Pacific Green Technologies Inc.
Form 10-Q
August 20, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2018**

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number **000-54756**

PACIFIC GREEN TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

Delaware	**N/A**

(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
5205 Prospect Road, Suite 135-226, San Jose, CA	**95129**
(Address of principal executive offices)	(Zip Code)

(408) 538-3373
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company)	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

43,208,923 common shares issued and outstanding as of August 15, 2018.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited interim consolidated financial statements for the three month period ended June 30, 2018 form part of this quarterly report. They are stated in United States Dollars (US$) and are prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X.

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in US dollars)

(unaudited)

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Balance Sheets

(Expressed in U.S. dollars)

	June 30, 2018 $ (unaudited)	March 31, 2018 $
ASSETS		
Cash	2,307,735	229,882
Amounts receivable	6,354	4,912
Prepaid expenses and deposits	524,994	72,032
Due from related parties (Note 8)	25,101	25,101
Total Current Assets	2,864,184	331,927
Lease receivable (Note 3)	1,995,000	1,995,000
Property and equipment (Note 4)	13,444	15,800
Intangible assets (Note 5)	10,403,115	10,622,068
Total Assets	15,275,743	12,964,795
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	714,130	888,760
Convertible debenture (Note 6)	30,000	30,000
Due to related parties (Note 8)	79,724	229,544
Derivative liability (Note 7)	220,652	75,505
Total Liabilities	1,044,506	1,223,809
Nature of Operations and Continuance of Business (Note 1)		
Commitments (Note 13)		
Stockholders' Equity		
Preferred stock, 10,000,000 shares authorized, $0.001 par value Nil shares issued and outstanding	–	–
	43,209	40,757

Common stock, 500,000,000 shares authorized, $0.001 par value 43,208,923 and 40,757,415 shares issued and outstanding, respectively		
Common stock issuable (Note 9)	–	206,675
Additional paid-in capital	82,647,069	78,989,346
Accumulated other comprehensive income	154,029	268,259
Deficit	(68,613,070)	(67,764,051)
Total Stockholders' Equity	14,231,237	11,740,986
Total Liabilities and Stockholders' Equity	15,275,743	12,964,795

(The accompanying notes are an integral part of these condensed consolidated financial statements)

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 $
Operating expenses		
Advertising and promotion	34,517	15,850
Amortization of intangible assets	218,953	218,953
Consulting fees (Note 8)	357,084	101,803
Depreciation	2,356	2,356
Foreign exchange loss (gain)	(144,729)	98,471
Office and miscellaneous	62,643	46,831
Professional fees	69,542	39,529
Research and development	–	52,304
Transfer agent and filing fees	17,022	13,301
Travel	83,494	50,419
Total operating expenses	700,882	639,817
Loss before other expenses	(700,882)	(639,817)
Other expenses		
Loss on change in fair value of derivative liability (Note 7)	(145,147)	(105,060)
Interest expense	(2,990)	(268,703)
Total other expenses	(148,137)	(373,763)
Net loss for the period	(849,019)	(1,013,580)
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	(114,230)	44,050
Comprehensive loss for the period	(963,249)	(969,530)

Net loss per share, basic and diluted	(0.02)	(0.04)
Weighted average number of shares outstanding	41,641,116	26,467,393

(The accompanying notes are an integral part of these condensed consolidated financial statements)

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended June 30, 2018 $	Three Months Ended June 30, 2017 $
Operating Activities		
Net loss for the period	(849,019)	(1,013,580)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on note payable and convertible debentures	–	33,438
Amortization of intangible assets	218,953	218,953
Depreciation	2,356	2,356
Imputed interest	–	225,000
Loss on change in fair value of derivative liability	145,147	105,060
Stock issued for services	189,467	–
Changes in operating assets and liabilities:		
Amounts receivable	(1,442)	20,723
Prepaid expenses and deposits	(124,929)	(135,567)

