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, 2017**

or

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

For the transition period from __________ to __________

Commission File Number **000-54756**

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

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 (Do not check if smaller reporting company)	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.

39,858,415 common shares issued and outstanding as of 19th of February, 2018.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited interim condensed consolidated financial statements for the nine month period ended December 31, 2017 form part of this quarterly report. They are stated in United States Dollars (US$) and are prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X.

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in US dollars)

(unaudited)

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Balance Sheets

(Expressed in U.S. dollars)

	December 31, 2017 $ (unaudited)	March 31, 2017 $
ASSETS		
Cash	290,115	382,167
Amounts receivable	4,792	25,780
Prepaid expenses	56,265	11,004
Due from related parties (Note 10)	25,187	24,987
Total Current Assets	376,359	443,938
	12,875	12,875
Lease receivable (Note 3)	1,995,000	–
Property and equipment (Note 4)	18,157	1,327,196
Intangible assets (Note 5)	10,841,021	11,497,880
Total Assets	13,230,537	13,269,014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	1,213,638	860,050
Loan payable (Note 6)	–	361,931
Convertible debenture (Note 7)	30,000	90,000
Note payable, net of unamortized discount of $nil and $33,438, respectively (Note 9)	–	4,966,562
Due to related parties (Note 10)	178,544	4,110,693
Derivative liability (Note 8)	158,065	192,286
Total Liabilities	1,580,247	10,581,522

Nature of Operations and Continuance of Business (Note 1)
Commitments (Note 15)
Subsequent Event (Note 16)

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 39,858,415 and 26,297,430 shares issued and outstanding, respectively	39,858	26,297
Common stock issuable (Note 11)	150,000	50,000
Additional paid-in capital	78,462,495	65,907,617
Accumulated other comprehensive income	228,519	261,789
Deficit	(67,230,582)	(63,558,211)
Total Stockholders' Equity	11,650,290	2,687,492
Total Liabilities and Stockholders' Equity	13,230,537	13,269,014

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

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in U.S. dollars)

(unaudited)

	Three Months Ended December 31, 2017 $	Three Months Ended December 31, 2016 $	Nine Months Ended December 31, 2017 $	Nine Months Ended December 31, 2016 $
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	45,235	–	69,185	–
Amortization of intangible assets (Note 5)	218,953	218,953	656,859	656,859
Consulting fees (Note 10)	403,184	578,923	581,983	1,002,225
Depreciation	2,356	2,356	7,069	2,356
Foreign exchange loss (gain)	1,955	(135,536)	49,870	(288,594)
Office and miscellaneous	25,585	64,133	89,282	133,372
Professional fees	175,616	61,225	264,905	201,691
Research and development	581,742	4,848	1,011,706	233,702
Transfer agent and filing fees	5,284	(2,575)	31,135	15,854
Travel	89,000	56,537	215,338	110,139
Total expenses	1,548,910	848,864	2,977,332	2,067,604
Loss before other income (expense)	(1,410,018)	(848,864)	(2,838,440)	(2,067,604)
Other income (expense)				
Gain (loss) on change in fair value of derivative liabilities (Note 9)	96,634	(137,217)	(187,735)	196,091
Impairment on capitalized costs (Note 4)	7,641	–	(282,939)	–
Interest expense (Notes 6, 7, and 8)	(2,500)	(314,466)	(346,499)	(924,459)
Loss on extinguishment of debt	(114,389)	–	(16,758)	–
Total other income (expense)	(12,614)	(451,683)	(833,931)	(728,368)

Net loss for the period	(1,422,632)	(1,300,547)	(3,672,371)	(2,795,972)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	(75,374)	35,388	(33,270)	54,993
Comprehensive loss for the period	(1,498,006)	(1,265,159)	(3,705,641)	(2,740,979)
Net loss per share, basic and diluted	(0.04)	(0.05)	(0.12)	(0.12)
Weighted average number of shares outstanding	38,525,241	24,113,779	30,875,288	23,820,178

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

PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in U.S. dollars)

(unaudited)

	Nine Months Ended December 31, 2017 $	Nine Months Ended December 31, 2016 $
Operating Activities		
Net loss for the period	(3,672,371)	(2,795,972)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discounts on note payable and convertible debenture	33,438	249,459
Amortization of intangible assets	656,859	656,859
Depreciation	7,069	2,356
Impairment on capitalized costs	282,939	–
Imputed interest	293,478	675,000
Loss on extinguishment of debt	16,758	–
Loss (gain) on change in fair value of derivative liability	187,735	(196,091)
Stock-based compensation	9,900	–
Changes in operating assets and liabilities:		
Amounts receivable	20,988	491
Prepaid expenses	(45,261)	(16,628)
Due from related parties	(200)	(22,692)
Accounts payable and accrued liabilities	439,071	324,739
Due to related parties	175,610	(305,060)
Net Cash Used In Operating Activities	(1,593,987)	(1,427,539)
Investing Activities		
Additions of property and equipment	(460,294)	(847,468)
Net Cash Used In Investing Activities	(460,294)	(847,468)
Financing Activities		

