Pacific Green Technologies Inc.
Form 10-Q
February 19, 2019

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 **December 31, 2018**

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	**N/A**

(State or other jurisdiction of incorporation or organization)	(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 smaller reporting company)	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
YES NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS

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

44,080,846 common shares issued and outstanding as of February 18, 2019.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited interim consolidated financial statements for the nine month period ended December 31, 2018 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

December 31, 2018

(Expressed in US dollars)

(unaudited)

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Balance Sheets

(Expressed in U.S. dollars)

	December 31, 2018 $ (unaudited)	March 31, 2018 $
ASSETS		
Cash	3,677,371	229,882
Amounts receivable	30,437	4,912
Work in progress	7,597,498	–
Prepaid expenses and deposits	125,504	72,032
Loan receivable (Note 3)	286,351	–
Due from related party (Note 9)	–	25,101
Total Current Assets	11,717,161	331,927
Lease receivable (Note 4)	1,995,000	1,995,000
Property and equipment (Note 5)	8,731	15,800
Intangible assets (Note 6)	9,965,209	10,622,068
Total Assets	23,686,101	12,964,795
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	3,236,636	888,760
Customer deposits	8,652,677	–
Convertible debenture (Note 7)	30,000	30,000
Due to related parties (Note 9)	308,228	229,544
Derivative liability (Note 8)	374,607	75,505
Total Liabilities	12,602,148	1,223,809
Nature of Operations and Continuance of Business (Note 1)		
Commitments (Note 14)		
Subsequent Event (Note 15)		
Stockholders' Equity		
Common stock, 500,000,000 shares authorized, $0.001 par value 44,080,846 and 40,757,415 shares issued and outstanding, respectively	44,081	40,757
Common stock issuable (Note 10)	119,975	206,675
Additional paid-in capital	88,267,579	78,989,346
Accumulated other comprehensive income	534,262	268,259
Deficit	(77,881,944)	(67,764,051)
Total Stockholders' Equity	11,083,953	11,740,986
Total Liabilities and Stockholders' Equity	23,686,101	12,964,795

(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 December 31, 2018 $	Three Months Ended December 31, 2017 $	Nine Months Ended December 31, 2018 $	Nine Months Ended December 31, 2017 $
Revenue	–	1,995,000	–	1,995,000
Cost of goods sold	–	1,856,108	–	1,856,108
Gross Profit	–	138,892	–	138,892
Expenses				
Advertising and promotion	82,851	45,235	186,793	69,185
Amortization of intangible assets (Note 6)	218,952	218,953	656,859	656,859
Consulting fees (Note 9)	1,221,726	403,184	2,409,697	581,983
Depreciation (Note 5)	2,357	2,356	7,069	7,069
Foreign exchange loss	403,619	1,955	238,045	49,870
Office and miscellaneous	126,607	25,585	206,903	89,282
Professional fees	234,157	175,616	392,104	264,905
Research and development	–	581,742	–	1,011,706
Salaries and wages	181,885	–	353,249	–
Stock-based compensation (Note 12)	4,570,133	–	4,744,382	–
Transfer agent and filing fees	907	5,284	28,288	31,135
Travel	374,389	89,000	586,377	215,338
Total expenses	7,417,583	1,548,910	9,809,766	2,977,332
Loss before other income (expenses)	(7,417,583)	(1,410,018)	(9,809,766)	(2,838,440)
Other income (expenses)				
Loss on extinguishment of debt	–	(114,389)	–	(16,758)
Gain (loss) on change in fair value of derivative liability (Note 7)	(118,236)	96,634	(299,102)	(187,735)
Impairment of property and equipment	–	7,641	–	(282,939)
Interest expense (Notes 7 and 8)	(3,000)	(2,500)	(9,025)	(346,499)
Total other income (expense)	(121,236)	(12,614)	(308,127)	(833,931)
Net loss for the period	(7,538,819)	(1,422,632)	(10,117,893)	(3,672,371)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	382,127	(75,374)	266,003	(33,270)
Comprehensive loss for the period	(7,156,692)	(1,498,006)	(9,851,890)	(3,705,641)

Net loss per share, basic and diluted	(0.17)	(0.04)	(0.24)	(0.12)
Weighted average number of shares outstanding	43,549,042	38,525,341	42,917,350	30,875,288

