

Pacific Green Technologies Inc.  
Form 10-Q  
November 14, 2017

**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 **September 30, 2017**

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)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**N/A**

(IRS Employer Identification No.)

**5205 Prospect Road, Suite 135-226, San Jose, CA**

(Address of principal executive offices)

**95129**

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company   
(Do not check if 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.

37,651,759 common shares issued and outstanding as of November 14, 2017.

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## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Our consolidated unaudited interim financial statements for the six month period ended September 30, 2017 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 Interim Financial Statements

September 30, 2017

(Expressed in US dollars)

(unaudited)

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Condensed Consolidated Interim Balance Sheets

(Expressed in U.S. dollars)

|  | September 30,<br>2017<br>\$<br>(unaudited) | March 31,<br>2017<br>\$ |
|--|--|-------------------------|
| <b>ASSETS</b>  |  |                         |
| Cash   | 150,413                                    | 382,167                 |
| Amounts receivable   | 5,167                                      | 25,780                  |
| Prepaid expenses   | 71,017                                     | 11,004                  |
| Due from related parties (Note 9)  | 25,188                                     | 24,987                  |
| <b>Total Current Assets</b>  | <b>251,785</b>                             | <b>443,938</b>          |
| Property and equipment (Note 3)  | 1,935,513                                  | 1,327,196               |
| Intangible assets (Note 4)   | 11,059,974                                 | 11,497,880              |
| <b>Total Assets</b>  | <b>13,247,272</b>                          | <b>13,269,014</b>       |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |                         |
| <b>Current Liabilities</b>   |  |                         |
| Accounts payable and accrued liabilities (Note 9)  | 1,150,788                                  | 860,050                 |
| Loan payable (Note 5)  | –  | 361,931                 |
| Convertible debenture (Note 6)   | 70,000                                     | 90,000                  |
| Note payable, net of unamortized discount of \$nil and \$33,438, respectively (Note 8)             | –  | 4,966,562               |
| Due to related parties (Note 9)  | 159,478                                    | 4,110,693               |
| Derivative liability (Note 7)  | 369,110                                    | 192,286                 |
| <b>Total Liabilities</b>   | <b>1,749,376</b>                           | <b>10,581,522</b>       |
| Nature of Operations and Continuance of Business (Note 1)  |  |                         |
| Commitments (Note 14)  |  |                         |
| Subsequent Events (Note 15)  |  |                         |
| <b>Stockholders' Equity</b>  |  |                         |
| Preferred stock, 10,000,000 shares authorized, \$0.001 par value Nil shares issued and outstanding | –  | –                       |

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|  |               |              |
|--|---------------|--------------|
| Common stock, 500,000,000 shares authorized, \$0.001 par value 37,331,759 and 26,297,430 shares issued and outstanding, respectively | 37,332        | 26,297       |
| Common stock issuable  | –             | 50,000       |
| Additional paid-in capital   | 76,964,621    | 65,907,617   |
| Accumulated other comprehensive income   | 303,893       | 261,789      |
| Deficit  | (65,807,950 ) | (63,558,211) |
| Total Stockholders' Equity   | 11,497,896    | 2,687,492    |
| Total Liabilities and Stockholders' Equity   | 13,247,272    | 13,269,014   |

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

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

|  | Three Months<br>Ended<br>September 30,<br>2017<br>\$ | Three Months<br>Ended<br>September 30,<br>2016<br>\$ | Six Months<br>Ended<br>September 30,<br>2017<br>\$ | Six Months<br>Ended<br>September 30,<br>2016<br>\$ |
|--|--|--|--|--|
| Expenses   |  |  |  |  |
| Advertising and promotion  | 8,100  | –  | 23,950   | –  |
| Amortization of intangible assets (Note 4)                           | 218,953  | 218,953  | 437,906  | 437,906  |
| Consulting fees (Note 9)   | 76,996   | 214,045  | 178,799  | 423,302  |
| Depreciation   | 2,357  | –  | 4,713  | –  |
| Foreign exchange loss (gain)   | (50,556 )  | (41,124 )  | 47,915   | (153,058 )   |
| Office and miscellaneous   | 16,866   | 33,830   | 63,697   | 69,239   |
| Professional fees  | 49,760   | 75,862   | 89,289   | 140,466  |
| Research and development   | 377,660  | –  | 429,964  | 228,854  |
| Transfer agent and filing fees                                       | 12,550   | 5,309  | 25,851   | 18,429   |
| Travel   | 75,919   | 20,779   | 126,338  | 53,602   |
| Total expenses   | 788,605  | 527,654  | 1,428,422  | 1,218,740  |
| Loss before other income (expenses)                                  | (788,605 )   | (527,654 )   | (1,428,422 )                                       | (1,218,740 )                                       |
| Other income (expenses)  |  |  |  |  |
| Gain on extinguishment of debt                                       | 97,631   | –  | 97,631   | –  |
| Gain (loss) on change in fair value of derivative liability (Note 6) | (179,309 )   | 76,071   | (284,369 )   | 333,308  |
| Impairment of property and equipment (Note 3)                        | (290,580 )   | –  | (290,580 )   | –  |
| Interest expense (Notes 5, 6 and 7)                                  | (75,296 )  | (305,437 )   | (343,999 )   | (609,993 )   |
| Total other income (expense)   | (447,554 )   | (229,366 )   | (821,317 )   | (276,685 )   |
| Net loss for the period  | (1,236,159 )   | (757,020 )   | (2,249,739 )                                       | (1,495,425 )                                       |
| Other comprehensive income   |  |  |  |  |

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|   |            |   |            |            |            |   |            |   |
|---|------------|---|------------|------------|------------|---|------------|---|
| Foreign currency translation gain (loss)      | (1,946     | ) | 6,603      | 42,104     | 19,605     |   |            |   |
| Comprehensive loss for the period             | (1,238,105 | ) | (750,417   | )          | (2,207,635 | ) | (1,475,820 | ) |
| Net loss per share, basic and diluted         | (0.04      | ) | (0.03      | )          | (0.08      | ) | (0.06      | ) |
| Weighted average number of shares outstanding | 27,585,317 |   | 23,894,706 | 27,378,218 | 23,672,576 |   |            |   |

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

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

|   | Six Months<br>Ended<br>September 30,<br>2017<br>\$ | Six Months<br>Ended<br>September 30,<br>2016<br>\$ |
|---|--|--|
| <b>Operating Activities</b>   |  |  |
| Net loss for the period   | (2,249,739 )                                       | (1,495,425 )                                       |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |
| Accretion of discounts on note payable and convertible debentures           | 33,348   | 159,993  |
| Amortization of intangible assets   | 437,906  | 437,906  |
| Imputed and accrued interest  | 306,662  | 450,000  |
| Depreciation  | 4,713  | -  |
| Gain on extinguishment of debt  | (97,631 )  | -  |
| Loss (Gain) on change in fair value of derivative liability                 | 284,369  | (333,308 )   |
| Impairment of property and equipment  | 290,580  | -  |
| Stock-based compensation  | 9,900  | -  |
| Changes in operating assets and liabilities:                                |  |  |
| Amounts receivable  | 20,613   | 328  |
| Prepaid expenses  | (60,013 )  | (33,261 )  |
| Due from related parties  | (201 )   | 1,413  |
| Accounts payable and accrued liabilities                                    | 215,521  | (76,292 )  |
| Due to related parties  | 10,000   | (191,868 )   |
| <b>Net Cash Used In Operating Activities</b>                                | <b>(793,972 )</b>                                  | <b>(1,080,514 )</b>                                |
| <b>Investing Activities</b>   |  |  |
| Additions of property and equipment   | (669,466 )   | (25,784 )  |
| <b>Net Cash Used In Investing Activities</b>                                | <b>(669,466 )</b>                                  | <b>(25,784 )</b>                                   |
| <b>Financing Activities</b>   |  |  |

