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 **December 31, 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)

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, 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 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 February 16, 2015.

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 December 31, 2014 (the “**Form 10-Q**”), filed with the Securities and Exchange Commission on February 23, 2015 (the “**Original Filing Date**”) to restate the interim financial statements for the quarterly period ended December 31, 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 and nine month periods ended December 31, 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.

Consolidated Financial Statements

December 31, 2014

(Expressed in US dollars)

(unaudited)

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PACIFIC GREEN TECHNOLOGIES INC.

Consolidated Balance Sheets

(Expressed in U.S. dollars)

	December 31, 2014 $ (Restated – Note 12) (unaudited)	March 31, 2014 $
ASSETS		
Cash	3,584	205,571
VAT receivable	5,887	2,005
Prepaid expenses	687	687
Due from related party (Note 8)	11,257	–
Total Current Assets	21,415	208,263
Intangible assets (Note 3)	13,006,614	14,103,905
Total Assets	13,028,029	14,312,168
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	685,928	449,850
Derivative liabilities (Note 6)	38,756	–
Loan payable (Note 4)	677,600	725,319
Convertible debentures, net of unamortized discount of $36,315 and $nil, respectively (Note 5)	263,685	–
Current portion of note payable, net of unamortized discount of $72,091 and $33,438, respectively (Note 7)	2,927,909	1,966,562
Due to related parties (Note 8)	5,309,882	5,300,950
Total Current Liabilities	9,903,760	8,442,681
Note payable, net of unamortized discount of $547,227 and $898,431, respectively (Note 7)	1,452,773	2,101,569
Total Liabilities	11,356,533	10,544,250

Nature of Operations and Continuance of Business (Note 1)
Commitments (Note 11)

Stockholders' Equity		
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 16,321,681 shares issued and outstanding	16,322	16,322
Common stock issuable (Note 3)	8,868,523	8,868,523
Additional paid-in capital	45,298,380	44,623,380
Accumulated other comprehensive loss	(8,150)	(109,140)
Deficit	(52,503,579)	(49,631,167)
Total Stockholders' Equity	1,671,496	3,767,918
Total Liabilities and Stockholders' Equity	13,028,029	14,312,168

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

PACIFIC GREEN TECHNOLOGIES INC.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended December 31, 2014 $	Three Months Ended December 31, 2013 $	Nine Months Ended December 31, 2014 $	Nine Months Ended December 31, 2013 $
Revenue	–	–	–	–
Expenses				
Amortization of intangible assets	365,764	399,401	1,097,291	761,248
Consulting fees (Note 8)	204,563	281,063	684,885	831,926
Foreign exchange gain	(160,740)	(131,811)	(188,313)	(150,741)
Office and miscellaneous	7,756	44,030	29,104	57,971
Professional fees	29,667	85,899	180,346	274,114
Research and development	–	17,723	–	32,741
Transfer agent and filing fees	5,890	9,011	23,522	30,771
Travel	247	19,007	38,503	48,039
Total operating expenses	453,147	724,323	1,865,338	1,886,069
Loss before other income (expense)	(453,147)	(724,323)	(1,865,338)	(1,886,069)
Other income (expense)				
Gain on change in fair value of derivative liabilities (Note 6)	4,959	–	4,959	–
Interest expense (Notes 5 and 7)	(337,804)	(220,646)	(1,012,033)	(616,992)
Total other income (expense)	(332,845)	(220,646)	(1,007,074)	(616,992)
Net loss for the period	(785,992)	(944,969)	(2,872,412)	(2,503,061)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	58,504	(31,408)	100,990	(109,658)
Comprehensive loss for the period	(727,488)	(976,377)	(2,771,422)	(2,612,719)

Net loss per share, basic and diluted	(0.05)	(0.06)	(0.18)	(0.19)
Weighted average number of shares outstanding	16,321,681	15,929,107	16,321,681	13,167,856

(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)

	Nine Months Ended December 31, 2014 $	Nine Months Ended December 31, 2013 $
Operating Activities		
Net loss for the period	(2,872,412)	(2,503,061)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on note payable and convertible debentures	319,951	371,037
Amortization of intangible assets	1,097,291	761,248
Gain on change in fair value of derivative liabilities	(4,959)	–
Imputed interest	675,000	238,313
Changes in operating assets and liabilities:		
Accounts receivable	–	206,663
VAT receivable	(3,882)	(19,368)
Prepaid expenses	–	(20,783)
Due from related party	(11,257)	–
	238,270	(194,494)

Accounts payable and accrued liabilities		
Due to related parties	259,993	437,932
Net Cash Used In Operating Activities	(302,005)	(722,513)
Investing Activities		
Cash acquired on acquisition of subsidiary	–	16,263
Acquisition of intangible assets	–	(21,311)
Net Cash Used In Investing Activities	–	(5,048)
Financing Activities		
Proceeds from related parties	33,500	14,876
Repayments to related parties	(65,381)	–
Proceeds from the issuance of common shares	–	1,040,000
Proceeds from convertible debentures	300,000	–
Net Cash Provided by Financing Activities	268,119	1,054,876
Effect of Foreign Exchange Rate Changes on Cash	(168,101)	(49,453)
Change in Cash	(201,987)	277,862
Cash, Beginning of Period	205,571	93,228
Cash, End of Period	3,584	371,090

