

Pacific Green Technologies Inc.  
Form 10-Q/A  
July 14, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q/A**

(Mark One)

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

For the quarterly period ended **June 30, 2014**

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)



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.

16,321,681 common shares issued and outstanding as of August 18, 2014.

## Explanatory Note

Our company is filing this Amendment No. 1 on Form 10-Q/A (this “**Amendment**”) to our Quarterly Report on Form 10-Q for the period ended June 30, 2014 (the “**Form 10-Q**”), filed with the Securities and Exchange Commission on August 19, 2014 (the “**Original Filing Date**”) to restate the interim financial statements for the quarterly period ended June 30, 2014.

On June 29, 2015, our auditors, Saturna Group Chartered Accountants LLP, notified us that it believed there was an error in our financial statements resulting from further impairment of the intangible asset of our company. Management further discussed the matter with Saturna Group Chartered Accountants LLP and both parties agreed that the calculation for the impairment of the intangible asset was incorrectly calculated and we determined that the effect of such misstatement was material.

This Amendment speaks as of the Original Filing Date, does not reflect events that may have occurred subsequent to the Original Filing Date, and does not modify or update in any way any other disclosures made in the Form 10-Q, as amended.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), the certifications required pursuant to the rules promulgated under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which were included as exhibits to the Original Report, have been amended, restated and re-executed as of the date of this Amendment and are included as Exhibits 31.1 and 32.1 hereto.

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## **PART I - FINANCIAL INFORMATION**

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

Our consolidated unaudited interim financial statements for the three month period ended June 30, 2014 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.**

June 30, 2014

(Expressed in US dollars)

(unaudited)

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Consolidated Balance Sheets

(Expressed in U.S. dollars)

|   | June 30,<br>2014<br>\$<br>(Restated –<br>Note 11)<br>(unaudited) | March 31,<br>2014<br>\$ |
|---|--|-------------------------|
| <b>ASSETS</b>   |  |                         |
| Cash  | 92,007   | 205,571                 |
| VAT receivable  | 4,777  | 2,005                   |
| Prepaid expenses  | 687  | 687                     |
| Total Current Assets  | 97,471   | 208,263                 |
| Intangible assets (Note 3)  | 13,572,300   | 14,103,905              |
| Total Assets  | 13,669,771   | 14,312,168              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |  |                         |
| <b>Current Liabilities</b>  |  |                         |
| Accounts payable and accrued liabilities (Note 7)   | 448,454  | 449,850                 |
| Loan payable (Note 4)   | 744,068  | 725,319                 |
| Convertible debenture (Note 5)  | 200,000  | –                       |
| Current portion of note payable, net of unamortized discount of \$146,371 and \$33,438, respectively (Note 6) | 2,853,629  | 1,966,562               |
| Due to related parties (Note 7)   | 5,474,446  | 5,300,950               |
| Total Current Liabilities   | 9,720,597  | 8,442,681               |
| Note payable, net of unamortized discount of \$663,524 and \$898,431, respectively (Note 6)                   | 1,336,476  | 2,101,569               |
| Total Liabilities   | 11,057,073   | 10,544,250              |
| Nature of Operations and Continuance of Business (Note 1)   |  |                         |
| Commitments (Note 10)   |  |                         |
| Stockholders' Equity  | –  | –                       |



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|   |                |                |
|---|----------------|----------------|
| Preferred stock, 10,000,000 shares authorized, \$0.001 par value<br>Nil shares issued and outstanding                                   |                |                |
| Common stock, 500,000,000 shares authorized, \$0.001 par value<br>16,321,681 and 16,321,681 shares issued and outstanding, respectively | 16,322         | 16,322         |
| Common stock issuable (Note 3)  | 8,868,523      | 8,868,523      |
| Additional paid-in capital  | 44,848,380     | 44,623,380     |
| Accumulated other comprehensive loss  | (147,621 )     | (109,140 )     |
| Deficit   | (50,972,906)   | (49,631,167)   |
| Total Stockholders' Equity  | 2,612,698      | 3,767,918      |
| <br>Total Liabilities and Stockholders' Equity  | <br>13,669,771 | <br>14,312,168 |