Due from related parties	–	(94)
Accounts payable and accrued liabilities	(174,629)	(137,618)
Due to related parties	(124,719)	63,837
Net Cash Used In Operating Activities	(718,815)	(617,492)
Investing Activities		
Additions of property and equipment	–	(87,647)
Net Cash Used In Investing Activities	–	(87,647)
Financing Activities		
Repayments to related parties	–	(331,783)
Repayment of loan payable	–	(30,917)
Proceeds from issuance of common stock	2,936,000	1,170,000
Net Cash Provided by Financing Activities	2,936,000	807,300
Effect of Foreign Exchange Rate Changes on Cash	(139,332)	43,311
Change in Cash	2,077,853	145,472
Cash, Beginning of Period	229,882	382,167
Cash, End of Period	2,307,735	527,639
Non-cash Investing and Financing Activities:		
	328,033	–

Stock issued for services included in prepaid expenses		
Supplemental Disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these condensed consolidated financial statements)

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Pacific Green Technologies Inc. (the "Company") was incorporated in the state of Delaware on March 10, 1994, under the name of Beta Acquisition Corp. In September 1995, the Company changed its name to In-Sports International, Inc. In August 2002, the Company changed its name to ECash, Inc. On June 13, 2012, the Company changed its name to Pacific Green Technologies Inc. The Company is in the business of acquiring, developing, and marketing emission control technologies.

The accompanying condensed consolidated financial statements of the Company should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments of a recurring nature considered necessary to present fairly the Company's financial position and the results of its operations and its cash flows for the periods shown.

The preparation of these condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. The results of operations and cash flows for the periods shown are not necessarily indicative of the results to be expected for the full year.

These condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, creditors, and related parties, and the ability of the Company to generate profitable operations. As at June 30, 2018, the Company has begun commercial sales generating revenues; the Company has an accumulated deficit of $68,613,070 since inception. A history of significant losses raises doubts regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. These consolidated financial statements include the accounts of the Company and the following entities:

Pacific Green Marine Technologies Ltd. (“PGMTL”)	Wholly-owned subsidiary
Pacific Green Technologies International Limited (“PGTIL”)	Wholly-owned subsidiary
PGT Technologies (Canada) Ltd (“PGT CAN”)	Wholly-owned subsidiary
Energy Park Sutton Bridge Ltd. (“EPSB”)	Wholly-owned subsidiary of PGTIL
Pacific Green Technologies Asia Limited (“PGTA”)	Wholly-owned subsidiary of PGTIL
Pacific Green Technologies China Limited (“PGTC”)	Wholly-owned subsidiary of PGTA

All inter-company balances and transactions have been eliminated.

(b) Financial Instruments and Fair Value Measurements

ASC 820, “Fair Value Measurements and Disclosures” requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(b) Financial Instruments and Fair Value Measurements (continued)

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, amounts receivable, lease receivable, amounts due from and to related parties, accounts payable and accrued liabilities, convertible debenture, and derivative liability. The recorded values of these financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The following table represents assets and liabilities that are measured and recognized at fair value as of June 30, 2018, on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $
Cash	2,307,735	–	–
Derivative liability	–	220,652	–
Total	2,307,735	220,652	–

During the three months ended June 30, 2018, the Company recognized a loss on the change in fair value of derivative liability of $145,147 (2017 – $105,060).

(c) Recent Accounting Pronouncements

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, "*Leases*". This new guidance was initiated as a joint project with the International Accounting Standards Board to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for "operating leases" for lessees for the vast majority of lease contracts. Under ASU No. 2016-02, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined "right-of-use" asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under GAAP. ASU No. 2016-02 will take effect for public companies in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

3. Lease Receivable

In December 2017, the Company completed the installation and the accounting sale of a constructed scrubber system. The Company's investment in sales-type lease as at June 30, 2018, consists of an amount due from the customer under a long-term lease arrangement. No amount has been allocated to residual value or other deliverables; accordingly, the amount presented in the balance sheet represents the present value of amounts due under the energy management contract. The entire amount is presented as a long-term receivable.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

4. Property and Equipment

	Cost $	Accumulated amortization $	June 30, 2018 Net carrying value $	March 31, 2018 Net carrying value $
Furniture and equipment	4,155	1,454	2,701	2,908
Leasehold improvements	25,784	15,041	10,743	12,892
Total	29,939	16,495	13,444	15,800

5. Intangible Assets

	Cost $	Accumulated amortization $	Impairment $	June 30, 2018 Net carrying value $	March 31, 2018 Net carrying value $
Patents and technical information	35,852,555	(4,992,185)	(20,457,255)	10,403,115	10,622,068

