

Pacific Green Technologies Inc.
Form 10-Q
August 19, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from to

Commission File Number 000-54756

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

Delaware
(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).

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YES NO

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

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

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 ISSUER

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

12,576,169 common shares issued and outstanding as of August 13, 2013.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated unaudited interim financial statements for the three month period ended June 30, 2013 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.

PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
June 30, 2013
(Expressed in US dollars)
(unaudited)

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PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Consolidated Balance Sheets
(Expressed in U.S. dollars)

	June 30, 2013 \$ (unaudited)	March 31, 2013 \$
ASSETS		
Cash	1,814	93,228
Accounts receivable	–	206,663
Prepaid expenses	687	687
Total Current Assets	2,501	300,578
Intangible assets (Note 4)	31,588,993	–
Total Assets	31,591,494	300,578
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued liabilities	329,551	264,088
Loans payable (Note 5)	760,721	100,000
Current portion of note payable (Note 6)	1,853,629	968,656
Due to related parties (Note 7)	5,211,962	1,161,481
Total Current Liabilities	8,155,863	2,494,225
Note payable (Note 6)	1,855,508	2,605,743
Total Liabilities	10,011,371	5,099,968
Nature of Operations and Continuance of Business (Note 1)		
Commitments (Note 11)		
Subsequent Events (Note 12)		
Stockholders' Equity (Deficit)		
Preferred stock, 10,000,000 shares authorized, \$0.001 par value Nil shares issued and outstanding	–	–
Common stock, 500,000,000 shares authorized, \$0.001 par value 12,467,169 and 5,727,404 shares issued and outstanding, respectively	7,441	702
Additional paid-in capital	28,570,449	1,571,891

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Accumulated other comprehensive income	16,071	10,949
Deficit accumulated during the development stage	(7,013,838)	(6,382,932)
Total Stockholders' Equity (Deficit)	21,580,123	(4,799,390)
Total Liabilities and Stockholders' Equity (Deficit)	31,194,478	300,578

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

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PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. dollars)
(unaudited)

	Three Months Ended June 30, 2013 \$	Three Months Ended June 30, 2012 \$	Accumulated from April 5, 2011 (Date of Inception) to June 30, 2013 \$
Revenue	–	–	–
Expenses			
Amortization of intangible assets	97,960	–	97,960
Consulting fees (Note 7)	305,827	88,551	2,043,087
Foreign exchange gain	(100,500)	–	(96,645)
Office and miscellaneous	10,080	5,828	36,982
Professional fees	95,928	15,703	308,588
Research and development	8,029	47,886	68,166
Transfer agent and filing fees	8,799	–	18,678
Travel	21,315	–	54,870
Total operating expense	447,438	157,968	2,531,686
Loss before other expense	(447,438)	(157,968)	(2,531,686)
Other expenses			
Interest expense (Note 7)	(183,468)	(1,419)	(708,275)
Net loss for the period	(630,906)	(159,387)	(3,239,961)
Other comprehensive income (loss)			
Foreign currency translation adjustment	5,122	(247)	16,071
Comprehensive loss	(625,784)	(159,634)	(3,223,890)
Loss per share, basic and diluted	(0.06)	(0.03)	
Weighted average number of shares outstanding	9,803,648	5,000,000	

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

PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Consolidated Statement of Stockholders' Equity (Deficit)
(Expressed in U.S. dollars)
(unaudited)

	Common Stock Shares #	Stock Amount \$	Additional Paid-in Capital \$	Accumulated Other Comprehensive Income \$	Deficit Accumulated During the Development Stage \$	Total \$
Balance, March 31, 2013	5,727,404	702	1,571,891	10,949	(6,382,932)	(4,799,390)
Shares issued to acquire Pacific Green Energy Parks Limited	3,500,000	3,500	13,996,500	–	–	14,000,000
Shares issued to acquire intangible asset	3,239,765	3,239	12,955,821	–	–	12,959,060
Imputed interest on amounts due to related parties	–	–	46,237	–	–	46,237
Foreign exchange translation gain	–	–	–	5,122	–	5,122
Net loss for the period	–	–	–	–	(630,906)	(630,906)
Balance, June 30, 2013	12,467,169	7,441	28,570,449	16,071	(7,013,838)	21,580,123

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

PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Consolidated Statement of Cash Flows
(Expressed in U.S. dollars)
(unaudited)