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

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

|  | Three<br>Months<br>Ended<br>June 30,<br>2014<br>\$ | Three<br>Months<br>Ended<br>June 30,<br>2013<br>\$ |
|--|--|--|
| Revenue                                  | –  | –  |
| Expenses                                 |  |  |
| Amortization of intangible assets        | 531,605  | 97,960   |
| Consulting fees (Note 7)                 | 226,541  | 305,827  |
| Foreign exchange loss (gain)             | 144,193  | (100,500 )   |
| Office and miscellaneous                 | 12,484   | 10,080   |
| Professional fees (Note 7)               | 56,743   | 95,928   |
| Research and development                 | –  | 8,029  |
| Transfer agent and filing fees           | 1,782  | 8,799  |
| Travel                                   | 19,499   | 21,315   |
| Total operating expenses                 | 992,847  | 447,438  |
| Loss before other expense                | (992,847 )   | (447,438 )   |
| Other expense                            |  |  |
| Interest expense (Notes 5 and 6)         | (348,892 )   | (183,468 )   |
| Net loss for the period                  | (1,341,739 )                                       | (630,906 )   |
| Other comprehensive income (loss)        |  |  |
| Foreign currency translation gain (loss) | (38,481 )  | 5,122  |
| Comprehensive loss for the period        | (1,380,220 )                                       | (625,784 )   |
| Net loss per share, basic and diluted    | (0.08 )  | (0.06 )  |

Weighted average number of shares outstanding 16,321,681 9,803,648

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

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**PACIFIC GREEN TECHNOLOGIES INC.**

## Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

|   | Three Months<br>Ended<br>June 30,<br>2014<br>\$ |   | Three Months<br>Ended<br>June 30,<br>2013<br>\$ |
|---|---|---|---|
| <b>Operating Activities</b>   |   |   |   |
| Net loss for the period   | (1,341,739                                      | ) | (630,906  |
| Adjustments to reconcile net loss to net cash used in operating activities: |   |   |   |
| Accretion of discount on note payable                                       | 121,974   |   | 134,738   |
| Amortization of intangible assets   | 531,605   |   | 97,960  |
| Imputed interest  | 225,000   |   | 46,237  |
| Changes in operating assets and liabilities:                                |   |   |   |
| Accounts receivable   | –   |   | 206,663   |
| VAT receivable  | (2,772  | ) | –   |
| Accounts payable and accrued liabilities                                    | (2,258  | ) | (171,693  |
| Due to related parties  | 71,128  |   | 189,416   |
| Net Cash Used In Operating Activities                                       | (397,062  | ) | (127,585  |
| <b>Investing Activities</b>   |   |   |   |
| Cash acquired on acquisition of   | –   |   | 16,263  |

subsidiary

|  |            |            |
|--|------------|------------|
| Net Cash Provided<br>by Investing<br>Activities                  | –          | 16,263     |
| Financing Activities   |            |            |
| Proceeds from<br>related parties                                 | –          | 14,786     |
| Repayments to<br>related parties                                 | (50,111 )  | –          |
| Proceeds from<br>convertible<br>debenture                        | 200,000    | –          |
| Net Cash Provided<br>by Financing<br>Activities                  | 149,889    | 14,786     |
| Effect of Foreign<br>Exchange Rate<br>Changes on Cash            | 133,609    | 5,122      |
| Decrease in Cash   | (113,564 ) | (91,414 )  |
| Cash, Beginning of<br>Period                                     | 205,571    | 93,228     |
| Cash, End of Period  | 92,007     | 1,814      |
| Non-cash Investing<br>and Financing<br>Activities:               |            |            |
| Debt settled with<br>the acquisition of<br>intangible assets     | –          | 330,877    |
| Common stock<br>issued for<br>acquisition of<br>intangible asset | –          | 12,959,060 |
| Supplemental<br>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 Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

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

Pacific Green Technologies Inc. (the "Company") was incorporated in Delaware on March 10, 1994, under the name of Beta Acquisition Corp. In September 1995, the Company changed its name to In-Sports International, Inc. In August 2002, the Company changed its name to ECash, Inc. On June 13, 2012, the Company changed its name to Pacific Green Technologies Inc.

On June 14, 2012, the Company acquired Pacific Green Technologies Limited ("PGT Limited") in exchange for the issuance of 5,000,000 shares of common stock and a \$5,000,000 promissory note (Refer to Note 6). The transaction resulted in the former shareholders of PGT Limited collectively owing a majority of the issued and outstanding common shares of PGT Inc. The accounting principle applicable to a reverse takeover ("RTO") was applied to account for this transaction. Under this basis of accounting, PGT Limited has been identified as the acquirer and, accordingly, these consolidated financial statements are a continuation of the financial statements of PGT Limited.

On May 15, 2013, the Company acquired Pacific Green Energy Parks Limited ("PGEP") and its wholly-owned subsidiary, Energy Park Sutton Bridge ("EPSB") in exchange for a cash payment of \$100 and the issuance of 3,500,000 shares of common stock. In addition to the acquisition agreement, the Company is committed to issuing a further \$3,000,000 payable in common shares in the event PGEP either purchased the property or secured a lease permitting PGEP to operate a biomass power plant facility and a further \$33,000,000 payable in common shares in the event PGEP secures sufficient financing to construct the facility (Refer to Note 10(e)).