Proceeds from issuance of common stock	2,851,600	3,430,500
Repayments to related parties	(338,450)	(451,352)
Repayment of loan payable	(30,917)	(113,280)
Net Cash Provided by Financing Activities	2,482,233	2,865,868
Effect of Foreign Exchange Rate Changes on Cash	(520,004)	(163,229)
Change in Cash	(92,052)	427,632
Cash, Beginning of Period	382,167	40,108
Cash, End of Period	290,115	467,740
Non-cash Investing and Financing Activities:		
Accrued interest settled with common stock	85,483	–
Amount due to related parties settled with common stock	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	–
Reallocation of amount due to a related party to amounts receivable	–	11,257
Supplemental Disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Pacific Green Technologies Inc. (the "Company") is engaged in the commercialization and development of its proprietary emissions control and scrubber technologies. With its technical and manufacturing partners, the Company has developed applications for the marine, manufacturing, and utility sectors to reduce pollutants and contaminants from emissions. The Company's goal is to bring new emission control solutions to help address the world's need for clean and sustainable energy.

The accompanying condensed consolidated interim financial statements of the Company should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2017. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments of a recurring nature considered necessary to present fairly the Company's financial position and the results of its operations and its cash flows for the periods shown.

The preparation of these condensed consolidated interim financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. The results of operations and cash flows for the periods shown are not necessarily indicative of the results to be expected for the full year.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders and note holders, the ability of the Company to obtain necessary equity financing to continue operations, and ultimately the attainment of profitable operations. As at December 31, 2017, the Company has a working capital deficit of $1,203,888, and has an accumulated deficit of $67,230,582 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Principles of Consolidation

These condensed consolidated interim financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. These condensed consolidated interim financial statements include the accounts of the Company and the following entities:

Pacific Green Technologies Marine Limited (PGTML)	Wholly-owned subsidiary
Pacific Green Technologies International Limited (“PGTIL”)	Wholly-owned subsidiary
Energy Park Sutton Bridge Ltd. (“EPSB”)	Wholly-owned subsidiary of PGTIL
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

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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)

2. Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

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, amounts receivable, amounts due from and to related parties, accounts payable and accrued liabilities, loan payable, convertible debenture, and 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 December 31, 2017, on a recurring basis:

	Level 1 $	Level 2 $	Level 3 $
Cash	290,115	–	–
Derivative liability	–	158,065	–
Total	290,115	158,065	–

During the nine months ended December 31, 2017, the Company recognized a loss on change in fair value of derivative liability of $187,735 (2016 - gain of $196,091).

(c) Revenue recognition

The Company's recognizes revenues when equipment has been delivered and accepted by a customer and risk of ownership has transferred. In addition, terms and pricing has been finalized and the collectability of proceeds is reasonably assured. During the quarter, the Company completed the installation of a scrubber unit under an energy management lease arrangement. The energy management lease arrangement qualifies for sales-type lease accounting and includes an option for the transfer of title at the conclusion of the lease payments.

(d) 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. Lease Receivable

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

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)

4. Property and Equipment

	Cost $	Accumulated amortization $	December 31, 2017 Net carrying value $	March 31, 2017 Net carrying value $
Furniture and equipment	4,155	1,039	3,116	3,739
Leasehold improvements	25,784	10,743	15,041	21,487
Scrubber system	–	–	–	1,301,970
Total	29,939	11,782	18,157	1,327,196

During the nine months ended December 31, 2017, the Company completed installation and delivery of a scrubber system.

5. Intangible Assets

	Cost $	Accumulated amortization $	Impairment $	December 31, 2017 Net carrying value $	March 31, 2017 Net carrying value $
Patents and technical information	35,852,556	(4,554,280)	(20,457,255)	10,841,021	11,497,880

On May 17, 2013, the Company entered into an Assignment of Assets agreement with EnviroTechnologies, Inc. ("Enviro"), a company with a common significant shareholder who has a significant influence on the operations of both companies. Pursuant to the agreement, 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 and director of the Company who has a significant influence on the Company's operations, which was assigned to the Company. This shareholder became a director of the Company on May 8, 2017. 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.

6. Loan Payable

As at December 31, 2017, PGTIL, the Company's wholly owned subsidiary, owes $nil (March 31, 2017 - $361,931 (£289,144)) to a significant shareholder of the Company, which bore interest at 6.5% per annum, was unsecured, and was due on demand.

On September 25, 2017, the Company issued 404,901 shares of common stock in full settlement of the principal and interest outstanding of $404,901. Refer to Note 11(g).