On May 17, 2013, the Company entered into an Assignment of Assets agreement with EnviroTechnologies, Inc. ("Enviro"), a non-related party, whereby the Company acquired various patents and technical information related to the manufacture of a wet scrubber for removing sulphur, other pollutants, and the particulate matter from diesel engine exhaust. In exchange for these assets, the Company waived all obligations owing to the Company as well as agreed to return a total of 88,876,443 of Enviro's shares back to Enviro. The obligations waived consisted of $237,156 owing to the Company as well as $93,721 of debt owing to Pacific Green Group Limited (“PGG”), a company controlled by a shareholder of the Company who has a significant influence on the Company’s operations, which was assigned to the Company. The Company entered into share exchange agreements with Enviro shareholders pursuant to which it issued shares of its common stock in exchange for shares of Enviro on a one-for-ten basis. The intangible assets acquired were recorded at cost and is being amortized using the straight-line method over the estimated useful life of 17 years.

6. Convertible Debenture

On November 10, 2015, the Company entered into a $110,000 convertible debenture with a non-related party, in exchange for $100,000, net of $10,000 for legal fees which was deferred and amortized over the term of the debenture. Under the terms of the debenture, the amount is unsecured, bears guaranteed interest at 10% and default interest at 20% per annum, and was due on November 10, 2016. The note is convertible into shares of common stock of the Company equal to the lower of: (a) $0.40 or (b) 60% of the lowest trading price of the Company’s common stock during the 20 consecutive trading days prior to the date of conversion. In the event of a default, the discount shall be permanently increased by 10%.

The Company analyzed the conversion option under ASC 815, and determined that the conversion feature should be classified as a liability and recorded at fair value due to there being no explicit limit to the number of shares to be delivered upon settlement of the conversion option. In accordance with ASC 815, the Company recognized the intrinsic value of the embedded beneficial conversion feature of $110,000. On February 22, 2017, the Company issued 50,000 shares of common stock for the conversion of $20,000 of this debenture. On August 10, 2017, the Company issued 100,000 shares of common stock for the conversion of $20,000 of this debenture. On October 4, 2017, the Company issued 320,000 shares of common stock for the conversion of $40,000 of this debenture. As at June 30, 2018, the carrying value of the debenture was $30,000 (March 31, 2018 - $30,000) and the fair value of the derivative liability was $220,652 (March 31, 2018 - $75,505).

7. Derivative Liability

The Company records the fair value of the conversion price of the convertible debenture disclosed in Note 7 in accordance with ASC 815. The fair value of the derivative liability was calculated using a binomial option pricing model. The fair value of the derivative liability is revalued on each balance sheet date with corresponding gains and losses recorded in the consolidated statement of operations. During the three months ended June 30, 2018, the Company recorded a loss on the change in fair value of derivative liability of $145,147 (2017 – $105,060). As at June 30, 2018, the Company recorded derivative liability of $220,652 (March 31, 2018 - $75,505).

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

7. Derivative Liability (continued)

The following inputs and assumptions were used to calculate the fair value of the beneficial conversion feature of the convertible debenture outstanding as at June 30, 2018, assuming no expected dividends:

	As at June 30, 2018	
Estimated common stock issuable upon conversion	163,322	
Estimated exercise price per common share	0.40	
Risk-free interest rate	1.0	%
Expected volatility	106	%
Expected life (in years)	0.25	

A summary of the activity of the derivative liability is shown below:

	$
Balance, March 31, 2018	75,505
Mark to market adjustment	145,147
Balance, June 30, 2018	220,652

8. Related Party Transactions

(a) As at June 30, 2018, the Company was owed $25,101 (March 31, 2018 - $25,101) from a shareholder of the Company who has a significant influence on the Company's operations. The amount owed is unsecured, non-interest bearing, and due on demand.

(b) As at June 30, 2018, the Company owed $19,737 (March 31, 2018 – $198,175) to PGG, a company controlled by a shareholder of the Company who has a significant influence on the Company's operations, of which $nil (March 31, 2018 - $28,618) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

(c) As at June 30, 2018, the Company owed $67,905 (March 31, 2018 – $64,195) to directors of the Company, of which $7,918 (March 31, 2018 - $4,208) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

(d) During the three months ended June 30, 2018, the Company incurred $65,000 (2017 – $60,000) in consulting fees to PGG, a company controlled by a shareholder of the Company who has a significant influence on the Company's operations.