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|   |                |               |
|---|----------------|---------------|
| Proceeds from share subscriptions received                | 1,470,000      | 1,880,500     |
| Repayments to related parties                             | (222,450 )     | (298,931 )    |
| Repayment of loan payable                                 | (56,666 )      | (20,000 )     |
| Proceeds from convertible debentures                      | –              | –             |
| <br>Net Cash Provided by Financing Activities             | <br>1,190,884  | <br>1,561,569 |
| <br>Effect of Foreign Exchange Rate Changes on Cash       | <br>40,800     | <br>(98,102 ) |
| <br>Change in Cash  | <br>(231,754 ) | <br>357,169   |
| <br>Cash, Beginning of Period                             | <br>382,167    | <br>40,108    |
| <br>Cash, End of Period                                   | <br>150,413    | <br>397,277   |
| <br>Non-cash Investing and Financing Activities:          |                |               |
| Accrued interest settled with common stock                | 85,483         | –             |
| Amounts due to related parties settled with common stock  | 3,636,595      | –             |
| Amounts due to related parties settled with stock options | 78,165         | –             |
| Convertible debenture settled with common stock           | 20,000         | –             |
| Derivative liability settled with common stock            | 107,545        | –             |
| Loan payable settled with common stock                    | 319,418        | –             |
| Note payable settled with common stock                    | 5,000,000      | –             |
| <br>Supplemental Disclosures:                             |                |               |
| Interest paid   | –              | –             |
| Income taxes paid   | –              | –             |

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

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

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

Pacific Green Technologies Inc. (the “Company”) is engaged in the commercialization and development of its proprietary emissions control and scrubber technologies. With its technical and manufacturing partners, the Company has developed applications for the marine, manufacturing, and utility sectors to reduce pollutants and contaminants from emissions. The Company’s goal is to bring new emission control solutions to help address the world’s need for clean and sustainable energy.

The accompanying condensed consolidated interim 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, 2017. In the opinion of management, the accompanying condensed consolidated interim 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 interim 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 interim 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 and note holders, the ability of the Company to obtain necessary equity financing to continue operations, and ultimately the attainment of profitable operations. As at September 30, 2017, the Company has not generated any revenues, has a working capital deficit of \$1,497,591, and has an accumulated deficit of \$65,807,950 since inception. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These condensed consolidated interim 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) Principles of Consolidation

These condensed consolidated interim 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 condensed consolidated interim financial statements include the accounts of the Company and the following entities:

|  |                                  |
|--|----------------------------------|
| Pacific Green Technologies Marine Limited (PGTML)          | Wholly-owned subsidiary          |
| Pacific Green Technologies International Limited (“PGTIL”) | 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

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.

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

**2. Significant Accounting Policies** (continued)

(b) Financial Instruments (continued)

*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.

*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, amounts due from and to related parties, accounts payable and accrued liabilities, loan payable, convertible debenture, and note payable. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

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The following table represents assets and liabilities that are measured and recognized at fair value as of September 30, 2017, on a recurring basis:

|                      | Level 1<br>\$ | Level 2<br>\$ | Level<br>3<br>\$ |
|----------------------|---------------|---------------|------------------|
| Cash                 | 150,413       | –             | –                |
| Derivative liability | –             | 369,110       | –                |
| Total                | 150,413       | 369,110       | –                |

During the six months ended September 30, 2017, the Company recognized a loss on change in fair value of derivative liability of \$284,369 (2016 - gain of \$333,308).

(c) Recent Accounting Pronouncements

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. Property and Equipment**

|                         | Cost<br>\$ | Accumulated<br>amortization<br>\$ | June 30,<br>2017<br>Net<br>carrying<br>value<br>\$ | March 31,<br>2017<br>Net<br>carrying<br>value<br>\$ |
|-------------------------|------------|-----------------------------------|--|---|
| Furniture and equipment | 4,155      | 831                               | 3,324  | 3,739   |
| Leasehold improvements  | 25,784     | 8,595                             | 17,189   | 21,487  |
| Scrubber system         | 1,915,000  | –                                 | 1,915,000  | 1,301,970   |
| Total                   | 1,944,939  | 9,426                             | 1,935,513  | 1,327,196   |

As at September 30, 2017, the Company has not recorded depreciation on the scrubber system as it is being installed and has not been placed in use. At September 30, 2017, a review of the carrying value indicated that an impairment charge of \$290,580 was appropriate to write the costs down to the estimated proceeds under an energy management lease agreement.



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**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

**4. Intangible Assets**

|                                   | Cost<br>\$ | Accumulated<br>amortization<br>\$ | Impairment<br>\$ | September 30,<br>2017<br>Net carrying<br>value<br>\$ | March 31,<br>2017<br>Net<br>carrying<br>value<br>\$ |
|-----------------------------------|------------|-----------------------------------|------------------|--|---|
| Patents and technical information | 35,852,556 | (4,335,327 )                      | (20,457,255)     | 11,059,974   | 11,497,880  |

On May 17, 2013, the Company entered into an Assignment of Assets agreement with EnviroTechnologies, Inc. (“Enviro”), a company with a common significant shareholder who has a significant influence on the operations of both companies. Pursuant to the agreement, 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 and director of the Company who has a significant influence on the Company’s operations, which was assigned to the Company. This shareholder became a director of the Company on May 8, 2017. 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.

**5.****Loan Payable**

As at September 30, 2017, PGTIL, the Company’s wholly owned subsidiary, owes \$nil (March 31, 2017 - \$361,931 (£289,144)) to a significant shareholder of the Company, which bore interest at 6.5% per annum, was unsecured, and was due on demand.

On September 25, 2017, the Company issued 404,901 shares of common stock in full settlement of the principal and interest outstanding of \$404,091. Refer to Note 10(g).

## **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 interest at 10% per annum, and 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. As at September 30, 2017, the Company recorded accrued interest of \$26,849 (March 31, 2017 - \$17,164), which has been included in accounts payable and accrued liabilities.

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. During the six months ended September 30, 2017, the Company had amortized \$nil (2016 - \$56,491) of the debt discount to interest expense. 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. Refer to Note 10(e). As at September 30, 2017, the carrying value of the debenture was \$70,000 (March 31, 2017 - \$90,000) and the fair value of the derivative liability was \$369,110 (March 31, 2017 - \$192,286).

## **7. Derivative Liability**

The Company records the fair value of the conversion price of the convertible debenture disclosed in Note 6 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 six months ended September 30 2017, the Company recorded a loss on the change in fair value of the derivative liability of \$284,369 (2016 – gain 333,308). As at September 30, 2017, the Company recorded a derivative liability of \$369,110 (March 31, 2017 - \$192,286).