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders 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 June 30, 2014, the Company has not generated any revenues, has a working capital deficit of \$9,623,126, and has an accumulated deficit of \$50,972,906 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and

classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. Significant Accounting Policies

### (a) Reclassifications

Certain figures have been reclassified for comparative purposes to conform to the presentation adopted in the current period.

### (b) Recent Accounting Pronouncements

The Company has limited operations and is considered to be in the development stage. In the period ended June 30, 2014, the Company has elected to early adopt Accounting Standards Update No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements*. The adoption of this ASU allows the Company to remove the inception to date information and all references to development stage.

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. Intangible Assets

|                                   | Cost<br>\$ | Accumulated<br>amortization<br>\$ | Impairment<br>\$ | June 30,<br>2014<br>Net<br>carrying<br>value<br>\$ | March 31,<br>2014<br>Net<br>carrying<br>value<br>\$ |
|-----------------------------------|------------|-----------------------------------|------------------|--|---|
| Patents and technical information | 35,852,556 | (1,823,001 )                      | (20,457,255)     | 13,572,300   | 14,103,905  |

On May 15, 2013, the Company acquired PEGP and its wholly owned subsidiary EPSB for the issuance of 3,500,000 common shares. EPSB holds options to purchase land on which the Company plans to build a biomass power plant facility.



**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

**3. Intangible Assets** (continued)

On May 17, 2013, the Company entered into an Assignment of Assets agreement with Enviro whereby the Company acquired various patents and technical information related to the manufacture of a wet scrubber for removing sulphur, other pollutants and the particulate matter from diesel engine exhaust. In exchange for these assets the Company waived all obligations owing to the Company as well as agreed to return a total of 88,876,443 of Enviro's shares back to Enviro. The obligations waived consisted of \$237,156 owing to PGT Inc. as well as \$93,721 of debt owing to PGG which was assigned to PGT Inc. The Company will enter into share exchange agreements with Enviro shareholders in which it will issue shares of its common stock in exchange for shares of Enviro on a one for ten basis. As at June 30, 2014, the Company has a remaining 2,217,130 shares of its common stock to be issued to Enviro shareholders at a fair value \$8,868,523, which was recorded as common stock issuable.

**4. Loan Payable**

On October 29, 2011, the Company's wholly owned subsidiary, PGEP, assumed a \$744,068 (£435,000) loan, bearing interest at 6.5% per annum and due on December 31, 2013. The loan was made for the exclusive purpose of assisting in financing the consulting work required to obtain planning permission for a biomass power plant, which is being conducted through EPSB. On April 15, 2012, the lender agreed to waive its right to interest on the loan.

**5. Convertible Debenture**

On May 27, 2014, the Company entered into a \$200,000 convertible debenture with a non-related party. 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 closing bid prices of the 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 the Company. As at June 30, 2014, the Company recorded accrued interest of \$1,918 (March 31, 2014 - \$nil), 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. As the note does not become convertible until November 27, 2014, the Company has not yet recognized any derivative liability associated with this note.

## 6. Note Payable

|                                   | June 30,<br>2014 | March 31,<br>2014 |
|-----------------------------------|------------------|-------------------|
|                                   | \$               | \$                |
| Opening balance                   | 4,068,131        | 3,574,399         |
| Accretion of unamortized discount | 121,974          | 493,732           |
| Ending balance                    | 4,190,105        | 4,068,131         |
| Less: current portion             | 2,853,629        | 1,966,562         |
| Long-term portion                 | 1,336,476        | 2,101,569         |

The principal repayments of the note payable are as follows:

|               |           |
|---------------|-----------|
|               | \$        |
| June 12, 2013 | 1,000,000 |
| June 12, 2014 | 1,000,000 |
| June 12, 2015 | 1,000,000 |
| June 12, 2016 | 1,000,000 |
| June 12, 2017 | 1,000,000 |
|               | 5,000,000 |

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

**6. Note Payable** (continued)

The note payable will be repaid in instalments of \$1,000,000 on the anniversary of the agreement beginning on June 12, 2013 with the income earned under the terms of Representation Agreement. If the Company is unable to meet the repayment schedule, PGG will have the option to either roll over any unpaid portion to the following payment date or to convert the outstanding amount into shares of the Company's stock. 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 three months ended June 30, 2014, the Company recorded imputed interest of \$225,000 (2013 - \$46,237) at a rate of 18% per annum which has been included in additional paid-in capital.