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% per annum, and 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. As at December 31, 2017, the Company recorded accrued interest of $29,349 (March 31, 2017 - $17,164), which has been included in accounts payable and accrued liabilities.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)

7. Convertible Debenture (continued)

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. During the nine months ended December 31, 2017, the Company had amortized $nil (2016 - $105,018) of the debt discount to interest expense. 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. Refer to Note 11. As at December 31, 2017, the carrying value of the debenture was $30,000 (March 31, 2017 - $90,000) and the fair value of the derivative liability was $158,065 (March 31, 2017 - $192,286).

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, 2017, the Company recorded a loss on the change in fair value of the derivative liability of $187,735 (2016 – gain 196,091). As at December 31, 2017, the Company recorded a derivative liability of $158,065 (March 31, 2017 - $192,286).

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, 2017, assuming no expected dividends:

	As at December	As at October	As at August

	31, 2017	4, 2017	10, 2017
Estimated common stock issuable upon conversion	247,287	774,784	575,745
Estimated exercise price per common share	0.24	0.125	0.20
Risk-free interest rate	1.4 %	1.1 %	1.1 %
Expected volatility	206 %	436 %	225 %
Expected life (in years)	0.25	0.25	0.39

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

	$
Balance, March 31, 2017	192,286
Mark to market adjustment	187,735
Adjustment for extinguishment	(221,956)
Balance, December 31, 2017	158,065

9. Note Payable

	December 31, 2017 $
Balance, March 31, 2017	4,966,562
Accretion of unamortized discount	33,438
Repayment (Note 11(f))	(5,000,000)
Balance, December 31, 2017	–

On June 14, 2012, the Company entered into an Assignment and Share Transfer Agreement with PGG 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 PGTML, 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.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)

9. Note Payable (continued)

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, 2017, the Company recorded imputed interest of $293,478 (2016 - $675,000) at a rate of 18% per annum which has been included in additional paid-in capital.

On September 25, 2017, the Company issued 5,000,000 shares of common stock in settlement of the outstanding promissory note with PGG.

10. Related Party Transactions

(a) As at December 31, 2017, the Company was owed $25,187 (March 31, 2017 - $24,987) from a shareholder and director 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, 2017, the Company owed $191,159 (March 31, 2017 – $3,945,833) to PGG, of which $27,601 (March 31, 2017 - $25,127) was recorded in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand. On July 20, 2016, the Company entered into a conversion agreement with this company, whereby up to $1,000,000 in outstanding amounts may be converted at a rate of $0.70 per share for a 12 month period between July 20, 2016 and July 20, 2017. The Company determined that the convertible debt contained no embedded beneficial conversion feature as the conversion price was the same as the fair market value of the Company's common stock on the date of issuance.

(c) As at December 31, 2017, the Company owed $37,986 (March 31, 2017 - $200,017) to directors of the Company, of which $23,000 (March 31, 2017 - $10,030) 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 September 30, 2017, the Company incurred $230,000 (2016 – $180,000) in consulting fees to PGG.

(e) During the nine months ended September 30, 2017, the Company incurred $81,610 (2016 – $186,080) in consulting fees to companies controlled by directors of the Company.

11. Common Stock

(a) On June 1, 2017, the Company issued 33,333 shares of common stock relating to a non-brokered private placement at a price of $1.50 per share for proceeds of $50,000, which was recorded as common stock issuable as at March 31, 2017.

(b) On June 1, 2017, the Company issued 500,000 shares of common stock relating to a non-brokered private placement at a price of $0.80 per share for proceeds of $400,000.

(c) On September 13, 2017, the Company issued 1,337,500 shares of common stock relating to non-brokered private placements at a price of $0.80 per share for proceeds of $1,070,000.

(d) On September 13, 2017, the Company issued 22,000 shares of common stock with a fair value of $9,900 to various consultants for consulting services. The fair value of the common stock was determined based on the closing price of the Company's common stock.

(e) On September 19, 2017, the Company issued 100,000 shares of common stock with a fair value of $125,000 pursuant to a conversion of $20,000 in principal and $107,545 in derivative liability relating to the November 10, 2015 convertible debenture. The fair value of the common stock was determined based on the closing price of the Company's common stock. This transaction resulted in a gain on extinguishment of debt of $2,545. Refer to Note 7.

(f) On September 25, 2017, the Company issued 8,636,595 shares of common stock with a fair value of $8,636,595 to PGG in settlement of the note payable of $5,000,000 and $3,636,595 in outstanding loans and other advances due on demand.

(g) On September 25, 2017, the Company issued 404,901 shares of common stock with a fair value of $404,901 to a significant shareholder of the Company in settlement of the loan payable of $319,418 (£284,144) and accrued interest of $85,483 (£65,525). Refer to Note 6.

PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

December 31, 2017

(Expressed in U.S. Dollars)

(unaudited)