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(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 September 30, 2017, assuming no expected dividends:

|   | As at<br>September 30,<br>2017 |   | As at<br>August 10,<br>2017 |   |
|---|--------------------------------|---|-----------------------------|---|
| Estimated common stock issuable upon conversion | 774,792                        |   | 575,745                     |   |
| Estimated exercise price per common share       | 0.125                          |   | 0.20                        |   |
| Risk-free interest rate                         | 1.1                            | % | 1.1                         | % |
| Expected volatility                             | 417                            | % | 225                         | % |
| Expected life (in years)                        | 0.25                           |   | 0.39                        |   |

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

|                             | \$        |
|-----------------------------|-----------|
| Balance, March 31, 2017     | 192,286   |
| Mark to market adjustment   | 284,369   |
| Transfer on settlement      | (107,545) |
| Balance, September 30, 2017 | 369,110   |

**8. Note Payable**

September 30,  
2017  
\$

|                                   |              |
|-----------------------------------|--------------|
| Balance, March 31, 2017           | 4,966,562    |
| Accretion of unamortized discount | 33,348       |
| Repayment (Note 10(f))            | (5,000,000 ) |
| Balance, September 30, 2017       | –            |

On June 14, 2012, the Company entered into an Assignment and Share Transfer Agreement with PGG concerning the assignment of the Representation Agreement entered between PGG and Enviro and the purchase of 100% of the issued and outstanding common shares of PGTML, a subsidiary of PGG, in exchange for an aggregate of 5,000,000 shares of common stock as well as a \$5,000,000 promissory note.

The note had been discounted at a market rate of 18% to arrive at the net present value of \$3,127,171 as at June 12, 2012. The note is unsecured and cannot itself be used by PGG to cause the Company to become insolvent. During the six months ended September 30, 2017, the Company recorded imputed interest of \$293,478 (2016 - \$450,000) at a rate of 18% per annum which has been included in additional paid-in capital.

On September 25, 2017, the Company issued 5,000,000 shares of common stock in settlement of the outstanding promissory note with PGG.

## 9. Related Party Transactions

As at September 30, 2017, the Company was owed \$25,188 (March 31, 2017 - \$24,987) from a shareholder and (a) director 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

As at September 30, 2017, the Company owed \$171,352 (March 31, 2017 – \$3,945,833) to PGG, of which \$26,860 (March 31, 2017 - \$25,127) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand. On July 20, 2016, the Company entered into a conversion (b) agreement with this company, whereby up to \$1,000,000 in outstanding amounts may be converted at a rate of \$0.70 per share for a 12 month period between July 20, 2016 and July 20, 2017. The Company determined that the convertible debt contained no embedded beneficial conversion feature as the conversion price was the same as the fair market value of the Company's common stock on the date of issuance.

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

**9. Related Party Transactions (continued)**

As at September 30, 2017, the Company owed \$33,750 (March 31, 2017 - \$200,017) to directors of the Company, (c) of which \$18,764 (March 31, 2017 - \$10,030) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

(d) During the six months ended September 30, 2017, the Company incurred \$120,000 (2016 – \$120,000) in consulting fees to PGG.

(e) During the six months ended September 30, 2017, the Company incurred \$7,694 (2016 – \$120,840) in consulting fees to companies controlled by directors of the Company.

**10. Common Stock**

On June 1, 2017, the Company issued 33,333 shares of common stock relating to a non-brokered private placement (a) at a price of \$1.50 per share for proceeds of \$50,000, which was recorded as common stock issuable as at March 31, 2017.

(b) On June 1, 2017, the Company issued 500,000 shares of common stock relating to a non-brokered private placement at a price of \$0.80 per share for proceeds of \$400,000.

(c) On September 13, 2017, the Company issued 1,337,500 shares of common stock relating to non-brokered private placements at a price of \$0.80 per share for proceeds of \$1,070,000.

On September 13, 2017, the Company issued 22,000 shares of common stock with a fair value of \$9,900 to various (d) consultants for consulting services. The fair value of the common stock was determined based on the closing price of the Company's common stock.

On September 19, 2017, the Company issued 100,000 shares of common stock with a fair value of \$125,000 pursuant to a conversion of \$20,000 in principal and \$107,545 in derivative liability relating to the November 10, 2015 convertible debenture. The fair value of the common stock was determined based on the closing price of the Company's common stock. This transaction resulted in a gain on extinguishment of debt of \$2,545. Refer to Note 6.

On September 25, 2017, the Company issued 8,636,595 shares of common stock with a fair value of \$8,636,595 to PGG in settlement of the note payable of \$5,000,000 and \$3,636,595 in outstanding loans and other advances due on demand.

On September 25, 2017, the Company issued 404,901 shares of common stock with a fair value of \$404,901 to a significant shareholder of the Company in settlement of the loan payable of \$319,418 (£284,144) and accrued interest of \$85,483 (£65,525). Refer to Note 5.

**11. Share Purchase Warrants**

|  | Number of warrants | Weighted average exercise price \$ |
|--|--------------------|------------------------------------|
| Balance, March 31 and September 30, 2017 | 2,268,297          | 0.88                               |

As at September 30, 2017, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price \$ | Expiry date       |
|--------------------------------|-------------------|-------------------|
| 934,963                        | 0.001             | January 8, 2018   |
| 666,667                        | 1.50              | December 23, 2017 |
| 666,667                        | 1.50              | December 23, 2018 |
| 2,268,297                      |                   |                   |

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

**12. Stock Options**

The following table summarizes the continuity of stock options:

|                             | Number of options | Weighted average exercise price \$ | Weighted average remaining contractual life (years) | Aggregate intrinsic value \$ |
|-----------------------------|-------------------|------------------------------------|---|------------------------------|
| Balance, March 31, 2017     | 362,500           | 0.01                               | 0.7   | 377,000                      |
| Granted                     | 175,000           | 0.01                               | 2.0   | –                            |
| Balance, September 30, 2017 | 537,500           | 0.01                               | 1.2   | 290,250                      |

Additional information regarding stock options outstanding as at September 30, 2017 is as follows:

| Range of exercise prices \$ | Outstanding and exercisable |   |                                    |
|-----------------------------|-----------------------------|---|------------------------------------|
|                             | Number of shares            | Weighted average remaining contractual life (years) | Weighted average exercise price \$ |
| 0.01                        | 537,500                     | 1.2   | 0.01                               |



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On September 26, 2017, the Company granted 175,000 stock options to a company controlled by a director of the Company. The options are exercisable at \$0.01 per share for a 2-year term. These options were issued in exchange for management services previously accrued at \$175,000 and have been recorded at their fair value of \$78,165 as estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

The fair value of stock options granted to the directors and officers have been

|                          | 2017   | 2016 |
|--------------------------|--------|------|
| Risk-free interest rate  | 1.45 % | –    |
| Expected life (in years) | 2      | –    |
| Expected volatility      | 251 %  | –    |

**13.**

**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. The Company's scrubber system is located in Europe while all other non-current assets are located in the United States.

|                          | September 30, 2017 |           |            |
|--------------------------|--------------------|-----------|------------|
|                          | United States      | Europe    | Total      |
|                          | \$                 | \$        | \$         |
| Property and equipment   | 20,513             | 1,915,000 | 1,935,513  |
| Intangible assets        | 11,059,974         | –         | 11,059,974 |
| Total non-current assets | 11,080,487         | 1,915,000 | 12,995,487 |

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2017

(Expressed in U.S. Dollars)

(unaudited)

**14. Commitments**

(a) On May 1, 2010, the Company entered into consulting agreements with Sichel Limited (“Sichel”), the parent company of PGG. Sichel will assist the Company in developing commercial agreements for green technology and the building of an international distribution centre. Effective December 31, 2013, this consulting agreement was assigned to Pacific Green Development Ltd., a company controlled by a shareholder and director of the Company who has a significant influence in the Company’s operations. The agreement shall continue for four years with consideration as follows:

i) Stock consideration to PGG or to any third party as directed by PGG of 5,000 ordinary shares of common stock of the Company upon signing of the agreement, which have been waived by PGG;

ii) Monthly consultancy fees of \$20,000 are to be paid within fourteen days of each month-end. If the Company is unable to pay this fee, then PGG has the option to elect to be paid 5,000 shares of common stock of the Company in lieu of cash;

iii) Sales commission of 10% of sales value excluding shipping and local sales taxes; and

iv) Finance commission of 10% of net proceeds of any funds raised by way of issued of stock, debt or convertible note after any brokers commission as introduced by PGG.