	Three Months Ended June 30, 2013 \$	Three Months Ended June 30, 2012 \$	Accumulated from April 5, 2011 (Date of Inception) to June 30, 2013 \$
Operating Activities			
Net loss for the period	(630,906)	(159,387)	(3,239,961)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion of discount on note payable	134,738	–	581,966
Amortization of intangible assets	97,960	–	97,960
Imputed interest	46,237	1,419	108,804
Stock-based compensation	–	–	911,443
Changes in operating assets and liabilities:			
Accounts receivable	206,663	–	–
VAT receivable	–	(12,877)	(150)
Prepaid expenses	–	–	(687)
Accounts payable and accrued liabilities	(171,693)	46,413	(29,615)
Due to related parties	189,416	127,751	834,627
Net Cash Used In Operating Activities	(127,585)	3,319	(735,613)
Investing Activities			
Cash acquired on acquisition of subsidiary	16,263	–	17,693
Net Cash Provided by Investing Activities	16,263	–	17,693
Financing Activities			
Proceeds from related parties	14,786	–	114,786
Proceeds from sale of common shares	–	2	–
Proceeds from note payable	–	–	600,002
Net Cash Provided by Financing Activities	14,786	2	714,788

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Effect of foreign exchange rate changes on cash	5,122	27	4,946
Change in cash	(91,414)	3,348	1,814
Cash, Beginning of Period	93,228	–	–
Cash, End of Period	1,814	3,348	1,814
Non-cash investing and financing activities:			
Debt settled with the acquisition of intangible assets	330,877	–	330,877
Shares issued for acquisition of intangible asset	12,959,060	–	12,959,060
Supplemental Disclosures:			
Interest paid	–	–	–
Income taxes paid	–	–	–

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

PACIFIC GREEN TECHNOLOGIES INC.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

June 30, 2013

(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. The consolidated statement of operations and comprehensive loss include the operations of PGT Limited for the period from April 5, 2011 (inception) to June 30, 2013 and the operations of the Company. from June 15, 2012 to June 30, 2013.

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)). The consolidated statement of operations and comprehensive loss include the operations of PGEP and EPSB for the period from May 16, 2013 to June 30, 2013.

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 Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. 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 the attainment of profitable operations. As at June 30, 2013, the Company has a working capital deficiency of \$8,153,362 and has an accumulated deficit of \$7,013,838 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) Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, PGT Limited, PGEP, and EPSB, a wholly owned subsidiary of PGEP. All inter-company accounts and transactions have been eliminated. The Company's fiscal year-end is March 31.

(b) Interim Financial Statements

These interim unaudited financial statements have been prepared on the same basis as the annual financial statements and in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for a full year or for any future period.

PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2013
(Expressed in U.S. Dollars)
(unaudited)

2. Significant Accounting Policies (continued)

(c) Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of intangible assets, valuation of long-term debt, stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

(e) Intangible Assets

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

(f) Impairment of Long-lived Assets

The Company reviews long-lived assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset.

(g) Financial Instruments and Fair Value Measurements

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

Level 1

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

Level 2

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

Level 3

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

PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2013
(Expressed in U.S. Dollars)
(unaudited)

2. Significant Accounting Policies (continued)

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

The Company's financial instruments consist principally of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, due to related parties and note payable. Pursuant to ASC 820, the fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. With the exception of long-term note payable, the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations. The long-term note payable has been discounted to reflect its net present value as at June 30, 2013. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

(h) Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, Income Taxes. The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

(i) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. The functional currencies of both PGT Limited and EPSB are in Great British pounds. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income.

The accounts of PGT Limited and EPSB are translated to United States dollars using the current rate method. Accordingly, assets and liabilities are translated into United States dollars at the period-end exchange rate while revenue and expenses are translated at the average exchange rates during the period. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated other comprehensive income.

(j) Stock-based compensation

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

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

(k)

Loss Per Share

The Company computes net income (loss) per share in accordance with ASC 260, Earnings per Share. ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at June 30, 2013, the Company had 62,500 (March 31, 2013 – 62,500) potentially dilutive shares outstanding.

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PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2013
(Expressed in U.S. Dollars)
(unaudited)

3. Significant Accounting Policies (continued)

(l) Comprehensive Loss

Comprehensive loss consists of net loss and other related gains and losses affecting stockholders' equity that are excluded from net income or loss. As at June 30, 2013 and March 31, 2013, comprehensive loss includes cumulative translation adjustments for changes in foreign currency exchange rates during the period.