**7. Related Party Transactions**

- (a) During the three months ended June 30, 2014, the Company incurred \$nil (2013 - \$5,896) to a former director for consulting fees of a wholly owned subsidiary of the Company.
- (b) During the three months ended June 30, 2014, the Company incurred \$60,000 (2013 - \$nil) to a company under common control for consulting fees.
- (c) During the year ended March 31, 2014, the Company incurred \$13,684 (2013 - \$nil) to a company under common control for consulting fees.
- (d) During the three month period ended June 30, 2014, the Company incurred \$9,838 (2013 - \$nil) in professional fees to a company controlled by directors.
- (e) As at June 30, 2014, \$34,210 (20,000 GBP) (March 31, 2014 - \$33,348 (20,000 GBP)) was owed to a company under common control for consulting fees incurred, which is included in accounts payable and accrued liabilities.
- (f) As at June 30, 2014, the Company owed \$3,874,259 (March 31, 2014 - \$3,746,282) to a company under common control. The amount owing is unsecured, non-interest bearing, and due on demand.
- (g)

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As at June 30, 2014, the Company owed \$34,282 (20,042 GBP) (March 31, 2014 – \$33,418 (20,042 GBP)) to a company under common control. The amount owing is unsecured, non-interest bearing, and due on demand.

(h) As at June 30, 2014, the Company owed \$905,165 (March 31, 2014 – \$832,883) to a significant shareholder.

(i) As at June 30, 2014, the Company owed \$660,740 (March 31, 2014 – \$688,367) to directors of the Company's wholly-owned subsidiaries. The amounts owing are unsecured, non-interest bearing, and due on demand.

## 8. 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, 2014 and June 30, 2014 | 62,500            | 0.01                               | 0.47  | 127,500                      |

Additional information regarding stock options as of June 30, 2014 is as follows:

| Number of options | Exercise price \$ | Expiry date       |
|-------------------|-------------------|-------------------|
| 62,500            | 0.01              | December 18, 2014 |

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

**9. Segmented Information**

The Company is located and operates in the US and its subsidiaries are primarily located and operating in the United Kingdom. Geographical information is as follows:

| June 30, 2014     | United States<br>\$ | United Kingdom<br>\$ | Total<br>\$ |
|-------------------|---------------------|----------------------|-------------|
| Intangible assets | 13,572,300          | –                    | 13,572,300  |

| March 31, 2014    | United States<br>\$ | United Kingdom<br>\$ | Total<br>\$ |
|-------------------|---------------------|----------------------|-------------|
| Intangible assets | 14,103,905          | –                    | 14,103,905  |

**10. Commitments**

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 (a) the building of an international distribution centre. Effective December 31, 2013, this consulting agreement was assigned to Pacific Green Development Ltd. 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 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 common shares 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 February 10, 2009, EPSB entered into an Option Agreement to acquire land located in Lincolnshire, England (the "Property") ("Davis Option"). Pursuant to the agreement, the option expires on August 10, 2011. If EPSB exercises its option within 18 months from the date of the Option Agreement, the purchase price will be £3,500,000. Otherwise, the purchase price will be £4,000,000. The sellers also have a Share Option, in which they can substitute £1,000,000 of the purchase price for 5% of the nominal value of the common stock of EPSB ("Consideration Shares").

On July 27, 2011, EPSB entered into a supplemental agreement to amend certain terms of the Option Agreement. Pursuant to the supplemental agreement, the expiry date of the Option Agreement was extended and the purchase price was increased to £3,200,000 in the event that the Share Option is exercised on or before August 9, 2013 and increases to £4,200,000 in the event the Share Option is exercised after August 9, 2013 and before June 9, 2014.

(c) On March 3, 2009, EPSB entered into an Option Agreement to acquire land located in Lincolnshire, England (the "Property") ("Wing Option"). Pursuant to the agreement, the option was set to expire on March 3, 2012 and the purchase price is £400,320.

On August 9, 2011, EPSB entered into a supplemental agreement to amend certain terms of the Option Agreement. Pursuant to the supplemental agreement, the expiry date of the Option Agreement was extended to March 2, 2014, and the purchase price was increased to £420,336.

