

Pacific Green Technologies Inc.
Form 10-Q/A
February 22, 2016

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 **September 30, 2015**

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 95129

(Address of principal executive offices) (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 Smaller reporting company
(Do not check if a 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.

20,299,433 common shares issued and outstanding as of November 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 September 30, 2015 (the “**Form 10-Q**”), filed with the Securities and Exchange Commission on November 24, 2015 (the “**Original Filing Date**”) to restate the interim financial statements for the quarterly period ended September 30, 2015.

On February 16, 2016, our auditors, Saturna Group Chartered Professional Accountants LLP, notified us that it believed there was an error in our consolidated financial statements as at September 30, 2015 relating to a late consulting fees invoice that was not recorded.

Management further discussed the matter with Saturna Group Chartered Professional Accountants LLP and both parties agreed that the above was not appropriately accounted for and the Company determined that the effect of such misstatement was material. As a result, we decided to restate the unaudited consolidated financial statements for the quarterly period ended September 30, 2015 filed on Form 10-Q (the “**Report**”). The consolidated financial statements included within the Report noted above should no longer be relied upon.

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 six month periods ended September 30, 2015 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 Financial Statements

September 30, 2015

(Expressed in US dollars)

(unaudited)

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Balance Sheets

(Expressed in U.S. dollars)

	September 30, 2015 \$ (Restated - Note 14) (unaudited)	March 31, 2015 \$
ASSETS		
Cash	61,531	1,270
VAT receivable	5,758	5,683
Prepaid expenses	9,817	687
Advances receivable	—	25,000
Due from related party (Note 9)	11,257	11,257
Total Current Assets	88,363	43,897
Intangible assets (Note 4)	12,797,323	13,235,230
Total Assets	12,885,686	13,279,127
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	672,693	638,808
Loan payable (Note 5)	657,546	645,975
Convertible debentures, net of unamortized discount of \$nil and \$14,457, respectively (Note 6)	—	285,543
Current portion of note payable, net of unamortized discount of \$110,006 and \$33,438, respectively (Note 8)	3,889,994	2,966,562
Due to related parties (Note 9)	4,919,115	5,066,006
Derivative liabilities (Note 7)	—	393,419
Total Current Liabilities	10,139,348	9,996,313
Note payable, net of unamortized discount of \$245,767 and \$486,710, respectively (Note 8)	754,233	1,513,290

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Total Liabilities	10,893,581	11,509,603
Going Concern (Note 1)		
Commitments (Note 13)		
Subsequent Events (Note 15)		
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 19,139,416 and 16,321,681 shares issued and outstanding, respectively	19,139	16,322
Common stock issuable (Notes 4 and 10)	8,970,523	8,868,523
Additional paid-in capital	48,478,559	45,523,380
Accumulated other comprehensive income	22,121	45,861
Deficit	(55,498,237)	(52,684,562)
Total Stockholders' Equity	1,992,105	1,769,524
Total Liabilities and Stockholders' Equity	12,885,686	13,279,127

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

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended September 30, 2015 \$ (Restated - Note 14)	Three Months Ended September 30, 2014 \$	Six Months Ended September 30, 2015 \$ (Restated - Note 14)	Six Months Ended September 30, 2014 \$
Expenses				
Amortization of intangible assets	218,953	199,922	437,907	731,527
Consulting and management fees (Notes 9 and 11)	579,919	253,781	726,169	480,322
Foreign exchange gain	(247,921)	(171,766)	(178,772)	(27,573)
Office and miscellaneous	20,887	8,864	37,153	21,348
Professional fees	44,586	93,936	85,490	150,679
Transfer agent and filing fees	9,379	15,850	20,666	17,632
Travel	37,077	18,757	38,808	38,256
Total expenses	662,880	419,344	1,167,421	1,412,191
Loss before other expenses	(662,880)	(419,344)	(1,167,421)	(1,412,191)
Other income (expense)				
Gain on extinguishment of debt (Note 10)	—	—	171,501	—
Impairment of goodwill (Note 3)	—	—	(126,782)	—
Interest expense (Notes 6 and 8)	(293,438)	(325,337)	(633,155)	(674,229)
Loss on change in fair value of derivative liabilities (Note 7)	—	—	(1,057,818)	—
Total other income (expense)	(293,438)	(325,337)	(1,646,254)	(674,229)
Net loss for the period	(956,318)	(744,681)	(2,813,675)	(2,086,420)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	56,256	80,967	(23,740)	42,486