(m) Reclassifications

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

(n) Recent Accounting Pronouncements

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

3. Acquisition of Pacific Green Energy Parks Ltd. and Energy Park Sutton Bridge Limited

On May 15, 2013, the Company entered into a stock purchase agreement with all the shareholders 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 real property upon which the facility will be built.

Pursuant to the stock purchase agreement, the Company agreed to acquire 100% of the issued and outstanding shares of common stock of PGEP from the shareholders in exchange for:

- i. a payment of \$100 upon execution of the stock purchase agreement (paid);
- ii. \$14,000,000 paid in shares of common stock of the Company at a deemed price at the lower of \$4 per share or the average closing price per share of its capital stock in the ten trading days immediately preceding the date of closing of the stock purchase agreement (issued);
- iii. \$3,000,000 payable in shares of common stock of the Company at a deemed price at the lower of \$4 per share or the average closing price per share of its 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
- iv. subject to leasing or purchasing the property and PGEP securing sufficient financing for the construction of the facility, \$33,000,000 payable in shares of common stock of the Company at a deemed price at the lower of \$4 per share or the average closing price per share of its common stock in the ten trading days immediately

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preceding the date that PGEP secures sufficient financing for the construction of the facility, which has not yet occurred.

On May 15, 2013, pursuant to the stock purchase agreement, the Company issued an aggregate of 3,500,000 common shares, at an agreed upon deemed price of \$4 per share, to the former shareholders of PGEP. At the date of acquisition, the fair value of the assets and liabilities of PGEP and its wholly owned subsidiary EPSB consisted of the following:

	\$
Cash	16,263
Intangible assets	18,397,016
Accounts payable and accrued liabilities	(61,128)
Due to related parties	(3,691,430)
Loan payable	(660,721)
Fair value of shares issued	14,000,000

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PACIFIC GREEN TECHNOLOGIES INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
June 30, 2013
(Expressed in U.S. Dollars)
(unaudited)

4. Intangible Assets

	Cost \$	Accumulated amortization \$	June 30, 2013 Net carrying value \$	March 31, 2013 Net carrying value \$
Options to acquire land	18,397,016	-	18,397,016	-
Patents and technical information	13,289,937	97,960	13,191,977	-
	31,686,953	97,960	31,588,993	-

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

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. (Refer to Notes 8(a), 8(b), 8(d) and 12(a)). 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.

5. Loans Payable

(a) On October 29, 2011, the Company's wholly owned subsidiary, PGEP, assumed a \$660,721 (£435,000) loan, bearing interest at 6.5% per annum and due 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.

(b) On July 3, 2012, the Company entered into a Consulting Service Agreement with Denali Equity Group, LLC, ("Denali") a Nevada limited liability company. The Company issued a convertible promissory note to Denali in exchange for consulting services provided in the amount of \$100,000. The maturity date of the note is June 30, 2014, where upon all principle and interest outstanding shall be due. Interest accrues at 8% per annum on the unpaid principle amount. The note is convertible into common shares of the Company at any time. The amount of note remaining outstanding is convertible into common shares of the Company at a price equal to ninety percent of volume weighted average trading price during the three trading days immediately preceding the date at which Denali submits the written notice of conversion to the Company. On December 28, 2012, the Company signed an Exchange and Registration Rights Agreement with Denali, whereby both parties agreed to exercise the conversion right and converted the note in exchange for an aggregate of 100,000 common shares of the Company. Under ASC 470-20 this is considered to be induced conversion of convertible debt where the fair value of the additional

securities issued to induce the conversion is recognized as an expense. The calculated fair value of the additional securities issued was \$484,554 and was recorded as stock based compensation during the year ended March 31, 2013.

(c) On April 2, 2013, the Company entered into a loan agreement with a non-related party for proceeds of \$100,000. The loan bears interest at 10% per annum and is due on October 2, 2013.

6. Note Payable

On June 14, 2012, the Company entered into the Assignment and Share Transfer Agreement Pacific Green Group Limited ("PGG"), a company under common control, concerning the assignment of Representation Agreement entered between PGG and EnviroTechnologies Inc. ("Enviro") and the purchase of 100% of the issued and outstanding common shares of PGT Limited, a subsidiary of PGG, in exchange for an aggregate of 5,000,000 shares of common stock as well as a \$5,000,000 promissory note.