**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

**10. Commitments** (continued)

On March 26, 2012, PGEP and its subsidiary, EPSB, entered into a Consultancy Agreement with Green Energy Parks Consulting Limited (“GEPC”), a subsidiary of Green Energy Parks Limited (“GEP”) which is a company under common control, to provide services related to the design and development of planning schemes for energy from biomass and waste facilities. In consideration for the services, EPSB agreed to pay £80,000 upon signing (paid), £80,000 per month for three months (paid) and £64,000 for the remaining five months (£128,000 paid) (“Consultancy Consideration”). If EPSB obtains planning permission for the construction of a waste biomass to energy power plant on the land, GEPC will produce designs related to the construction of the plant and grant the license to EPSB in consideration for a total of £1,250,000 (“Design Consideration” – See below), of which £312,500 is payable three months after planning permission is obtained, and a further £85,227 per month is payable for the following eleven months. In addition, EPSB agreed to pay GEPC success fees of £250,000 upon obtaining the planning permission (“Planning Success Fee” – See below) and a further £1,000,000 upon the exercise of the Davis and Wing land options (“Option Success Fee”).

On March 5, 2013, PGEP and EPSB entered into a supplemental agreement to amend certain terms of the Consultancy Agreement. In full and final satisfaction of the Consulting Consideration due from EPSB to GEPC, EPSB agreed to pay GEPC £10,000 within seven days of the date of the supplemental agreement (paid), £15,000 within 45 days (paid) and £25,000 within 75 days. In addition, the Planning Success Fee was amended to £20,000 (accrued) within seven days of obtaining planning permission and a further £30,000 within seven days of the date upon which the judicial review period in respect to the planning permission has expired. Furthermore, the Option Success Fee was amended to £425,500 if the Davis Option is exercised and £75,500 if the Wing Option is exercised, which shall be payable 50% in cash and 50% in common stock. If the Davis Option is extended for an addition twelve months by August 2013, GEP shall be paid a success fee of £50,000 which will be deducted from the cash consideration due under the Option Success Fee. The Consultant also agreed to waive the Design Consideration. Upon written notice by the Company, GEP agreed to irrevocably sell its 25% interest in EPSB to the Company for \$3,500,000 in the equivalent of common stock at a deemed price of \$6 per share.

(e) On May 15, 2013, the Company entered into an acquisition agreement to acquire 100% of the issued and outstanding shares of PGEP. PGEP is the sole shareholder of EPSB. PGEP is developing a biomass power plant facility which EPSB holds an option to purchase the property upon which the facility will be built. As part of the acquisition agreement, the Company is required to issue \$3,000,000 payable in shares of common stock in the

event of PGEP either purchasing the property or securing a lease permitting PGEP to operate a biomass power plant facility. The Company is also required to issue \$33,000,000 payable in shares of common stock in the event of PGEP securing sufficient financing for the construction of the facility.

On October 22, 2013, the Company entered into an agreement with a director whereby the director will focus on (f) developing potential new business opportunities and general sales on behalf of the Company. For these services the Company has agreed to pay compensation as follows:

£450 per day and a guarantee of a minimum of four days per month for six months;

£50,000 when the Company is in a position to drawdown funds in order to commence the development and construction (the "Financial Close") of the Company's 49MW biomass power plant at Sutton Bridge, Lincolnshire (the "Project");

options on the Financial Close of the completion of the Project to purchase 10,000 common shares of the Company for \$2 per share, and

on the Financial Close of the Project, 20,000 common shares of Pacific Green Group Limited.

In addition to the above compensation, the Company has agreed to also pay the director commissions based on percentages of sales generated and financing obtained on behalf of the Company.



**PACIFIC GREEN TECHNOLOGIES INC.**

Notes to the Consolidated Financial Statements

June 30, 2014

(Expressed in U.S. Dollars)

(unaudited)

**10. Commitments** (continued)

(g) On October 22, 2013, the Company entered into an agreement with a director whereby the director will oversee all aspects of the development and completion of the Company's biomass power plant at Sutton Bridge, Lincolnshire with the Company agreeing to pay compensation of £1,000 per day with a guarantee of a minimum of four days a month for two months for these services.

Following the completion of the project, the director has agreed to serve as Chief Operating Officer of the Company for which the Company has agreed to pay compensation as follows:

a salary of £96,000 per annum;  
£100,000 bonus when the Company is in a position to drawdown funds in order to commence the development and construction (the "Financial Close") of the Project;  
on the Financial Close, 100,000 common shares of the Company from Pacific Green Group Limited;  
options to purchase 50,000 common shares of the Company at \$2 per share; and  
on appointment as Chief Operating Officer, 100,000 common shares of the Company from Pacific Green Group Limited.

**11. Restatement**

The Company restated its consolidated financial statements as at March 31, 2014 and for the year then ended to reflect further impairment of its intangible asset. This restatement was filed in an amended Form-10K for the year ended March 31, 2014.