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

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

	Nine Months Ended December 31, 2018 $	Nine Months Ended December 31, 2017 $
Operating Activities		
Net loss for the period	(10,117,893)	(3,672,371)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discounts on note payable and convertible debenture	–	33,438
Amortization of intangible assets	656,859	656,859
Depreciation	7,069	7,069
Gain on extinguishment of debt	–	16,758
Impairment of property and equipment	–	282,939
Imputed interest	–	293,478
Loss on change in fair value of derivative liability	299,102	187,735
Stock-based compensation	4,744,382	–
Stock issued for services	893,000	9,900
Changes in operating assets and liabilities:		
Amounts receivable	(25,525)	20,988
Work in progress	(7,597,498)	–
Prepaid expenses	(53,472)	(45,261)
Due from related party	25,101	(200)
Accounts payable and accrued liabilities	2,347,876	439,071
Customer deposits	8,652,677	
Due to related parties	79,184	175,610
Net Cash Used In Operating Activities	(89,138)	(1,593,987)
Investing Activities		
Loan receivable advances	(286,351)	–
Purchase of property and equipment	–	(460,294)
Net Cash Used In Investing Activities	(286,351)	(460,294)
Financing Activities		
Proceeds from issuance of common stock / share subscriptions received	3,556,975	2,851,600
Repayments to related parties	–	(338,450)
Repayment of loan payable	–	(30,917)

Net Cash Provided By Financing Activities	3,556,975	2,482,233
Effect of Foreign Exchange Rate Changes on Cash	266,003	(520,004)
Change in Cash	3,447,489	(92,052)
Cash, Beginning of Period	229,882	382,167
Cash, End of Period	3,677,371	290,115
Non-cash Investing and Financing Activities:		
Accrued interest settled with common stock	–	85,483
Amount due to related parties settled with common stock	500	3,731,681
Amount due to related parties settled with stock options	–	78,165
Convertible debenture settled with common stock	–	60,000
Derivative liability settled with common stock	–	221,956
Equipment sold under long-term sales type lease	–	1,856,108
Loan payable settled with common stock	–	350,335
Note payable settled with common stock	–	5,000,000

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

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Pacific Green Technologies Inc. (the "Company") was incorporated in the state of 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. The Company is in the business of acquiring, developing, and marketing emission control technologies.

The accompanying condensed consolidated financial statements of the Company should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018. In the opinion of management, the accompanying condensed 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 condensed 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 condensed 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, creditors, and related parties, and the ability of the Company to generate profitable operations. As at December 31, 2018, the Company is generating significant sales orders and fulfilling orders on commercial terms; the Company has an accumulated deficit of $77,881,944 since inception and a working capital deficit of $884,987. A history of significant losses raises doubts 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 the following active entities:

Pacific Green Marine Technologies Ltd. (“PGMTL”)	Wholly-owned subsidiary
Pacific Green Marine Technologies Inc. (US)(“PGMTI”)	Wholly-owned subsidiary
Pacific Green Technologies International Limited (“PGTIL”)	Wholly-owned subsidiary
Pacific Green Marine Technologies Inc. (CAN)(“PGTCAN”)	Wholly-owned subsidiary
Pacific Green Technologies Asia Limited (“PGTA”)	Wholly-owned subsidiary of PGTIL
Pacific Green Technologies China Limited (“PGTC”)	Wholly-owned subsidiary of PGTA

All inter-company balances and transactions have been eliminated.

(b) 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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

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

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, amounts receivable, loan receivable, lease receivable, amounts due from and to related parties, accounts payable and accrued liabilities, convertible debenture, and derivative liability. The recorded values of these 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 December 31, 2018, on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $
Cash	3,677,371	–	–
Derivative liability	–	374,607	–
Total	3,677,371	374,607	–

During the nine months ended December 31, 2018, the Company recognized a loss on the change in fair value of derivative liability of $299,102 (2017 – $187,375).

(c) Inventory

The Company's inventory consists of manufacturing and installation projects in various stages of completion. Inventories are recorded at cost and consist of design, materials, and shipyard installation costs incurred. As at December 31, 2018, all inventories were considered work in progress.

(d) Revenue Recognition

The Company derives revenue from the sale of emission control equipment.

Revenue is recognized when control of products or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those promised products or services.

The Company determines revenue recognition through the following five steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

(e) Recent Accounting Pronouncements

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, "*Leases*". This new guidance was initiated as a joint project with the International Accounting Standards Board to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for "operating leases" for lessees for the vast majority of lease contracts. Under ASU No. 2016-02, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined “right-of-use” asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under GAAP. ASU No. 2016-02 will take effect for public companies in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

3. Loan Receivable

As at December 31, 2018, the Company is owed $286,351 for loan advances made to a non-related party which is non-interest bearing, unsecured, and due on demand.

4. Lease Receivable

In December 2017, the Company completed the installation and the accounting sale of a constructed scrubber system. The Company's investment in sales-type lease as at March 31, 2018, consists of an amount due from the customer under a long-term lease arrangement. No amount has been allocated to residual value or other deliverables; accordingly, the amount presented in the consolidated balance sheet represents the present value of amounts due under the energy management contract. The entire amount is presented as a long-term receivable.