(e) During the three months ended June 30, 2018, the Company incurred $60,000 (2017 – $20,000) in consulting fees to a company controlled by a director of the Company.

(f) During the three months ended June 30, 2018, the Company incurred $3,750 (2017 – $3,837) in consulting fees to a company controlled by a director of the Company.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

9. Common Stock

(a) On April 28, 2018, the Company issued 206,675 shares of common stock relating to a non-brokered private placement at a price of $1.00 per share for proceeds of $206,675, which was recorded as common stock issuable as at March 31, 2018.

(b) On May 28, 2018, the Company entered into securities purchase agreements ("SPA's") with seven investors. The SPA's include subscription agreements for 1,957,333 shares of common stock and 1,957,333 share purchase warrants exercisable at a price of $2.50 per share expiring on July 1, 2020 for proceeds of $2,936,000. Upon the Company meeting a specified sales target by December 31, 2018, the investors must complete conditional subscriptions of an additional 1,342,665 shares of common stock and 1,342,665 share purchase warrants exercisable at a price of $2.50 per share expiring on July 1, 2020 at $1.50 per unit on or before January 10, 2019. If the Company fails to achieve the specified sales target, then the investors have the option to complete the conditional subscription agreements for the purchase of an additional 1,853,998 shares of common stock and 1,853,998 share purchase warrants exercisable at $2.00 per share expiring on July 1, 2020 for $1.00 per unit on or before January 15, 2019.

(c) On June 12, 2018, the Company issued 287,500 shares of common stock with a fair value of $517,500 to three consultants, in lieu of a cash payment, for six months of consulting services. As at June 30, 2018, $328,033 of the value of the shares remains in prepaid expenses to be recognized over the remaining term of service.

10. Share Purchase Warrants

	Number of warrants	Weighted average exercise price $
Balance, March 31, 2018	1,500,000	1.00

Issued	1,957,333	2.50
Balance, June 30, 2018	3,457,333	1.85

As at June 30, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
500,000	1.00	November 23, 2018
1,000,000	1.00	November 23, 2019
1,957,333	2.50	July 1, 2020
3,457,333		

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

11. Stock Options

The following table summarizes the continuity of stock options issued and outstanding:

	Number of options	Weighted average exercise price $	Weighted average remaining contractual life (years)	Aggregate intrinsic value $
Balance, March 31, 2018	537,500	0.01	0.7	478,375
Balance, June 30, 2018	537,500	0.01	0.4	935,250

Additional information regarding stock options outstanding as at June 30, 2018 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.01	537,500	0.4	0.01

12. Segmented Information

The Company is located and operates in the United States and its subsidiaries are primarily located and operating in the United Kingdom and China.

	June 30, 2018		
	United States $	Europe $	Total $
Lease receivable	–	1,995,000	1,995,000
Property and equipment	13,444	–	13,444
Intangible assets	10,403,115	–	10,403,115
Total non-current assets	10,416,559	1,995,000	12,441,559

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(Expressed in U.S. Dollars)

(unaudited)

13. Commitments

(a) On November 17, 2015, PGTC entered into a commercial joint venture agreement (the “Agreement”) with a non-related party (the “Supplier”) wherein the Supplier would receive and process orders, manufacture, and install products for the Company’s customers. In return, the Company agreed to design the product and provide a technology license and technical support (the “Technology”) to the Supplier. During the term of the Agreement, the Company will provide the Supplier with a non-transferrable right and license to use the Technology to manufacture and install the product within the Peoples’ Republic of China.

Upon receiving each order from the Company, the Supplier and the Company shall submit to each other the respective estimated budgets. For each project, after receipt of the revenue from the relevant customer, the expenses of the Company and the Supplier shall be deducted and reimbursed from the revenue proportionally. The parties have agreed to share the gross profits at an even split of 50% each.