(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 \$

|      |        |
|------|--------|
| 2018 | 39,360 |
| 2019 | 61,229 |

2020            39,339  
  
                    139,928

(c) On September 22, 2016, PGTC entered into a one year research and development agreement with a non-related party to conduct testing on the scrubber system after it is installed and accepted by a customer of the non-related party in Yancheng, China. Pursuant to the agreement, PGTC will pay \$160,198 (RMB1,050,000) to the non-related party on each of the three and six month anniversaries from the date of acceptance of the system (July 2017).

(d) 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.

(e) 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.

(f) 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.

The parties will fund the venture proportionately, 50.1% by the Company and 49.9% by the Supplier and excess operating cash flows will be distributed on a quarterly basis.

## 15. Subsequent Events

- (a) On October 4, 2017, the Company issued 320,000 shares of common stock pursuant to the conversion of \$40,000 of the principal outstanding on the convertible debenture. Refer to Note 6.
- (b) Subsequent to September 30, 2017, the Company's received share subscription proceeds of \$230,600 at prices between \$0.80 and \$0.86 per share.

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 terms and 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 Technologies Limited, a United Kingdom corporation, Pacific Green Energy Parks Limited, a British Virgin Islands corporation, and its wholly owned subsidiary, Energy Park Sutton Bridge, a United Kingdom corporation, unless otherwise indicated.

**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.

Effective November 1, 2016, Mr. Jordan Starkman resigned as a Director and, if any, from all offices of our company. Mr. Starkman's resignation was not the result of any disagreements with our company regarding our operations, policies, practices or otherwise. Our board of directors now consists of Andrew Jolly, Alexander Shead and Neil Carmichael.

## **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 December 31, 2014, we owed Sichel \$nil and we owed PGG \$5,223,110. 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 make payments for more than six months in any 12 month period, PGG has the right to appoint an officer or director to the board, which right has not been exercised at this time.

## **New Strategy**

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 has manufactured the components for an ENVI-Marine unit to be 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, following acceptance of the unit by Union, they 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 through most of the year.

### **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, subsequent to year end an ENVI-Clean™ was sold to a steelworks company in Yancheng to remove SO<sup>2</sup> 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.

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.

Management, assisted by PGG, has 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 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 (which remains outstanding and has been rolled over to the following payment date);  
June 12, 2014, \$1,000,000 (which remains outstanding and has been rolled over to the following payment date);  
June 12, 2015, \$1,000,000 (which remains outstanding and has been rolled over to the following payment date);  
June 12, 2016, \$1,000,000 (which remains outstanding and has been rolled over to the following payment date); 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. The promissory note is unsecured.

The 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.

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 has manufactured the components for an ENVI-Marine unit to be 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, following acceptance of the unit by Union, they 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 through most of the year.

### **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™**

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Following the signing of a joint venture agreement with Power China SPEM, subsequent to year end an ENVI-Clean™ was sold to a steelworks company in Yancheng to remove SO<sup>2</sup> 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.

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.

## **Other Business Matters**

On April 3, 2013, we entered into and closed a share exchange agreement with certain shareholders of EnviroTechnologies. Pursuant to the terms of the share exchange agreement, we agreed to acquire 17,653,872 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for the issuance of 1,765,395 shares of the common stock of our company. We issued an aggregate of 1,765,395 common shares to 47 shareholders.

On April 25, 2013, we entered into and closed share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the share exchange agreement, we agreed to acquire 6,682,357 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for the issuance of 668,238 shares of common stock of our company. We issued an aggregate of 668,238 common shares to 20 shareholders.

On May 15, 2013, we entered into and closed a stock purchase agreement with all five of the shareholders of Pacific Green Energy Parks Limited (“PGEP”), a company incorporated in the British Virgin Islands. PGEP is the sole shareholder of Energy Park Sutton Bridge Limited, a company incorporated in the United Kingdom. PGEP is developing a biomass power plant facility and holds an option to purchase the real property upon which the facility will be built.

Pursuant to the stock purchase agreement, we agreed to acquire all of the 1,752 issued and outstanding common shares of PGEP from the shareholders in exchange for:

1. a payment of \$100 upon execution of the stock purchase agreement, which has been paid by us;

\$14,000,000 paid in common shares in our capital stock at a deemed price at the lower of \$4 per share or the  
2. average closing price per share of our capital stock in the ten trading days immediately preceding the date of closing of the stock purchase agreement, which have been issued by us;

\$3,000,000 payable in common shares of our capital stock at a deemed price at the lower of \$4 per share or the  
3. average closing price per share of our capital stock in the ten trading days immediately preceding the date upon which PGEP either purchases the property or secures a lease permitting PGEP to operate the facility on the property, which has not yet occurred; and

subject to leasing or purchasing the property and PGEP securing sufficient financing for the construction of the  
4. facility, \$33,000,000 payable in common shares of our capital stock at a deemed price at the lower of \$4 per share or the average closing price per share of our capital stock in the ten trading days immediately preceding the date that PGEP secures sufficient financing for the construction of the facility, which has not yet occurred.

All consideration from our company to the shareholders has been and will be issued on a pro-rata, pari-passu basis in proportion to the respective number of shares of PGEP sold by each respective shareholder. On May 15, 2013, pursuant to the stock purchase agreement, we issued an aggregate of 3,500,000 common shares, at an agreed upon deemed price of \$4 per share, to the five shareholders.

Pacific Green Energy Parks Limited and its wholly owned subsidiary, Energy Park Sutton Bridge, are now subsidiaries of our company.

On May 17, 2013, we entered into a debt settlement agreement with EnviroTechnologies and EnviroResolutions (collectively, the “**Debtors**”). Pursuant to the terms of the debt settlement agreement, we agreed to release and waive all obligations of the Debtors to repay debts, in the aggregate of \$293,406 and CAD\$38,079, to us and agreed to return an aggregate of 88,876,443 common shares of EnviroTechnologies to EnviroResolutions. The 88,876,443 common shares of EnviroTechnologies were returned as of June 30, 2016. As consideration for this release and waiver and return of shares, the Debtors agreed to transfer all rights, interests and title to certain intellectual property, the physical embodiments of such intellectual property, and to the supplemental agreement dated March 5, 2013 among EnviroResolutions, PREL and Green Energy Parks Limited (“**GEPL**”) (collectively, the “**Debtors’ Assets**”).

The Debtors’ Assets include the intellectual property rights throughout most of the world for the ENVI-Clean™ system, the ENVI-Pure™ system and the ENVI-SEA™ scrubber. 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-Pure™ emission system combines the ENVI-Clean™ highly effective patent-pending wet scrubbing technology with an innovative wet electrostatic precipitator and a granular activated carbon adsorber to remove particulate matter, acid gases, regulated metals, dioxins and VOCs from the flue gas to levels significantly below those required by strictest international regulations. The ENVI-SEA™ scrubber can be applied to diesel exhaust emissions that require sulphur and particulate matter abatement. Using seawater on a single-pass basis as the scrubbing fluid in combination with its patent pending scrubbing head will provide a highly interactive zone of turbulent mixing for absorption of SO<sub>2</sub>, particulate matter and other pollutants from the engine’s exhaust.