5. Property and Equipment

	Cost $	Accumulated amortization $	December 31, 2018 Net carrying value $	March 31, 2018 Net carrying value $
Furniture and equipment	4,155	1,870	2,285	2,908
Leasehold improvements	25,784	19,338	6,446	12,892
	29,939	21,208	8,731	15,800

6. Intangible Assets

	Cost $	Accumulated amortization $	Impairment $	December 31, 2018 Net carrying value $	March 31, 2018 Net carrying value $
Patents and technical information	35,852,556	(5,430,092)	(20,457,255)	9,965,209	10,622,068

On May 17, 2013, the Company entered into an Assignment of Assets agreement with EnviroTechnologies, Inc. ("Enviro"), a non-related party, 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 the Company as well as $93,721 of debt owing to Pacific Green Group Limited ("PGG"), a company controlled by a shareholder of the Company who has a significant influence on the Company's operations, which was assigned to the Company. The Company entered into share exchange agreements with Enviro shareholders pursuant to which it issued shares of its common stock in exchange for shares of Enviro on a one-for-ten basis. The intangible assets acquired were recorded at cost and is being amortized using the straight-line method over the estimated useful life of 17 years.

7. Convertible Debenture

On November 10, 2015, the Company entered into a $110,000 convertible debenture with a non-related party, in exchange for $100,000, net of $10,000 for legal fees which was deferred and amortized over the term of the debenture. Under the terms of the debenture, the amount is unsecured, bears interest at 10% and default interest at 20% per annum, and was due on November 10, 2016. The note is convertible into shares of common stock of the Company equal to the lower of: (a) $0.40 or (b) 60% of the lowest trading price of the Company's common stock during the 20 consecutive trading days prior to the date of conversion. In the event of a default, the discount shall be permanently increased by 10%.

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 $110,000. On February 22, 2017, the Company issued 50,000 shares of common stock for the conversion of $20,000 of this debenture. On August 10, 2017, the Company issued 100,000 shares of common stock for the conversion of $20,000 of this debenture. On October 4, 2017, the Company issued 320,000 shares of common stock for the conversion of $40,000 of this debenture. As at December 31, 2018, the carrying value of the debenture was $30,000 (March 31, 2018 - $30,000) and the fair value of the derivative liability was $374,607 (March 31, 2018 - $75,505).

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

8. Derivative Liability

The Company records the fair value of the conversion price of the convertible debenture disclosed in Note 7 in accordance with ASC 815. The fair value of the derivative liability 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 nine months ended December 31, 2018, the Company recorded a loss on the change in fair value of derivative liability of $299,102 (2017 – $187,735). As at December 31, 2018, the Company recorded derivative liability of $374,607 (March 31, 2018 - $75,505).

The following inputs and assumptions were used to calculate the fair value of the beneficial conversion feature of the convertible debenture outstanding as at December 31, 2018, assuming no expected dividends:

	As at December 31, 2018	
Estimated common stock issuable upon conversion	178,297	
Estimated exercise price per common share	0.40	
Risk-free interest rate	2.45	%
Expected volatility	160	%
Expected life (in years)	0.25	

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

	$
Balance, March 31, 2018	75,505

Mark to market adjustment	299,102
Balance, December 31, 2018	374,607

9. Related Party Transactions

(a) As at December 31, 2018, the Company owed $229,004 to (March 31, 2018 - $25,101 was owed from) a shareholder of the Company who has a significant influence on the Company's operations. The amount owed is unsecured, non-interest bearing, and due on demand.

(b) As at December 31, 2018, the Company owed $19,737 (March 31, 2018 – $198,175) to PGG, a company controlled by a shareholder of the Company who has a significant influence on the Company's operations, of which $nil (March 31, 2018 - $28,618) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

(c) As at December 31, 2018, the Company owed $274,116 (March 31, 2018 – $64,195) to companies controlled by directors of the Company and directors of the Company, of which $214,629 (March 31, 2018 - $4,208) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

(d) During the nine months ended December 31, 2018, the Company incurred $204,500 (2017 – $230,000) in consulting fees to PGG, a company controlled by a shareholder of the Company who has a significant influence on the Company's operations.

(e) During the nine months ended December 31, 2018, the Company incurred $200,000 (2017 – $nil) in consulting fees to a shareholder of the Company who has a significant influence on the Company's operations.

(f) During the nine months ended December 31, 2018, the Company incurred $311,366 (2017 – $81,610) in consulting fees to companies controlled by directors of the Company.