(b) On August 4, 2016, the Company entered into a three year lease agreement commencing November 15, 2016. The minimum lease payments over the remaining term of the lease are as follows:

Fiscal Year	$
2019	61,229
2020	39,339
	100,568

(c) On January 1, 2017, PGTC entered into a one year tooling development agreement with a non-related party to begin tooling for pending projects in advance of orders to facilitate shorter delivery times. Pursuant to the agreement, PGTC will pay $160,198 (RMB1,050,000), on the one year anniversary of the acceptance of the system.

(d) On January 1, 2017, PGTC entered into a nine month sales and marketing agreement with a non-related party to conduct sales and marketing services for the scrubber system in China. Pursuant to the agreement, PGTC will pay $160,198 (RMB1,050,000), on the nine month anniversary of the acceptance of the system.

(e) On July 14, 2017, the Company entered into a new memorandum of understanding to establish a new joint venture company in China with a non-related party (the "Supplier") wherein the Supplier would receive and process orders, manufacture, and install products for the Company's customers. In return, the Company agreed to design the product, provide strategic pricing, sales and marketing direction, as well as provide technology licenses and technical support (the "Technology") to the Supplier. During the term of the agreement, the Company will provide the Supplier with a non-transferrable right and license to use the Technology to manufacture and install the product within the Asia and Russia region.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "could", "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential" or the negative of these ter comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable laws, including the securities laws of the United States, we do not intend to update any of the forward-looking statements so as to conform these statements to actual results.

Our unaudited consolidated financial statements are stated in U.S. dollars and are prepared in accordance with generally accepted accounting principles in the United States. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report.

As used in this current report and unless otherwise indicated, the terms "we", "us", "our" and "our company" mean Pacific Green Technologies Inc., a Delaware corporation, and our wholly owned subsidiaries, Pacific Green Marine Technologies Ltd, a United Kingdom corporation, Pacific Green Technologies International Limited, a British Virgin Islands corporation, and its wholly owned subsidiary, Energy Park Sutton Bridge, a United Kingdom corporation, PGT Technologies (Canada) Ltd, a Canadian corporation, Pacific Green Technologies Asia Limited, and its wholly owned subsidiary, Pacific Green Technologies China Limited, both Hong Kong companies.

Corporate History

Our company was incorporated in Delaware on March 10, 1994, under the name of Beta Acquisition Corp. In September 1995, we changed our name to In-Sports International, Inc. In August 2002, we changed our name from In-Sports International, Inc. to ECash, Inc. In 2007, due to limited financial resources, we discontinued our operations.

Over the course of the last five years, we have sought new business opportunities.

On June 13, 2012, we changed our name to Pacific Green Technologies Inc. and effected a reverse split of our common stock following which we had 27,002 shares of common stock outstanding with $0.001 par value.

Effective December 4, 2012, we filed with the Delaware Secretary of State a Certificate of Amendment of Certificate of Incorporation, wherein we increased our authorized share capital to 510,000,000 shares of stock as follows:

500,000,000 shares of common stock with a par value of $0.001; and

10,000,000 shares of preferred stock with a par value of $0.001.

The increase of authorized capital was approved by our board of directors on July 1, 2012 and by a majority of our stockholders by a resolution dated July 1, 2012.

Historical Business Overview

On May 1, 2010 we entered into a consulting agreement with Sichel Limited. Sichel has investigated new opportunities for us and has subscribed for new shares of our company's common stock. The consulting agreement entitles Sichel to $20,000 per calendar month. With an effective date of March 31, 2013, the consulting agreement, along with all amounts owed to Sichel, were assigned to Pacific Green Group Limited ("**PGG**"). As at our year ended March 31, 2017 we owed Sichel $nil and we owed PGG approximately $3,945,833 in loans and unpaid management fees. Pursuant to the terms of the consulting agreement, if we are unable to pay the monthly consulting fee, PGG may elect to be paid in shares of stock, and if we are unable to pay the monthly consulting fee, PGG may elect to be paid in shares of stock.

Details of other material contracts and commitments follows the New Strategy and Current business section.

New Strategy and Current business

Since 2012, the Company has focused on marketing, developing and acquiring technologies designed to improve the environment by reducing pollution. The Company has acquired technologies, patents and intellectual property from EnviroTechnologies Inc. through share transfer, assignment and representation agreements entered into during 2012 and 2013. Following those acquisitions, management has expanded the registration of intellectual property rights around the world and pursued opportunities globally for the development and marketing of the emission control technologies.