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Comprehensive loss for the period	(900,062)	(663,714)	(2,837,415)	(2,043,934)
Net loss per share, basic and diluted	(0.05)	(0.05)	(0.16)	(0.13)
Weighted average number of shares outstanding	18,560,068	16,321,681	17,897,133	16,321,681

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

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

	Six Months Ended September 30, 2015 \$ (Restated - Note 14)	Six Months Ended September 30, 2014 \$
Operating Activities		
Net loss for the period	(2,813,675)	(2,086,420)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discount on note payable and convertible debentures	178,832	215,276
Amortization of intangible assets	437,907	731,527
Common stock issuable for consulting services	102,000	–
Gain on extinguishment of debt	(171,501)	–
Impairment of goodwill	126,782	–
Imputed interest	450,000	450,000
Loss on change in fair value of derivative liabilities	1,057,818	–
Stock-based compensation	251,577	–
Changes in operating assets and liabilities:		
VAT receivable	(75)	(4,061)
Prepaid expenses	(9,130)	–
Advances receivable	25,000	–
Accounts payable and accrued liabilities	36,702	137,984
Due to related parties	(6,424)	199,846
Net Cash Used In Operating Activities	(334,187)	(355,848)
Investing Activities		
Cash acquired on acquisition of subsidiary	50,064	–
Net Cash Provided by Investing Activities	50,064	–
Financing Activities		
Proceeds from related parties	15,573	–
Repayments to related parties	(140,144)	(76,638)
Proceeds from convertible debentures	–	300,000

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Proceeds from share subscriptions received	650,000	–
Net Cash Provided by Financing Activities	525,429	223,362
Effect of Foreign Exchange Rate Changes on Cash	(181,045)	(44,514)
Change in Cash	60,261	(177,000)
Cash, Beginning of Period	1,270	205,571
Cash, End of Period	61,531	28,571
Non-cash Investing and Financing Activities:		
Convertible debentures settled with common stock	1,606,419	–
Supplemental Disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2015

(Expressed in U.S. Dollars)

(unaudited)

1. Basis of Presentation

The accompanying interim consolidated 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, 2015. In the opinion of management, the accompanying consolidated 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 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 September 30, 2015, the Company has not generated any revenues, has a working capital deficit of \$10,050,985, and has an accumulated deficit of \$55,498,237 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 the following entities:

Pacific Green Technologies Limited (PGT Limited)	Wholly-owned subsidiary
Pacific Green Energy Parks Limited ("PGEP")	Wholly-owned subsidiary
Energy Park Sutton Bridge Ltd. ("EPSB")	Wholly-owned subsidiary of PGEP
Pacific Green Technologies Asia Limited ("PGTA")	Wholly-owned subsidiary of PGEP
Pacific Green Technologies China Limited ("PGTC")	Wholly-owned subsidiary of PGTA

All inter-company balances and transactions have been eliminated.

(b) Financial Instruments

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

Level 1

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

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.

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2015

(Expressed in U.S. Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

The Company's financial instruments consist principally of cash, VAT receivable, loan receivable, amounts due from and to related parties, accounts payable and accrued liabilities, loan payable, convertible debentures, and note payable. 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 following table represents assets and liabilities that are measured and recognized at fair value as of September 30, 2015, on a recurring basis:

	Level 1 \$	Level 2 \$	Level 3 \$	Total gain (loss) \$
Cash	61,531	–	–	–
Derivative liabilities	–	–	–	(1,057,818)
Total	61,531	–	–	(1,057,818)

During the six months ended September 30, 2015, the Company recognized a loss on change in fair value of derivative liabilities of \$1,057,818.

(c) Recent Accounting Pronouncements

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

3. Acquisition of Pacific Green Technologies Asia Limited and Pacific Green Technologies China Limited

On June 30, 2015, the Company entered into a share purchase agreement whereby the Company acquired 100 common shares of PGTA, representing 100% of the issued and outstanding shares, for consideration of \$1. This formalized the Company's structure of corporate entities for conducting business in Asian markets. PGTA is the sole shareholder of PGTC.