The following is a brief description of further terms and conditions of the debt settlement agreement that are material to our company:

1. We pay 25% of all funds, if any, received under the supplemental agreement to the Debtors within 14 days upon receipt of funds, if any, pursuant to the supplemental agreement;
2. We enter into definitive agreements with the Debtors to:



- a. license the Debtors' Assets back to the Debtors, under arm's length commercial terms, for use in the USA and Canada, with the exception of NRG Energy, Inc. and Edison Mission and affiliates; and
- b. have the Debtors provide engineering services to us on terms to be agreed upon, acting reasonably;
3. The Debtors pay pro-rata any third party broker fees and legal fees, if any, that are subsequent costs associated with the Supplemental Agreement; and
4. the Debtors retain possession of, yet make a pilot-scale scrubber available for rental to our company at a nominal cost.

On June 11, 2013, we submitted 24,336,229 common shares of EnviroTechnologies to EnviroTechnologies for cancellation pursuant to our debt settlement agreement with EnviroTechnologies and EnviroResolutions dated May 17, 2013.

Pursuant to a debt settlement agreement dated May 17, 2013 among our company, EnviroTechnologies and EnviroResolutions, on November 22, 2013, our company was transferred a 40% shareholding in PREL by GEPL (who had, prior to this transfer, held all the issued and outstanding shares of PREL). PREL is a limited liability company incorporated under the laws of the United Kingdom.

PREL was incorporated by GEPL to develop a 79MWe waste to energy power station at Peterborough, United Kingdom (the “**Peterborough Plant**”). The Peterborough Plant has full planning permission at 79MWe and environmental agency permits. It is understood that the Peterborough Plant will be built in two stages at a total capital cost of approximately GBP£500 million (approximately US\$824,534,442). As of May 17, 2013, PREL owned 20% of Energy Park Investments Limited, the holding company that is currently intended to finance the development of the Peterborough Plant in turn through its wholly owned operating subsidiary Energy Park Peterborough Limited.

On June 17, 2013, we entered into and closed share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the share exchange agreements we acquired 8,061,286 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for the issuance of 806,132 shares of common stock of our company. We issued as aggregate of 806,132 shares of common stock to 19 shareholders

On August 6, 2013, we entered into two share exchange agreements with two shareholders of EnviroTechnologies. Pursuant to the terms of the agreements, we acquired 440,000 issued and outstanding common shares of EnviroTechnologies from one shareholder in exchange for shares of common stock of our company on a 1 for 10 basis. Pursuant to the terms of the other agreement, we acquired 600,000 issued and outstanding common shares of EnviroTechnologies from one shareholder in exchange for shares of common stock of our company on a 1 for 15 basis.

On August 27, 2013, we entered into share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the agreements, we acquired 32,463,489 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for shares of common stock of our company on a 1 for 10 basis.

On September 13, 2013, we submitted 41,564,775 common shares of EnviroTechnologies to EnviroTechnologies for cancellation pursuant to our debt settlement agreement with EnviroTechnologies and EnviroResolutions dated May 17, 2013.

On September 26, 2013, we entered into an agreement with Andrew Jolly, wherein Dr. Jolly agreed to serve as a director of our company. Pursuant to the agreement, our company is to compensate Dr. Jolly for serving as a director of our company at GBP£2,000 (approximately \$3,235) per calendar month. Effective October 1, 2013, we appointed Dr. Jolly as a director of our company. Effective September 1, 2014, the monthly fee for Mr. Jolly was reduced to GBP£1,000 (approximately \$1,617).

On October 11, 2013, we entered into share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the agreements, we agreed to acquire 674,107 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for shares of common stock of our company on a 1 for 10 basis.

On December 18, 2013, we announced that our company engaged BlueMount Capital to spearhead the development of its proprietary emission control technologies, ENVI-Clean™ and ENVI-Pure™, in the People's Republic of China ("PRC"). In addition to corporate finance advisory services both within and outside China, BlueMount offers a tailored service to clients wishing to enter the PRC market with a particular emphasis on companies that own proprietary technology, intellectual property and expertise. To that end, BlueMount provides a comprehensive suite of services to enhance the effectiveness and long-term sustainability of foreign brands entering the PRC market via: Our company's strategic objective is to establish an operating presence in China with established local partners and rapidly rollout its technologies.

On December 27, 2013, we entered into and closed share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the share exchange agreements, we acquired 130,000 issued and outstanding common shares of EnviroTechnologies from the shareholders in exchange for shares of common stock of our company on a 1 for 10 basis. On December 27, 2013, we issued an aggregate of 13,000 common shares to the shareholders of EnviroTechnologies.

On January 27, 2014, we entered into an agreement with Pöyry Management Consulting (UK) Limited. Pursuant to the agreement, Pöyry is to provide consulting services to us. Our company has agreed to compensate Pöyry a minimum of £5,000 (approximately \$ 8,293) as consulting fees for the first year of the agreement and a variable hourly rate as set out in the agreement.

On May 27, 2014, we entered into a \$200,000 convertible debenture with Intrawest Overseas Limited. Under the terms of the debenture, the amount is unsecured, bears interest at 10% per annum, and is due on May 27, 2015. Pursuant to the agreement, should any portion of loan remain outstanding past maturity the interest will increase to 15% per annum. The note is convertible into shares of common stock 180 days after the date of issuance (November 27, 2014) until maturity at a conversion rate of 75% of the average offer price of our company's common stock for the 45 days ending one trading day prior to the date the conversion notice is sent by the holder to our company.

Our company analyzed the conversion option under ASC 815, "Accounting for Derivative Instruments and Hedging Activities", 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, our company recognized the intrinsic value of the embedded beneficial conversion feature of \$33,922. On November 27, 2014, the note became convertible resulting in our company recording a derivative liability of \$33,922 with a corresponding adjustment to loss on change in fair value of derivative liabilities.

On June 12, 2014, we entered into a \$100,000 convertible debenture with Gerstle Consulting Pty Limited. Under the terms of the debenture, the amount is unsecured, bears interest at 10% per annum, and is due on June 12, 2015. Pursuant to the agreement, should any portion of loan remain outstanding past maturity the interest will increase to 15% per annum. The note is convertible into shares of common stock 180 days after the date of issuance (December 12, 2014) until maturity at a conversion rate of 75% of the average closing bid prices of our company's common stock for the 45 days ending one trading day prior to the date the conversion notice is sent by the holder to our company.

Our company analyzed the conversion option under ASC 815, "Accounting for Derivative Instruments and Hedging Activities", 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, our company recognized the intrinsic value of the embedded beneficial conversion feature of \$9,793. On December 12, 2014, the note became convertible resulting in our company recording a derivative

liability of \$9,793 with a corresponding adjustment to loss on change in fair value of derivative liabilities.

On June 30, 2015, through our wholly owned subsidiary, Pacific Green Energy Parks Limited, we purchased all of the issued and outstanding shares in Pacific Green Technologies Asia Limited for \$1.00 from Alexander Shead.