Non-cash Investing and Financing Activities:		
Debt settled with the acquisition of intangible assets	–	330,842
Common stock issued for acquisition of intangible asset	–	26,602,108
Recognition of debt discount due to derivative	43,715	–
Supplemental Disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

1. Basis of Presentation

The accompanying consolidated interim financial statements of Pacific Green Technologies Inc. (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, 2014. In the opinion of management, the accompanying 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. The results of operations and cash flows for the periods shown are not necessarily indicative of the results to be expected for the full year.

These 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 December 31, 2014, the Company has not generated any revenues, has a working capital deficit of $9,882,345, and has an accumulated deficit of $52,503,579 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) Principles of Consolidation

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, Pacific Green Technologies Limited (PGT Limited), Pacific Green Energy Parks Limited ("PGEP"), and Energy Park Sutton Bridge Ltd. ("EPSB"), a wholly owned subsidiary of PGEP. All inter-company accounts and transactions have been eliminated.

(b) Financial Instruments

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

Level 1

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

Level 2

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

Level 3

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

The Company's financial instruments consist principally of cash, VAT receivable, amount due from a related party, accounts payable and accrued liabilities, loans payable, convertible debentures, note payable, and amounts to due to related parties. 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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

The following table represents assets and liabilities that are measured and recognized in fair value as of December 31, 2014, on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $	Total gains (losses) $
Derivative liabilities	–	–	38,756	4,959
Total	–	–	38,756	4,959

During the period ended December 31, 2014, the Company recognized a gain on change in fair value of derivative liabilities of $4,959.

(c) 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 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 $	Accumulated amortization $	Impairment $	December 31, 2014 Net carrying value $	March 31, 2014 Net carrying value $
Patents and technical information	35,852,556	(2,388,687)	(20,457,255)	13,006,614	14,103,905

On May 15, 2013, the Company acquired PGEP 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.

On May 17, 2013, the Company entered into an Assignment of Assets agreement with EnviroTechnologies, Inc. ("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 Pacific Green Group Limited ("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 December 31, 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 $677,600 (£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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

5. Convertible Debentures

(a) 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 December 31, 2014, the Company recorded accrued interest of $12,225 (March 31, 2014 - $nil), which has been included in accounts payable and accrued liabilities.

The Company analyzed the conversion option under ASC 815, "Accounting for Derivative Instruments and Hedging Activities", and determined that the conversion feature should be classified as a liability and recorded at fair value due to there being no explicit limit to the number of shares to be delivered upon settlement of the conversion option. In accordance with ASC 815, the Company recognized the intrinsic value of the embedded beneficial conversion feature of $33,922. On November 27, 2014, the note became convertible resulting in the Company recording a derivative liability of $33,922 with a corresponding adjustment to loss on change in fair value of derivative liabilities. During the period ended December 31, 2014, the Company had amortized $6,372 (2013 - $nil) of the debt discount to interest expense. As at December 31, 2014, the carrying value of the debenture was $172,450 (March 31, 2014 - $nil) and the fair value of the derivative liability was $24,976 (March 31, 2014 - $nil).

(b) On June 12, 2014, the Company entered into a $100,000 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 June 12, 2015. Pursuant to the agreement, should any portion of loan remain outstanding past maturity the interest will increase to 15% per annum. The note is convertible into shares of common stock 180 days after the date of issuance (December 12, 2014) until maturity at a conversion rate of 75% of the average closing bid prices of 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 December 31, 2014, the Company recorded accrued interest of $4,515 (March 31, 2014 - $nil), which has been included in accounts payable and accrued liabilities.

The Company analyzed the conversion option under ASC 815, “Accounting for Derivative Instruments and Hedging Activities”, and determined that the conversion feature should be classified as a liability and recorded at fair value due to there being no explicit limit to the number of shares to be delivered upon settlement of the conversion option. In accordance with ASC 815, the Company recognized the intrinsic value of the embedded beneficial conversion feature of $9,793. On December 12, 2014, the note became convertible resulting in the Company recording a derivative liability of $9,793 with a corresponding adjustment to loss on change in fair value of derivative liabilities. During the period ended December 31, 2014, the Company had amortized $1,028 (2013 - $nil) of the debt discount to interest expense. As at December 31, 2014, the carrying value of the debenture was $91,235 (March 31, 2014 - $nil) and the fair value of the derivative liability was $13,780 (March 31, 2014 - $nil).