The impact of the restatement as at June 30, 2014 and for the three months then ended is summarized below:

Consolidated Balance Sheet

|                                | As At June 30, 2014 |             |              |
|--------------------------------|---------------------|-------------|--------------|
|                                | As Reported         | Adjustment  | As Restated  |
|                                | \$                  | \$          | \$           |
| Assets                         |                     |             |              |
| Intangible assets              | 23,113,024          | (9,540,724) | 13,572,300   |
| Stockholders' Equity (Deficit) |                     |             |              |
| Deficit                        | (41,432,182)        | (9,540,724) | (50,972,906) |

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## **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 or other 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.

## **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 the three months ended June 30, 2014, we owed Sichel \$Nil and we owed PGG \$3,874,259. 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**

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

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

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

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

June 12, 2013, \$1,000,000 (which amount remains outstanding and has been rolled over to the following payment date);  
June 12, 2014, \$1,000,000 (this amount remains unpaid);  
June 12, 2015, \$1,000,000;  
June 12, 2016, \$1,000,000; and  
June 12, 2017, \$1,000,000.

Under the terms of the promissory note, the loan repayments specified above shall not exceed the amount we earn under the terms of the representation agreement. If we are unable to meet the repayment schedule set out above, PGG will have the option to either roll over any unpaid portion to the following payment date or to convert the outstanding amount into new shares of our common stock. However, the entire amount of the promissory note is due upon the maturity date on the fifth anniversary. 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.

### **Other Business Matters**

Effective December 18, 2012, we entered into a non-executive director agreement with Dr. Neil Carmichael, wherein Dr. Carmichael will receive compensation of \$1,000 per year for the term of the agreement and was granted options to purchase up to 62,500 shares of common stock at an exercise price of \$0.01 per share of common stock. The options will terminate the earlier of 24 months, or upon the termination of the agreement and Dr. Carmichael's engagement with our company. As of the date of this annual report, the options to Dr. Carmichael have not been exercised.

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 (as of June 30, 2014, 2,217,308 common shares of EnviroTechnologies remain to be returned) common shares of EnviroTechnologies to EnviroResolutions. 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 \$824,534,442). As of May 17, 2013, PREL owns 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 agreed to acquire 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 an 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 agreed to acquire 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 agreed to acquire 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 have agreed to acquire 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.

On October 11, 2013, we entered into share exchange agreements with certain shareholders of EnviroTechnologies. Pursuant to the terms of the agreements, we have 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 October 22, 2013, we entered into an agreement with Mr. Chris Williams, wherein Mr. Williams agreed to serve as business development director of our company effective December 5, 2013. As business development director of our company, Mr. Williams was to focus on developing potential new business opportunities and generating sales from our existing assets. Pursuant to the agreement, our company agreed to compensate Mr. Williams for serving as a business development director of our company. Mr. Williams resigned effective April 23, 2014 and was compensated the equivalent of \$13,918 by our company during the year ended March 31, 2014 on the basis of GBP£450 (approximately \$730) per day. Mr. Williams did not receive any other incentive amounts or commissions under the agreement.

Effective October 31, 2013, we entered into a private placement agreement. Pursuant to the agreement, we issued 18,750 common shares in our capital stock at a purchase price of \$4.00 per share, for total proceeds of \$75,000.

Effective December 19, 2013, we entered into private placement agreements with nine subscribers. Pursuant to the agreements, we issued an aggregate of 262,500 common shares in our capital stock at a purchase price of \$3.20 per share, for total proceeds of \$840,000.

On December 18, 2013, we announced that our company has 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.

Effective March 10, 2014, we entered into a private placement agreement with one subscriber. Pursuant to the agreement with the subscriber, we agreed to the issuance of an aggregate of 125,000 common shares in our capital stock at a purchase price of \$4.00 per share, for total proceeds of \$500,000.

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 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. As at June 30, 2014, our company recorded accrued interest of \$1,918 (March 31, 2014 - \$nil), which has been included in accounts payable and accrued liabilities.

Our 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. As the note does not become convertible until November 27, 2014, our company has not yet recognized any derivative liability associated with this note.