We entered into an agreement dated July 20, 2015 with Mr. Alexander Shead. Pursuant to this agreement, Mr. Shead has agreed to serve as a director of our company. As a director of our company, Mr. Shead shall be compensated \$1,000 for every calendar month of the term of the agreement. The term of the agreement is for 12 months. On July 20, 2015, we appointed Mr. Shead as a director of our company.

On September 22, 2015, our company entered into a consulting agreement (the “**Agreement**”) with Midam Ventures, LLC (“**Midam**”) wherein Midam will provide investor relations and business advisory services to us from September 23, 2015 to March 23, 2016. Any compensation described in the Agreement shall be deemed earned and vested by Midam even in the case of early termination of the Agreement.

Pursuant to the terms of the Agreement, we will to pay \$30,000 in cash and 200,000 common restricted shares of our company to Midam. Effective October 20, 2015, we issued all of the shares pursuant to an exemption from registration relying on the provisions of Rule 506 of Regulation D promulgated under the *Securities Act of 1933*, as amended.

On October 24, 2015, our company entered into a marketing and consulting agreement with Red Rock Marketing Media, Inc. (“**Red Rock**”) wherein Red Rock will provide investor relations and business advisory services to us for a period of 40 business days starting on or before the 10 business days after Red Rock receives compensation from our company. Pursuant to the terms of the Agreement, we will to pay \$100,000 in cash by October 29, 2015.

On October 27, 2015, our company entered into a loan agreement with a significant shareholder for proceeds of approximately \$4,231. The loan is unsecured, bears an interest rate of US Prime Rate plus 4%, and is due on demand.

On November 10, 2015, we issued a convertible note (the “**Note**”) to Tangiers Investment Group, LLC (“**Tangiers**”) in exchange for an aggregate of \$100,000 from Tangiers. The Note is for the aggregate sum of \$110,000 with 10% interest as an original issue discount and convertible into our common shares of (the “**Shares**”) at a price of equal to the lower of: (a) \$.40 per common share of our company or (b) 60% of the lowest trading price of our common stock during the 20 consecutive trading days prior to the date on which the holder of the Note elects to convert all or part of the Note.



On November 17, 2015, Pacific Green Technologies China Limited, a wholly-owned subsidiary of our company, entered into a commercial joint venture agreement with PowerChina SPEM Company Limited (“**PowerChina**”) wherein PowerChina would receive and process orders from our company for customers, and manufacture and install products as an engineering procurement construction process. In return, our company agreed to design the product and provide a technology license and technical supports to PowerChina. During the Agreement, we will provide PowerChina with a non-transferrable right and license to use Technology to manufacture and install our product within the Peoples’ Republic of China.

Upon receiving each order from us, PowerChina and we shall submit to each other the respective estimated budgets. For each project, after receipt of the revenue from the relevant customer, the budgets of our company and PowerChina shall be deducted and reimbursed from the revenue proportionally. We have agreed to share the gross profit pursuant to an even split of 50% to PowerChina and 50% to our company.

## Results of Operations

The following summary of our results of operations should be read in conjunction with our unaudited interim consolidated financial statements for the three and six months ended September 30, 2017 and 2016.

Our net loss for the three and six month periods ended September 30, 2017 and 2016 are summarized as follows:

|   | Three Months Ended<br>September 30, |             | Six Months Ended<br>September 30, |             |
|---|-------------------------------------|-------------|-----------------------------------|-------------|
|   | 2017                                | 2016        | 2017                              | 2016        |
| Advertising and promotion                                     | \$8,100                             | \$-         | \$23,950                          | \$-         |
| Amortization of intangible assets                             | \$218,953                           | \$218,953   | \$437,906                         | \$437,907   |
| Consulting fees   | \$76,996                            | \$214,045   | \$178,799                         | \$423,302   |
| Depreciation  | 2,357                               | -           | 4,713                             | -           |
| Foreign exchange (gain) loss                                  | \$(50,556)                          | \$(41,124)  | \$47,915                          | \$(153,058) |
| Office and miscellaneous                                      | \$16,866                            | \$33,830    | \$63,697                          | \$69,239    |
| Professional fees   | \$49,760                            | \$75,862    | \$89,289                          | \$140,466   |
| Research and development                                      | 377,660                             | -           | 429,964                           | 228,854     |
| Transfer agent and filing fees                                | \$12,550                            | \$5,309     | \$25,851                          | \$18,429    |
| Travel  | \$75,919                            | \$20,779    | \$126,338                         | \$53,602    |
| Gain on extinguishment of debt                                | \$97,631                            | \$Nil       | \$97,631                          | \$Nil       |
| Interest expense  | \$(75,296)                          | \$(305,437) | \$(343,999)                       | \$(609,993) |
| Impairment of property and equipment                          | \$(290,580)                         | \$Nil       | \$(290,580)                       | \$Nil       |
| Gain (loss) on change in fair value of derivative liabilities | \$(179,309)                         | \$(76,071)  | \$(284,369)                       | \$333,308   |

Net Loss \$(1,236,159) \$(757,020) \$(2,249,739) \$(1,495,425)

Operating expenses for the three month period ended September 30, 2017 were \$788,605 as compared to \$527,654 for the three month period ended September 30, 2016. The increase in operating expenses is primarily attributed to increases in research and development, travel, and transfer agent and filing fees offset by decreases in consulting fees and professional fees.

Operating expenses for the six month period ended September 30, 2017 were \$1,428,422 as compared to \$1,218,740 for the six month period ended September 30, 2016. The increase in operating expenses is primarily attributed to increases in advertising and promotion, professional fees, research and development, and travel offset by a decrease in consulting fees, professional fees, and a gain in foreign exchange.

For the three month period ended September 30, 2017, our company had a net loss of \$1,236,159 (\$0.04 per share) compared to a net loss of \$757,020 (\$0.03 per share) for the three month period ended September 30, 2016. In addition to the operating expenses noted above, for the three month period ended September 30, 2017, our company incurred interest expense of \$75,296 as compared to interest expense of \$305,437 for the three month period ended September 30, 2016.

For the six month period ended September 30, 2017, our company had a net loss of \$2,249,739 (\$0.08 per share) compared to a net loss of \$1,495,425 (\$0.06 per share) for the six month period ended September 30, 2016. For the six month period ended September 30, 2017, our company incurred interest expense of \$343,999 as compared to interest expense of \$609,993 for the six month period ended September 30, 2016. For the six month period ended September 30, 2017, we also had a loss on change in fair value of derivative liability of \$284,369 compared to a gain of \$333,308 in the comparative period.

### *Liquidity and Capital Resources*

#### Working Capital

|                           | As at<br>September 30,<br>2017 | As at<br>March 31,<br>2017 |
|---------------------------|--------------------------------|----------------------------|
| Current Assets            | \$ 251,785                     | \$443,938                  |
| Current Liabilities       | \$ 1,749,376                   | \$10,581,522               |
| Working Capital (Deficit) | \$ (1,497,591)                 | \$ (10,137,584)            |



Cash Flows

|   | Six Months<br>Ended<br>September 30,<br>2017 | Six Months<br>Ended<br>September 30,<br>2016 |
|---|--|--|
| Net cash used in operating activities     | \$ (793,972 )                                | \$ (1,080,514 )                              |
| Net cash used in investing activities     | \$ (669,466 )                                | \$ (25,784 )                                 |
| Net cash provided by financing activities | \$ 1,190,884                                 | \$ 1,561,569                                 |
| Effect of foreign exchange rate changes   | \$ 40,800                                    | \$ (98,102 )                                 |
| Net change in cash                        | \$ (231,754 )                                | \$ 357,169                                   |

As of September 30, 2017, we had \$150,413 in cash, \$251,785 in total current assets, \$1,749,376 in total current liabilities and a working capital deficit of \$1,497,591. As of March 31, 2017, we had a working capital deficit of \$10,137,584.