The note payable will be repaid in instalments of \$1,000,000 on the anniversary of the agreement beginning 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 has been discounted at 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.

As at June 30, 2013, the Company has not been able to repay any amounts owing on the note payable and has rolled the June 12, 2013 payment over to next anniversary date and has included it in the current portion of long term debt along with the present value of the June 12, 2014 instalment. As at June 30, 2013, the Company has recorded \$3,707,137 (March 31, 2013 - \$3,574,399) for the present value of the note payable.

PACIFIC GREEN TECHNOLOGIES INC.

(A Development Stage Company)

Notes to the Consolidated Financial Statements

June 30, 2013

(Expressed in U.S. Dollars)

(unaudited)

7. Related Party Transactions

- (a) During the three months ended June 30, 2013, the Company incurred \$5,896 (2012 \$nil) to a director for consulting fees of a wholly owned subsidiary of the Company.
- (b) As at June 30, 2013, \$22,812 (£15,000) (March 31, 2013 - \$75,945 (£50,000)) was owed to a company under common control for consulting fees incurred, which is included in accounts payable and accrued liabilities.
- (c) As at June 30, 2013, the Company owed \$5,118,470 (March 31, 2013 - \$1,150,218) to a company under common control. The amount owing is unsecured, non-interest bearing, and due on demand.
- (d) As at June 30, 2013, the Company owed \$30,480 (20,042 GBP) (March 31, 2013 - \$30,430 (20,042 GBP)) to a company under common control. The amount owing is unsecured, non-interest bearing, and due on demand.
- (e) As at June 30, 2013, the Company owed \$67,853 (March 31, 2013 - \$11,263) to various directors of the Company's wholly owned subsidiaries. The amounts owing are unsecured, non-interest bearing, and due on demand.
- (f) As at June 30, 2013, the Company owed \$3,709,137 (March 31, 2013 - \$3,574,403) representing the present value of \$5,000,000, to a company under common control. The amount owing is unsecured, non-interest bearing and due in annual installments of \$1,000,000 beginning June 14, 2013. Per the terms of the agreement, the June 12, 2013 balance has been rolled forward to the following payment date. Refer to Note 6. As at June 30, 2013, the Company recorded imputed interest of \$46,237 (2012 - \$nil) at a rate of 10% based on the market interest rate of similar loans.

8. Common Stock

- (a) On April 3, 2013, the Company issued 1,765,395 shares of common stock with a fair value of \$7,061,580 in a share exchange agreement with shareholders of Enviro for the acquisition of 17,653,872 which were subsequently returned to Enviro pursuant to the Assignment of Assets agreement dated May 15, 2013.
- (b) On April 25, 2013, the Company issued 668,238 shares of common stock with a fair value of \$2,672,952 in a share exchange agreement with the shareholders of Enviro for the acquisition of 6,682,357 which were subsequently returned to Enviro pursuant to the Assignment of Assets agreement dated May 15, 2013.
- (c) On May 15, 2013, the Company issued 3,500,000 shares of common stock with a fair value of \$14,000,000 to acquire 100% of the shares of PGEP and its wholly owned subsidiary EPSB.
- (d) On June 17, 2013, the Company issued 806,132 shares of common stock with a fair value of \$3,224,528 in a share exchange agreement with the shareholders of Enviro for the acquisition of 8,061,286 which were subsequently returned to Enviro pursuant to the Assignment of Assets agreement dated May 15, 2013.

9. 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, 2013 and June 30, 2013	62,500	0.01	1.5	5.99

Additional information regarding stock options as of June 30, 2013 is as follows:

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

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10. Segmented Information

The Company is located and operates in the US and its subsidiary is located and operated in the United Kingdom. Geographical information is as follows:

June 30, 2013	United States \$	United Kingdom \$	Total \$
Revenue	–	–	–
Intangible assets	13,191,977	18,397,016	31,588,993

11. Commitments

(a) On May 1, 2010, the Company entered into consulting agreements with Sichel Limited (“Sichel”), the parent company of PGG. Sichel will assist the Company in developing commercial agreements for Green Technology and the building of an international distribution centre. Effective March 31, 2013, this consulting agreement was assigned to PGG. 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 to August 9, 2013, 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, EPBS 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.

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11. Commitments (continued)