## 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 months ended June 30, 2014 and 2013.

Our net loss for the three month periods ended June 30, 2014 and 2013 are summarized as follows:

|                                   | <b>Three Months<br/>Ended<br/>June 30,</b> |             |
|-----------------------------------|--|-------------|
|                                   | <b>2014</b>                                | <b>2013</b> |
| Amortization of intangible assets | \$531,605                                  | \$97,960    |
| Consulting fees                   | \$226,541                                  | \$305,827   |
| Foreign exchange loss (gain)      | \$144,193                                  | \$(100,500) |
| Office and miscellaneous          | \$12,484                                   | \$10,080    |
| Professional fees                 | \$56,743                                   | \$95,928    |
| Research and development          | \$Nil                                      | \$8,029     |
| Transfer agent and filing fees    | \$1,782                                    | \$8,799     |

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|                  |               |             |
|------------------|---------------|-------------|
| Travel           | \$ 19,499     | \$ 21,315   |
| Interest expense | \$ 348,892    | \$ 183,468  |
| Net Loss         | \$(1,341,739) | \$(630,906) |

Expenses for the three month period ended June 30, 2014 were \$992,847 as compared to \$447,438 for the three month period ended June 30, 2013. Consulting fees were comprised of fees paid to the director of our subsidiary, Pacific Green Technologies Limited; professional fees were comprised of legal, audit and accounting costs. The increase in operating expenses is primarily attributed to a foreign exchange loss and increases in office and miscellaneous expenses.



For the three month period ended June 30, 2014, our company had a net loss of \$1,341,739 (\$0.08 per share) compared to a net loss of \$630,906 (\$0.06 per share) for the three month period ended June 30, 2013. In addition to the operating expenses noted above, for the three month period ended June 30, 2014, our company had interest expense of \$348,892 as compared to interest expense of \$183,468 for the three month period ended June 30, 2013.

### *Liquidity and Capital Resources*

#### Working Capital

|                           | <b>As at<br/>June 30,<br/>2014</b> | <b>As at<br/>March 31,<br/>2014</b> |
|---------------------------|------------------------------------|-------------------------------------|
| Current Assets            | \$97,471                           | \$208,263                           |
| Current Liabilities       | \$9,720,597                        | \$8,442,681                         |
| Working Capital (Deficit) | \$(9,623,126)                      | \$(8,234,418)                       |

#### Cash Flows

|   | <b>Three<br/>Months<br/>Ended<br/>June 30,<br/>2014</b> | <b>Three<br/>Months<br/>Ended<br/>June 30,<br/>2013</b> |
|---|---|---|
| Net cash used in operating activities     | \$(397,062)   | \$(127,585)   |
| Net cash provided by investing activities | \$Nil   | \$16,263  |
| Net cash provided by financing activities | \$149,889   | \$14,786  |
| Effect of foreign exchange                | \$133,609   | \$5,122   |
| Net decrease in cash                      | \$(113,564)   | \$(91,414 )   |

As of June 30, 2014, we had \$92,007 in cash, \$97,471 in total current assets, \$9,720,597 in total current liabilities and a working capital deficit of \$9,623,126. As of March 31, 2014, we had a working capital deficit of \$8,234,418.

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

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During the three months ended June 30, 2014 we spent \$397,062 on operating activities, whereas \$127,585 was spent on operating activities for the three month period ended June 30, 2013. The increase in our expenditures on operating activities during the three months ended June 30, 2014 was primarily due to increases in operating expenses and liabilities, offset by increases in amortization and imputed interest as well as a decrease in amounts due to related parties.

During the three months ended June 30, 2014 we used \$Nil in investing activities, whereas we acquired \$16,263 from investing activities during the three months ended June 30, 2013.

During the three months ended June 30, 2014, we received \$149,889 from financing activities, which consisted of \$200,000 in proceeds from convertible debentures issued offset by a \$50,111 in repayments to related parties, whereas we received \$14,786 from financing activities during the three months ended June 30, 2013.

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 July 2014) will be approximately \$770,000 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.

| <b>Description</b>                     | <b>Estimated<br/>Expenses<br/>(\$)</b> |
|--|--|
| Legal and accounting fees              | 200,000                                |
| Marketing and advertising              | 25,000                                 |
| Investor relations and capital raising | 50,000                                 |
| Management and operating costs         | 100,000                                |
| Salaries and consulting fees           | 320,000                                |
| General and administrative expenses    | 75,000                                 |
| <b>Total</b>                           | <b>\$ 770,000</b>                      |

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 include legal, accounting and auditing fees.

Based on our planned expenditures, we will require approximately \$770,000 to proceed with our business plan over the next 12 months. As of June 30, 2014, we had \$92,007 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 financial statements for the three month period ended June 30, 2014 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.

We have generated no revenues, have achieved losses since our inception, and rely upon the sale of our common stock and proceeds from shareholder loans to fund our operations. If we are unable to raise equity or secure alternative financing, we may not be able to continue our operations and our business plan may fail.

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**

Our consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows, and which require the application of significant judgment by management.

### *Reclassifications*

Certain figures have been reclassified for comparative purposes to conform to the presentation adopted in the current period.