We are dependent on funds raised through debt/equity financing and proceeds from shareholder loans.

During the six months ended September 30, 2017, we spent \$793,792 on operating activities, whereas \$1,080,514 was spent on operating activities for the six month period ended September 30, 2016.

During the six months ended September 30, 2017, we used \$669,466 on investing activities for the purchase of property and equipment, whereas we used \$25,784 in investing activities for the six month period ended September 30, 2016.

During the six months ended September 30, 2017, we received \$1,190,884 from financing activities, which consisted of \$1,470,000 in proceeds from share subscriptions received offset by \$56,666 in repayment of a loan payable and \$222,450 due to related parties, whereas we received \$1,561,569 from financing activities during the six months ended September 30, 2016 which consisted of \$1,880,500 in proceeds from share subscriptions offset by \$298,931 in repayments to related parties and \$20,000 of loan payable.

**Anticipated Cash Requirements**

We will require additional funds to fund our budgeted expenses over the next 12 months. These funds may be raised through, equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares.

We anticipate that our cash expenses over the next 12 months (beginning October 2017) will be approximately \$1,550,000 as described in the table below. These estimates may change significantly depending on the nature of our business activities and our ability to raise capital from our shareholders or other sources.

| Description  | Estimated Expenses (\$) |
|--|-------------------------|
| Legal and accounting fees                                  | 220,000                 |
| Marketing and advertising                                  | 50,000                  |
| Investor relations and capital raising                     | 80,000                  |
| Management and operating costs                             | 350,000                 |
| Sales agents, commissions, engineering and consulting fees | 550,000                 |
| General and administrative expenses                        | 300,000                 |
| Total  | \$1,550,000             |

Our general and administrative expenses for the year will consist primarily of transfer agent fees, bank and interest charges, and general office expenses. The professional fees are related to our regulatory filings throughout the year and exclude legal, accounting, and auditing fees.

Based on our planned expenditures, we will require approximately \$1,550,000 to proceed with our business plan over the next 12 months. As of September 30, 2017, we had \$150,413 cash on hand. If we secure less than the full amount of financing that we require, we will not be able to carry out our complete business plan and we will be forced to proceed with a scaled back business plan based on our available financial resources.

We intend to raise the balance of our cash requirements for the next 12 months from private placements, shareholder loans or possibly a registered public offering (either self-underwritten or through a broker-dealer). If we are unsuccessful in raising enough money through such efforts, we may review other financing possibilities such as bank loans. At this time we do not have a commitment from any broker-dealer to provide us with financing. There is no assurance that any financing will be available to us or if available, on terms that will be acceptable to us.

Even though we plan to raise capital through equity or debt financing, we believe that the latter may not be a viable alternative for funding our operations as we do not have sufficient tangible assets to secure any such financing. We anticipate that any additional funding will be in the form of equity financing from the sale of our common stock. However, we do not have any financing arranged and we cannot provide any assurance that we will be able to raise sufficient funds from the sale of our common stock to finance our operations. In the absence of such financing, we may be forced to abandon our business plan.

### **Going Concern**

Our condensed consolidated interim financial statements for the six month period ended September 30, 2017 have been prepared on a going concern basis and contain an additional explanatory paragraph which identifies issues that raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The continuation of our company as a going concern is dependent upon the continued financial support from its shareholders and note holders, the ability of our company to obtain necessary equity financing to continue operations, and ultimately the attainment of profitable operations. As at September 30, 2017, our company has not generated any revenues, has a working capital deficit of \$1,497,591, and has an accumulated deficit of \$65,807,950 since inception. These factors raise substantial doubt regarding our company's ability to continue as a going concern. These condensed consolidated interim 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 our company be unable to continue as a going concern.

If our operations and cash flow improve, management believes that we can continue to operate. However, no assurance can be given that management's actions will result in profitable operations or an improvement in our liquidity situation. The threat of our ability to continue as a going concern will cease to exist only when our revenues have reached a level able to sustain our business operations.

### **Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

## **Critical Accounting Policies**

### *Use of Estimates*

The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our company regularly evaluates estimates and assumptions related to the useful life and recoverability of intangible assets, valuation of note payable, fair value of convertible debentures, fair value of derivative liabilities, fair value of stock-based compensation, impairment of goodwill, and deferred income tax asset valuation allowances. Our company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by our company may differ materially and adversely from our company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

### *Intangible Assets*

Intangible assets are stated at cost less accumulated amortization and are comprised of patents. The patents are amortized straight-line over the estimated useful life of 17 years.

### *Impairment of Long-lived Assets*

Our company reviews long-lived assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset.

### *Stock-based compensation*

Our company records stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation", using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Our company uses the Black-Scholes option pricing model to calculate the fair value of stock-based awards. This model is affected by our company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to our company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the consolidated statement of operations over the requisite service period.

### **Recent Accounting Pronouncements**

Our 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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

### Item 4. Controls and Procedures

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our president (our principal executive officer, principal financial officer and principal accounting officer) to allow for timely decisions regarding required disclosure.

As of the end of our quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our president (our principal executive officer, principal financial officer and principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president (our principal executive officer, principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this quarterly report.

#### *Changes in Internal Control over Financial Reporting*

During the period covered by this report, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

### **Item 1A. Risk Factors**

As a “smaller reporting company” we are not required to provide the information required by this Item.

### **Item 2. Unregistered Sales of Equity Securities**

On June 1, 2017, the Company issued 33,333 shares of common stock relating to a non-brokered private placement at a price of \$1.50 per share for proceeds of \$50,000, which was recorded as common stock issuable as at March 31, 2017. The common shares were issued to 1 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

On June 1, 2017, the Company issued 500,000 shares of common stock relating to a non-brokered private placement at a price of \$0.80 per share for proceeds of \$400,000. The common shares were issued to 1 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

On August 10, 2017, the Company issued 100,000 shares of common stock with a fair value of \$125,000 pursuant to a conversion of \$20,000 in principal and \$107,545 in derivative liability relating to the November 10, 2015 convertible debenture. The fair value of the common stock was determined based on the closing price of the Company’s common stock. This transaction resulted in a gain on extinguishment of debt of \$2,545.

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On September 13, 2017, the Company issued 1,337,500 shares of common stock relating to non-brokered private placements at a price of \$0.80 per share for proceeds of \$1,070,000. The 1,337,500 common shares, which are restricted, were issued to 10 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

On September 13, 2017, the Company issued 22,000 restricted common shares at a deemed price of \$0.45 per share to third parties in consideration for consulting services rendered. The 22,000 common shares were issued to 2 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

On September 25, 2017, the Company issued 8,636,595 shares of common stock for the benefit of PGG, under a share subscription agreement at \$1.00 per share, in settlement of a \$5,000,000 promissory note and \$3,636,595 in outstanding loans and other advances due on demand. The common shares were issued to 1 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

On September 25, 2017, the Company issued 404,901 shares of common stock to a company controlled by a significant shareholder under a share subscription agreement at \$1.00 per share in settlement of \$404,091 in loans and accrued interest outstanding. The common shares were issued to 1 non-US persons (as that term is defined in Regulation S of the Securities Act of 1933), in offshore transactions relying on Regulation S of the Securities Act of 1933, as amended.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.