In accordance with ASC 805, "Business Combinations", the purchase agreement was deemed a business combination for accounting purposes. At the date of acquisition, the fair values of the assets and liabilities of PGTA and its wholly owned subsidiary PGTC consisted of the following:

	\$
Cash	50,064
Goodwill	126,782
Accounts payable and accrued liabilities	(23,865)
Due to related parties	(152,980)
 Total purchase price	 1

As PGTA and PGTC were dependent on the Company for funding prior to acquisition and were at non-arms' length with the Company, the Company recorded an impairment of goodwill of \$126,782 as a cost of acquisition.

4. Intangible Assets

	Cost \$	Accumulated amortization \$	Impairment \$	September 30, 2015 Net carrying value \$	March 31, 2015 Net carrying value \$
Patents and technical information	35,852,556	(2,597,978)	(20,457,255)	12,797,323	13,235,230

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2015

(Expressed in U.S. Dollars)

(unaudited)

4. Intangible Assets (continued)

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 September 30, 2015, the Company still has 2,217,130 shares of its common stock issuable to Enviro shareholders at a fair value \$8,868,523, which was recorded as common stock issuable. Refer to Note 15(a).

5. Loan Payable

As at September 30, 2015, PGEP, the Company’s wholly owned subsidiary, owes \$657,546 (£435,000) (March 31, 2015 - \$645,975 (£435,000)) to a non-related party, which is non-interest bearing interest, unsecured, and due on demand .

6. 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 rate 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 September 30, 2015, the Company recorded accrued interest of \$nil (March 31,

2015 - \$17,458), 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" ("ASC 815"), and determined that the conversion feature should be classified as a liability and recorded at fair value due to there being no explicit limit to the number of shares to be delivered upon settlement of the conversion option. In accordance with ASC 815, the Company recognized the intrinsic value of the embedded beneficial conversion feature of \$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 six months ended September 30, 2015, the Company had amortized \$12,820 (2014 - \$nil) of the debt discount to interest expense. On May 4, 2015, the Company issued 1,058,317 common shares for the conversion of \$200,000 of this debenture and \$18,888 of accrued interest. Refer to Note 10(a). As at September 30, 2015, the carrying value of the debenture was \$nil (March 31, 2015 - \$187,180) and the fair value of the derivative liability was \$nil (March 31, 2015 - \$268,716).

(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 rate 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 September 30, 2015, the Company recorded accrued interest of \$nil (March 31, 2015 - \$7,092), which has been included in accounts payable and accrued liabilities.

The Company analyzed the conversion option under ASC 815, and determined that the conversion feature should be classified as a liability and recorded at fair value due to there being no explicit limit to the number of shares to be delivered upon settlement of the conversion option. In accordance with ASC 815, the Company recognized the intrinsic value of the embedded beneficial conversion feature of \$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 six months ended September 30, 2015, the Company had amortized \$1,637 (2014 - \$nil) of the debt discount to interest expense. On May 4, 2015, the Company issued 459,418 common shares for the conversion of \$100,000 of this debenture and \$7,796 of accrued interest. Refer to Note 10(b). As at September 30, 2015, the carrying value of the debenture was \$nil (March 31, 2015 - \$98,363) and the fair value of the derivative liability was \$nil (March 31, 2015 - \$124,703).

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2015

(Expressed in U.S. Dollars)

(unaudited)

7. Derivative Liabilities

The Company records the fair value of the of the conversion price of the convertible debentures disclosed in Note 6 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 six months ended September 30, 2015, the Company recorded a loss on the change in fair value of derivative liability of \$1,057,818 (2014 - \$nil). As at September 30, 2015, the Company recorded a derivative liability of \$nil (March 31, 2015 - \$393,419).

The following inputs and assumptions were used to fair value the convertible debentures outstanding during the six months ended September 30, 2015:

	May 27, 2014		June 12, 2014	
	Convertible Debenture		Convertible Debenture	
	As at	As at	As at	As at
	May 4,	March 31,	May 13,	March 31,
	2015	2015	2015	2015
Estimated common stock issuable upon extinguishment	1,219,432	438,135	466,649	202,020
Estimated exercise price	0.18	0.50	0.23	0.50
Risk-free interest rate	1 %	3 %	2 %	3 %
Expected dividend yield	—	—	—	—
Expected volatility	147 %	195 %	141 %	189 %
Expected life (in years)	0.06	0.16	0.08	0.20

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

\$

Balance, March 31, 2015	393,419
Mark to market adjustment	1,057,818
Adjustment for extinguishments	(1,451,237