on the Company’s financial statements.

## **Reg Technologies Inc.**

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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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 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 are 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.

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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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:

October 31, 2017	Accounts Payable	Due to related party
	\$ 28,049	\$4,537

At October 31, 2017 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- \$3,259.

#### *Interest rate and credit risk*

As at October 31, 2017 and April 30, 2017, the Company had no cash balance 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.

### 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.

## Reg Technologies Inc.

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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

#### *Treasury Shares*

At April 30, 2016, Rand owned 217,422 shares of the Company that have been deducted from the total shares issued and outstanding as treasury shares. Upon disposition of the Company's ownership of 51% of Rand on February 17, 2018 the 217,422 ceased to be recorded as treasury shares.

#### *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.

There were no option transactions during the six months ended October 31, 2017.

The following is a summary of option activities during the year ended April 30, 2017 and the six months ended October 31, 2017.

	Number of options	Weighted average exercise price
Outstanding at April 30, 2016	2,550,000	0.11
Forfeited	(2,500,000)	0.11
Outstanding at April 30, 2017 and October 31, 2017	50,000	0.11

The 50,000 options outstanding on October 31, 2017 expired on April 11, 2018.

## Reg Technologies Inc.

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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

#### *REGI*

The Company's investment in REGI was reduced to \$nil as the Company's share of past losses exceeded the carrying value of the investment in REGI. Prior to the Company's ASA effective on February 17, 2017, the Company owned 2,744,700 shares of REGI's common stock which were distributed to the Company's shareholders as dividend in kind during the year ended April 30, 2017, and Rand owned 588,567 shares of REGI's common stock. As at April 30, 2017 REGI ceased to be recorded as an equity accounted investee of the Company.

Upon closing of the ASA, all assets of the Company except GST receivable were transferred from Reg Tech to REGI. In addition, upon closing of the ASA, the REGI settled on behalf of Reg Tech the Company's accounts payable of \$67,800 and balances owed to other related parties of \$124,075, the total settlement of \$191,875 was recorded as addition to contributed surplus during the year ended April 30, 2017.

#### *Minewest*

Prior to the Company's ASA with REGI, the Company's investment of 26.10% ownership in Minewest was recorded at \$Nil under equity method. Upon completion of the ASA with REGI Minewest ceased to be recorded as an equity accounted investee of the Company.

#### *Other related parties*

During the six months ended October 31, 2017, management fees of \$15,000 (six months ended October 31, 2016 - \$20,000) were accrued and not paid to the sole director and officer of the Company.

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.

At October 31, 2017 and April 30, 2017, the Company owed an aggregate of \$72,684 and \$53,835, respectively to related parties, as follows:

	<b>October 31, 2017</b>	<b>April 30, 2017</b>
	\$	\$
REGI	5,836	1,987
Teryl Resources Corp.	1,848	1,848
Sole director and officer	65,000	50,000
	<u>72,684</u>	<u>53,835</u>

## **Reg Technologies Inc.**

Notes to Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

**For the Six Months Ended October 31, 2017 and 2016**

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### **8. 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 maintain the Company's good standing and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company currently does not have a business, 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 and receivables.

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 share offering will be sufficient to carry its 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, 2017 and the six months ended October 31, 2017.

### **9. Subsequent Event**

On July 26, 2018 the Company issued a secured promissory note of \$29,950 at interest rate of 1% per month, secured against the Company's current and future assets, repayable the earlier of August 31, 2018 and the closing of the next private placement.