(g) During the nine months ended December 31, 2018, the Company incurred $75,000 (2017 – $nil) in consulting fees to the President of the Company.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

10. Common Stock

(a) On April 28, 2018, the Company issued 206,675 shares of common stock relating to a non-brokered private placement at a price of $1.00 per share for proceeds of $206,675, which was recorded as common stock issuable as at March 31, 2018.

(b) On May 28, 2018, the Company entered into securities purchase agreements ("SPA's") with seven investors. The SPA's include subscription agreements for 1,957,333 shares of common stock at a price of $1.50 per share for proceeds of $2,936,000, and 1,957,333 share purchase warrants exercisable at a price of $2.50 per unit expiring on July 1, 2020. The SPA's included conditional subscription agreements for the purchase of an additional 1,342,665 shares of common stock and 1,342,665 share purchase warrants exercisable at $2.50 per share expiring on July 1, 2020. Upon the Company meeting a specified sales target by December 31, 2018, the conditional subscriptions will be completed at $1.50 per unit on or before January 10, 2019. If the Company fails to achieve the specified sales target, then the investors have the option to complete the conditional subscription agreements for the purchase of an additional 1,853,998 shares of common stock and 1,853,998 share purchase warrants exercisable at $2.00 per share expiring on July 1, 2020 for $2.00 per unit on or before January 15, 2019.

(c) On June 12, 2018, the Company issued 287,500 shares of common stock with a fair value of $517,500 to three consultants, in lieu of a cash payment, for six months of consulting services.

(d) On July 5, 2018, the Company issued 50,000 shares of common stock for the settlement of $500 owed to a director of the Company pursuant to the exercise of stock options.

(e) On September 28, 2018, the Company issued 145,000 shares of common stock with a fair value of $275,500 to seven consultants, in lieu of a cash payment, for six months of consulting services.

(f) 2018, the Company issued 100,000 shares of common stock for proceeds of $1,000 pursuant to the exercise of stock options.

(g) On November 5, 2018, the Company issued 500,000 shares of common stock for proceeds of $500,000 pursuant to the exercise of share purchase warrants.

(h) On December 1, 2018, the Company issued 76,923 shares of common stock to a consultant in settlement of $100,000 due under a commission arrangement.

(i) On December 13, 2018, the Company received share subscription proceeds of $59,975 for the conditional subscription for 40,000 shares of common stock issuable at $1.50 per share.

(j) On December 31, 2018, the Company received share subscription proceeds of $60,000 for the conditional subscription for 40,000 shares of common stock issuable at $1.50 per share.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

11. Share Purchase Warrants

	Number of warrants	Weighted average exercise price $
Balance, March 31, 2018	1,500,000	1.00
Issued	1,957,333	2.50
Exercised	(500,000)	1.00
Balance, December 31, 2018	2,957,333	1.99

As at December 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
1,000,000	1.00	November 23, 2019
1,957,333	2.50	July 1, 2020
2,957,333		

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

12. Stock Options

The following table summarizes the continuity of stock options issued and outstanding:

	Number of options	Weighted average exercise price $	Aggregate intrinsic value $
Balance, March 31, 2018	537,500	0.01	478,375
Granted	2,965,000	1.64	
Exercised	(150,000)	0.01	
Balance, December 31, 2018	3,352,500	1.45	3,505,875

Additional information regarding stock options outstanding as at December 31, 2018 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.01	487,500	0.6	0.01

1.70	2,865,000	2.9	1.70
	3,352,500	2.6	1.45

On July 17, 2018, the Company extended the life of 312,500 stock options previously granted to the Company's President and Chief Executive Officer. The expiry date of the stock options was extended from July 18, 2018 to April 30, 2019. The extension of the stock options did not result in any incremental compensation cost. The fair value was estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures.

During the nine months ended December 31, 2018, the Company granted 2,965,000 (2017 – 175,000) stock options to officers, directors, employees, and consultants to the Company. The stock options are exercisable at $1.70 per share for a three-year term. The stock options were recorded at their estimated fair value of $4,744,382 (2017 - $78,165) or $1.60 per option at the time of grant.

The fair values were estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Nine months ended December 31, 2018		Nine months ended December 31, 2017	
Risk-free interest rate	2.82	%	1.45	%
Expected life (in years)	3		2	
Expected volatility	213	%	251	%

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Financial Statements

December 31, 2018

(Expressed in U.S. Dollars)

(unaudited)

13. Segmented Information

The Company is located and operates in the United States and its subsidiaries are primarily located and operating in the United Kingdom and China.

	December 31, 2018			
	United States $	United Kingdom $	China $	Total $
Lease receivable	–	1,995,000	–	1,995,000
Property and equipment	8,731	–	–	8,731
Intangible assets	9,965,209	–	–	9,965,209
Total non-current assets	9,973,940	1,995,000	–	11,968,940