Item 6. Exhibits

| Exhibit Number | Description  |
|----------------|--|
| (2)            | <b>Plan of Acquisition, Reorganization, Arrangement Liquidation or Succession</b>  |
| 2.1            | <u>Assignment and Share Transfer Agreement dated June 14, 2012 between our company, Pacific Green Technologies Limited and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>  |
| (3)            | <b>Articles of Incorporation and Bylaws</b>  |
| 3.1            | <u>Articles of Incorporation filed on July 3, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>  |
| 3.2            | <u>Certificate of Amendment filed on August 15, 1995 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>  |
| 3.3            | <u>Certificate of Amendment filed on August 5, 1998 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>   |
| 3.4            | <u>Certificate of Amendment filed on October 15, 2002 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>   |
| 3.5            | <u>Certificate of Amendment filed on May 8, 2006 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>  |
| 3.6            | <u>Certificate of Amendment filed on May 29, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)</u>   |
| 3.7            | Bylaws filed on July 3, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)  |
| 3.8            | <u>Certificate of Amendment filed on November 30, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 11, 2012)</u>  |
| (4)            | <b>Instruments Defining the Rights of Security Holders, Including Indentures</b>   |
| 4.1            | <u>Share Certificate relating to shares held by our company in the Ordinary Share Capital of Peterborough Renewable Energy Limited (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2013)</u>                        |
| (10)           | <b>Material Contracts</b>  |
| 10.1           | <u>Consulting Agreement dated May 1, 2010 between our company and Sichel Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)</u>   |
| 10.2           | <u>Representation Agreement dated June 7, 2010 between Pacific Green Group Limited and EnviroTechnologies, Inc. (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)</u>  |
| 10.3           | <u>Peterborough Agreement dated October 5, 2011 between EnviroResolutions, Inc., Peterborough Renewable Energy Limited and Green Energy Parks Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)</u>  |
| 10.4           | <u>Promissory Note dated June 2012 between our company and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)</u>   |
| 10.5           | <u>Assignment and Share Transfer Agreement dated June 14, 2012 between our company, Pacific Green Technologies Limited and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)</u> |
| 10.6           | <u>Non-Executive Director Agreement dated December 18, 2012 between our company and Neil Carmichael (incorporated by reference to our Current Report on Form 8-K filed on December 19, 2012)</u>   |

- 10.7 Supplemental Agreement dated March 5, 2013 between EnviroResolutions, Inc., Peterborough Renewable Energy Limited and Green Energy Parks Limited (incorporated by reference to our Annual Report on Form 10-K filed on July 1, 2013)
- 10.8 Supplemental Agreement dated March 5, 2013 between our company, EnviroTechnologies Inc. and EnviroResolutions Inc. (incorporated by reference to our Current Report on Form 8-K filed on March 13, 2013)
- 10.9 Form of Share Exchange Agreement dated April 3, 2013 between our company and Shareholders of EnviroTechnologies Inc. (incorporated by reference to our Current Report on Form 8-K filed on April 8, 2013)
- 10.10 Form of Share Exchange Agreement dated April 25, 2013 between our company and Shareholders of EnviroTechnologies Inc. (incorporated by reference to our Current Report on Form 8-K filed on April 30, 2013)

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 10.11                 | <u>Stock Purchase Agreement dated May 16, 2013 between our company and Shareholders of Pacific Green Energy Parks (incorporated by reference to our Current Report on Form 8-K/A filed on June 3, 2013)</u>                                      |
| 10.12                 | <u>Debt Settlement Agreement dated May 17, 2013 between our company, EnviroResolutions, Inc. and EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K/A filed on June 3, 2013)</u>                              |
| 10.13                 | <u>Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on August 9, 2013)</u>   |
| 10.14                 | <u>Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on August 30, 2013)</u>  |
| 10.15                 | <u>Agreement dated September 26, 2013 between our company and Andrew Jolly (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2013)</u>  |
| 10.16                 | <u>Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on October 22, 2013)</u>   |
| 10.17                 | <u>Agreement dated October 22, 2013 between our company and Chris Williams (incorporated by reference to our Current Report on Form 8-K filed on December 5, 2013)</u>   |
| 10.18                 | <u>Form of Subscription Agreement between our company and the subscribers (incorporated by reference to our Current Report on Form 8-K filed on December 24, 2013)</u>   |
| 10.19                 | <u>Form of Share Exchange Agreement between our company and certain shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on December 27, 2013)</u>  |
| 10.20                 | <u>Agreement dated January 27, 2014 between our company and Pöyry Management Consulting (UK) Limited (incorporated by reference to our Quarterly Report on Form 10-Q filed on February 19, 2014)</u>   |
| 10.21                 | <u>Form of Subscription Agreement between our company and the subscribers (incorporated by reference to our Current Report on Form 8-K filed on March 11, 2014)</u>  |
| 10.22                 | <u>Loan Agreement between our company and Intrawest Overseas Limited dated May 27, 2014 (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 19, 2014)</u>  |
| 10.23                 | <u>Put Option Agreement between our company and Intrawest Overseas Limited dated May 27, 2014 (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 19, 2014)</u>  |
| 10.24                 | <u>Investor Relations Agreement dated September 22, 2015 between Pacific Green Technologies Inc. and Midam Ventures, LLC (incorporated by reference to our Current Report on Form 8-K filed on December 8, 2015).</u>                            |
| 10.25                 | <u>Investor Relations Agreement dated October 24, 2015 between Pacific Green Technologies Inc. and Red Rock Marketing Media, Inc. (incorporated by reference to our Current Report on Form 8-K filed on December 21, 2015)</u>                   |
| 10.26                 | <u>Convertible Note dated November 10, 2015 issued to Tangiers Investment Group, LLC (incorporated by reference to our Current Report on Form 8-K filed on November 24, 2015).</u>   |
| 10.27                 | <u>Commercial Joint Venture Agreement between PowerChina SPEM Company Limited and Pacific Green Technologies China Limited dated November 17, 2015 (incorporated by reference to our Current Report on Form 8-K filed on December 21, 2015).</u> |
| <b>(14)</b>           | <b>Code of Ethics</b>  |
| 14.1                  | <u>Code of Ethics and Business Conduct (incorporated by reference to our Annual Report on Form 10-K filed on July 15, 2014)</u>  |
| <b>(21)</b>           | <b>Subsidiaries of the Registrant</b>  |
| 21.1                  | Pacific Green Technologies Limited, a United Kingdom corporation (wholly owned);<br>Pacific Green Energy Parks Limited, a British Virgin Islands corporation (wholly owned);   |

Energy Park Sutton Bridge, a United Kingdom corporation (wholly owned by Pacific Green Energy Parks Limited).

**(31) Rule 13a-14 (d)/15d-14d) Certifications**

31.1\* Section 302 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer

**(32) Section 1350 Certifications**

32.1\* Section 906 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer

**(99) Additional Exhibits**

99.1 Peterborough Renewable Energy Limited Directors' Report and Financial Statements for the period ended December 31, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2013)

**101\* Interactive Data Files**

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\* *Filed herewith.*

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PACIFIC GREEN TECHNOLOGIES INC.**  
(Registrant)

Dated: November 14, 2017 By: /s/ Neil Carmichael

**Neil Carmichael**  
President, Secretary, Treasurer and Director  
(Principal Executive Officer,  
Principal Financial Officer and  
Principal Accounting Officer)