Working with a worldwide network of agents to market the ENVI-Systems™ emission control technologies, the Company has focused on three applications of the technology:

ENVI-Marine ™

Diesel exhaust from ships, ferries and tankers includes ash and soot as particulate components and sulphur dioxide as an acid gas. Testing has been conducted on diesel shipping to confirm the application of seawater as a neutralizing agent for sulphur emissions as well as capturing particulate matter. In addition to marine applications, these tests also showed applicability of the system for large displacement engines such as stationary generators, compressors, container handling, heavy construction and mining equipment.

The Company manufactured the components for an ENVI-Marine unit that was installed in Union Maritimes' (Union) MV Westminster chemical ship during the summer of 2017. Under the terms of an Energy Management Lease dated December 16, 2016, Union will make quarterly payments to the Company determined on their savings realized by the ENVI-Marine units' operation up to an aggregate of $1,995,000.

The Company has been actively marketing its ENVI-Marine™ units to ship brokers and ship owners.

ENVI-Pure ™

Increasing legislation relating to landfill of municipal solid waste has led to the emergence of increasing numbers of waste to energy plants ("**WtE**"). A WtE plant obviates the need for landfill, burning municipal waste for conversion to electricity. A WtE plant is typically 45-100MW. The ENVI-Clean™ system is particularly suited to WtE as it cleans multiple pollutants in a single system.

ENVI-Clean ™

EnviroTechnologies Inc. has successfully conducted sulphur dioxide demonstration tests at the American Bituminous Coal Partners power plant in Grant Town, West Virginia. The testing achieved a three test average of 99.3% removal efficiency. The implementation of US Clean Air regulations in July 2010 has created additional demand for sulphur dioxide removal in all industries emitting sulphur pollution. Furthermore, China consumes approximately one half of the world’s coal, but introduced measures designed to reduce energy and carbon intensity in its 12th Five Year Plan. Applications include regional power facilities and heating for commercial buildings and greenhouses. Typical applications range in size from 1 to 20 megawatts (MW) with power generation occupying the larger end of the range.

Following the signing of a joint venture agreement with Power China SPEM, an ENVI-Clean™ was sold to a steelworks company in Yancheng to remove SO^2 from its 93MW gas combustion powerplant.

The ENVI-Clean™ system removes most of the sulphur dioxide, particulate matter, greenhouse gases and other hazardous air pollutants from the flue gases produced by the combustion of coal, biomass, municipal solid waste, diesel and other fuels.

The ENVI-Clean™ system is comprised of five components:

- an induced draft fan ("ID fan");
- a gas conditioning chamber;
- the ENVI-Clean™ unit;
- a demister; and
- settling tanks.

The ID fan creates the pressure differential required to force the gas through the scrubbing fluid suspended on each head and move it through the other components in the system. The gas conditioning chamber cools the hot flue gas prior to entering the ENVI-Clean™ System. The ENVI-Clean™ System contains the heads and the demister pads at the exhaust exit. The neutralizing fluid is constantly circulated and cleaned by mechanical means with the contaminated component of the separation going to a settling tank prior to dewatering. The settled solids are disposed of with the bottom ash produced by the combustion process.

The ENVI-CES™ technology forces 100% of the polluted exhaust flue gas into the neutralizing fluid to produce a highly turbulent interaction between the target pollutants and the fluid. The aggressive mixing produces small bubbles which create a very high surface contact area between the exhaust gas and fluid to enhance the transfer of particulate and targeted gaseous and hazardous pollutants from the exhaust to the fluid.

Schematic of the ENVI-Clean™ Emission's System as installed for Biomass applications

Unique to the ENVI approach is the introduction of the gas in the lower section of the ENVI-Clean™ unit which makes the greatest portion of its cross section available for fluid–gas interaction. This permits a smaller and highly flexible footprint. Furthermore, the system design allows for multiple heads each containing different neutralizing fluids to remove various pollutants from the flue gas. The ordered removal of acid and greenhouse gases within a single unit makes the system highly desirable by industries whose fuels contain multiple contaminants. The resulting ENVI-Clean™ unit has high efficiency and is very simple to operate.