6. Derivative Liabilities

The Company records the fair value of the of the conversion price of the convertible debentures disclosed in Note 5 in accordance with ASC 815, Derivatives and Hedging. The fair value of the derivative was calculated using a binomial option pricing model. The fair value of the derivative liability is revalued on each balance sheet date with corresponding gains and losses recorded in the consolidated statement of operations. During the period ended December 31, 2014, the Company recorded a gain on the change in fair value of derivative liability of $4,959 (2013 - $nil). As at December 31, 2014, the Company recorded a derivative liability of $38,756 (March 31, 2014 - $nil).

The following inputs and assumptions were used to value the convertible debentures outstanding during the period ended December 31, 2014:

	May 27, 2014 Convertible Debenture		June 12, 2014 Convertible Debenture	
	As at December 31, 2014	As at November 27, 2014	As at December 31, 2014	As at December 12, 2014
Estimated common stock issuable upon conversion	468,560	286,606	221,076	173,195
Estimated exercise price	0.45	0.73	0.45	0.61
Risk-free interest rate	12 %	7 %	12 %	9 %
Expected dividend yield	–	–	–	–
Expected volatility	170 %	179 %	176 %	179 %
Expected life (in years)	0.4	0.5	0.46	0.5

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

6. Derivative Liabilities (continued)

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

	$
Balance, March 31, 2014	–
Debt discount due to derivative	43,715
Mark to market adjustment at December 31, 2014	(4,959)
Balance, December 31, 2014	38,756

7. Note Payable

	December 31, 2014 $	March 31, 2014 $
Opening balance	4,068,131	3,574,399
Accretion of unamortized discount	312,551	493,732
Ending balance	4,380,682	4,068,131
Less: current portion	2,927,909	1,966,562
Long-term portion	1,452,773	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

On June 14, 2012, the Company entered into an Assignment and Share Transfer Agreement with PGG, a company under common control, concerning the assignment of the Representation Agreement entered between PGG and Enviro and the purchase of 100% of the issued and outstanding common shares of 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 on June 12, 2013 with the income earned under the terms of the 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 nine months ended December 31, 2014, the Company recorded imputed interest of $675,000 (2013 - $238,313) at a rate of 18% per annum which has been included in additional paid-in capital.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

8. Related Party Transactions

(a) During the nine months ended December 31, 2014, the Company incurred $nil (2013 - $21,465) in consulting fees to former directors of a wholly owned subsidiary of the Company.

(b) During the nine months ended December 31, 2014, the Company incurred $180,000 (2013 – $180,000) in consulting fees to a company controlled by a director of a wholly owned subsidiary of the Company.

(c) During the nine months ended December 31, 2014, the Company incurred $35,406 (2013 – $11,536) in consulting fees to a company controlled by a director of the Company.

(d) As at December 31, 2014, $30,110 (19,329 GBP) (March 31, 2014 – $33,348 (20,000 GBP)) was owed to a company controlled by former directors of EPSB for consulting fees incurred, which is included in accounts payable and accrued liabilities.

(e) As at December 31, 2014, the Company owed $5,223,110 (March 31, 2014 – $3,746,282) to a company controlled by a director of a wholly owned subsidiary of the Company. The amount owing is unsecured, non-interest bearing, and due on demand.

(f) As at December 31, 2014, the Company owed $31,222 (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.

(g) As at December 31, 2014, the Company owed $49,509 (March 31, 2014 – $832,883) to a significant shareholder. Of this amount, $39,387 is unsecured, bears interest at the US Bank Prime Rate plus 4%, and due on demand. The remainder of the amount owing is unsecured, non-interest bearing, and due on demand.

(h) As at December 31, 2014, the Company owed $6,041 (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.

(i) As at December 31, 2014, the Company was owed $11,257 (March 31, 2014 – $nil) from a director of the Company. The amount owing is unsecured, non-interest bearing, and due on demand.

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, 2014	62,500	0.01		
Expired	(62,500)	0.01		
Balance, December 31, 2014	–	–	–	–

10. 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:

December 31, 2014	United States $	United Kingdom $	Total $
Intangible assets	13,006,614	–	13,006,614

March 31, 2014	United States $	United Kingdom $	Total $
Intangible assets	14,103,905	–	14,103,905

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

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 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.

On October 4, 2012, EPSB entered into a supplemental agreement to amend certain terms of the Option Agreement. Pursuant to the supplemental agreement, the purchase price was increased to £4,200,000 and the Share Option was removed.

On May 9, 2013, 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, 2014.

On August 8, 2014, 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 31, 2015.

(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.

On January 27, 2014, 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, 2014.

On August 29, 2014, 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 31, 2015.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

11. Commitments (continued)

(d) 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 ESPB 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.

(f) On October 22, 2013, the Company entered into an agreement with a director whereby the director will focus on 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.

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

December 31, 2014

(Expressed in U.S. Dollars)

(unaudited)

11. 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

12. 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 December 31, 2014 and for the nine months then ended is summarized below:

Consolidated Balance Sheet

	As At December 31, 2014		
	As Reported $	Adjustment $	As Restated $
Assets			
Intangible assets			