### **Recent Accounting Pronouncements**

Our company has limited operations and is considered to be in the development stage. In the period ended June 30, 2014, our company has elected to early adopt Accounting Standards Update No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements*. The adoption of this ASU allows our company to remove the inception to date information and all references to development stage.

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**

Except for below, 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.

On November 14, 2013, a shareholder holding one common share in our company (the “Plaintiff”) commenced an action against us, as a nominal defendant, and PGG for recovery of short-swing profits (the “Action”) under section 16(b) of the Securities Exchange Act of 1934, as amended (“Section 16(b)”). The Plaintiff alleges that PGG, a shareholder of our company of more than ten percent, profited from the purchase and sale of our stock within a period of less than six months.

PGG disposed of:

1. 37,778 shares of common stock at \$4.00 per share on July 22, 2013;
2. 62,600 shares of common stock at \$3.00 per share on August 9, 2013;
3. 16,000 shares of common stock at \$4.00 per share on September 17, 2013; and
4. 210,834 shares of common stock at \$3.00 per share on September 24, 2013.



On August 27, 2013, PGG acquired 2,237,929 shares at a deemed value of \$0.001, being our common share par value, pursuant to a share exchange with shareholders of EnviroTechnologies. The Action states that, pursuant to Section 16(b), the alleged total short-swing profit is \$1,035,086.79 and must be disgorged to our company.

As our company declined to pursue a claim against PGG under Section 16(b), the Action was brought on behalf of our company by the Plaintiff. This action was commenced in the United States District Court in the Southern District of New York.

### **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 May 27, 2014, we entered into a \$200,000 convertible debenture with a non-related party. 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 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.

The convertible debenture was issued to one non-US person (as that term is defined in Regulation S of the Securities Act of 1933), in an offshore transaction 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.

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**Item 6. Exhibits**

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| <b>(2)</b>            | <b>Plan of Acquisition, Reorganization, Arrangement Liquidation or Succession</b>   |
| 2.1                   | 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) |
| <b>(3)</b>            | <b>Articles of Incorporation and Bylaws</b>   |
| 3.1                   | Articles of Incorporation filed on July 3, 2012 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)   |
| 3.2                   | Certificate of Amendment filed on August 15, 1995 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)   |
| 3.3                   | Certificate of Amendment filed on August 5, 1998 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)  |
| 3.4                   | Certificate of Amendment filed on October 15, 2002 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)  |
| 3.5                   | Certificate of Amendment filed on May 8, 2006 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)   |
| 3.6                   | Certificate of Amendment filed on May 29, 2012 (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)  |
| 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                   | Certificate of Amendment filed on November 30, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 11, 2012)  |
| <b>(4)</b>            | <b>Instruments Defining the Rights of Security Holders, Including Indentures</b>  |
| 4.1                   | 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)                        |
| <b>(10)</b>           | <b>Material Contracts</b>   |
| 10.1                  | 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)   |
| 10.2                  | 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)  |
| 10.3                  | 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)  |
| 10.4                  | 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)   |
| 10.5                  | 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) |
| 10.6                  | 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)   |
| 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)

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 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)   |
| 10.11                 | 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)  |
| 10.12                 | 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)  |
| 10.13                 | 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)   |
| 10.14                 | 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)  |
| 10.15                 | 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)  |
| 10.16                 | 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)   |
| 10.17                 | 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)   |
| 10.18                 | 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)   |
| 10.19                 | 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)  |
| 10.20                 | Agreement dated January 27, 2014 between our company and Pöyry Management Consulting (UK) Limited (incorporated by reference to our Quarterly Report filed on Form 10-Q on February 19, 2014)   |
| 10.21                 | 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)  |
| 10.22                 | 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)  |
| 10.23                 | 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)  |
| <b>(14)</b>           | <b>Code of Ethics</b>   |
| 14.1                  | Code of Ethics and Business Conduct (incorporated by reference to our Annual Report on Form 10-K filed on July 15, 2014)  |
| <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);<br>Energy Park Sutton Bridge, a United Kingdom corporation (wholly owned by Pacific Green Energy Parks Limited). |



| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| <b>(31)</b>           | <b>Rule 13a-14 (d)/15d-14d) Certifications</b>   |
| 31.1*                 | Section 302 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer   |
| <b>(32)</b>           | <b>Section 1350 Certifications</b>   |
| 32.1*                 | Section 906 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer   |
| <b>(99)</b>           | <b>Additional Exhibits</b>   |
| 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) |
| <b>101**</b>          | <b>Interactive Data Files</b>  |
| 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.

*Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.*

**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.**

Date: July 14, 2015 */s/ Neil Carmichael*

Neil Carmichael

President, Treasurer, Secretary and Director

(Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)