

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, 2017 \$ (unaudited)	March 31, 2017 \$
<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 Ended September 30, 2017 \$	Three Months Ended September 30, 2016 \$	Six Months Ended September 30, 2017 \$	Six Months Ended September 30, 2016 \$
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 Ended September 30, 2017 \$	Six Months Ended September 30, 2016 \$
<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	–	–
Net Cash Provided by Financing Activities	1,190,884	1,561,569
Effect of Foreign Exchange Rate Changes on Cash	40,800	(98,102 )
Change in Cash	(231,754 )	357,169
Cash, Beginning of Period	382,167	40,108
Cash, End of Period	150,413	397,277
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	–
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