The neutralizing solution is selected to remove targeted pollutants: limestone and hydrated lime are used to neutralize the scrubbing solution for the removal of acid gases such as sulphur dioxide, hydrogen chloride and hydrogen fluoride. The unique design of the ENVI system allows for the sequential removal of pollutants by stacking heads and utilizing different neutralizing chemistry in each operating unit. This provides industry with a system that fulfills multiple applications.

The ENVI-Clean™ system has numerous new and retrofit applications:

- coal and coal waste fuelled CFBC boilers;
- pulverized coal and stoker-grate boilers;
- heavy oil fired boilers;
- biomass and waste to energy boilers;
- lime kilns, dryers, shredders and foundries;
- industrial exhaust scrubbing of particulates and acid gases;
- diesel engines, large marine and stationary engines; and
- sewage sludge, hazardous waste and MSW incinerators.

Significant transactions

Management, assisted by PGG, identified an opportunity to build a business focused on marketing, developing and acquiring technologies designed to improve the environment by reducing pollution. To this end, we entered into and closed an assignment and share transfer agreement, on June 14, 2012, for the assignment of a representation agreement and the acquisition of a company involved in the environmental technology industry.

The assignment and share transfer agreement provided for the acquisition of 100% of the issued and outstanding shares of Pacific Green Technologies Limited, formerly PGG's subsidiary in the United Kingdom. Additionally, PGG has assigned to our company a ten year exclusive worldwide representation agreement with EnviroTechnologies Inc., (formerly EnviroResolutions, Inc.), a Delaware corporation, to market and sell EnviroTechnologies' current and future environmental technologies. The representation agreement entitles PGG to a commission of 20% of all sales (net of taxes) generated by EnviroTechnologies. Pursuant to the terms of the assignment and share transfer agreement, all rights and obligations under the representation agreement have been transferred to our company. We currently anticipate that sales under the representation agreement will be our sole source of revenue for the foreseeable future. We had intended to complete an acquisition of EnviroTechnologies, as this would have been a logical step in our development. However, as discussed herein, we have settled with EnviroTechnologies as an alternative.

Both Sichel and PGG are wholly owned subsidiaries of the Hookipa Trust. PGG's wholly owned subsidiary was Pacific Green Technologies Limited. As a result, we acquired Pacific Green Technologies Limited from PGG. Sichel is a significant shareholder of our company and also provides us with consulting services. The sole director of Sichel is also the sole director of PGG. Further, PGG is a significant shareholder of EnviroTechnologies.

The assignment and share transfer agreement closed on June 14, 2012 via the issuance of 5,000,000 shares of our common stock as well as a $5,000,000 promissory note to PGG. We have consequently undertaken the operations of Pacific Green Technologies Limited and PGG's obligations under the representation agreement.

Full consideration contemplated by the assignment and share transfer agreement was $25,000,000 satisfied through the issue of 5,000,000 new shares of our common stock at a price of $4 per share with the balance of $5,000,000 structured as a promissory note over the next five years as follows:

June 12, 2013, $1,000,000;

June 12, 2014, $1,000,000;

June 12, 2015, $1,000,000;

June 12, 2016, $1,000,000 and;

June 12, 2017, $1,000,000.

Under the terms of the promissory note, the loan repayments specified above shall not exceed the amount we earn under the terms of the representation agreement. If we are unable to meet the repayment schedule set out above, PGG will have the option to either roll over any unpaid portion to the following payment date or to convert the outstanding amount into new shares of our common stock. However, the entire amount of the promissory note is due upon the maturity date on the fifth anniversary. On September 25, 2017, the Company and PGG agreed to a settlement of the outstanding promissory by way of a subscription agreement for 5,000,000 shares of common stock at $1.00 per share.

The initial total consideration of $25,000,000 was a purchase price not determined under U.S. GAAP, and both the $25,000,000 total price and the deemed price of $4 per share does not represent the fair value of the stock issued or a value used in accounting for the acquisition. The number of shares issued and the terms of the promissory note were negotiated between the parties and are intended to represent full consideration for the acquisition of Pacific Green Technologies Limited and the representation agreement.

Our management believes that the ENVI-Clean™ system has significant competitive advantages in the market for emission control systems including: