

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, 2020**

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)

36-4966163

(I.R.S. Employer
Identification No.)

**Suite 10212, 8 The Green
Dover, DE**

(Address of principal executive offices)

19901

(Zip Code)

Registrant's telephone number, including area code: **(302) 601-4659**

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PGTK	OTC

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

46,884,190 common shares issued and outstanding as of February 12, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited condensed consolidated interim financial statements for the Nine months ended December 31, 2020 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, 2020

(Unaudited)

(Expressed in US dollars)

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Balance Sheets

(Unaudited)

(Expressed in U.S. dollars)

	December 31, 2020 \$	March 31, 2020 \$
ASSETS		
Cash	11,432,129	21,386,934
Short-term investments and amounts in escrow (Note 3)	460,930	718,100
Accounts receivable and other amounts recoverable	15,003,717	16,161,811
Prepaid expenses and deposits	477,339	839,705
Parts inventory	280,111	-
Contract assets (Note 9)	17,789,691	24,604,339
Lease receivable, current portion (Note 4)	472,000	472,000
Due from related parties (Note 13)	42,346	-
Total Current Assets	45,958,263	64,182,889
Lease receivable (Note 4)	45,382	369,634

Long term receivable	2,185,298	2,027,855
Property and equipment (Note 5)	1,286,873	1,301,905
Intangible assets (Note 6)	11,621,985	12,575,303
Goodwill (Note 7,8)	4,309,170	3,524,162
Right of use asset (Note 19)	1,217,571	1,813,921
Security deposit	357,015	430,568
Total Assets	66,981,557	86,226,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	28,699,844	42,276,285
Warranty provision (Note 12)	1,572,433	1,089,356
Contract liabilities (Note 9)	16,442,665	23,553,267
Loan payable	68,310	-
Convertible debenture (Note 10)	10,000	30,000
Current portion of operating lease obligation (Note 19)	481,275	548,338
Due to related parties (Note 13)	4,250	42,141
Derivative liability (Note 10)	133,240	174,484
Total Current Liabilities	47,412,017	67,713,871
Long-term accounts payable and accrued liabilities (Note 11)	1,748,238	1,622,284
Long-term operating lease obligation (Note 19)	950,695	1,305,722
Total Liabilities	50,110,950	70,641,877
Stockholders' Equity		
Preferred stock, 10,000,000 shares authorized, \$0.001 par value Nil and nil shares issued and outstanding, respectively	-	-
Common stock, 500,000,000 shares authorized, \$0.001 par value 46,655,209 and 45,659,971 shares issued and outstanding, respectively (Note 14)	46,655	45,660
Additional paid-in capital	91,619,333	90,653,018
Accumulated other comprehensive income	897,911	207,017
Deficit	(75,693,292)	(75,321,335)
Total Stockholders' Equity	16,870,607	15,584,360
Total Liabilities and Stockholders' Equity	66,981,557	86,226,237
Nature of Operations (Note 1)		
Commitment (Note 19)		
Subsequent Events (Note 21)		

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

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

(Expressed in U.S. dollars)

	Three Months Ended December 31, 2020 \$	Three Months Ended December 31, 2019 \$	Nine months Ended December 31, 2020 \$	Nine months Ended December 31, 2019 \$
Sales (Note 9)	4,658,466	37,521,949	42,128,892	105,024,728
Cost of goods sold	3,625,204	22,619,653	25,515,248	63,067,989
Gross profit	1,033,262	14,902,296	16,613,644	41,956,739
Expenses				
Advertising and promotion	152,172	223,757	510,748	1,089,709
Amortization of intangible assets (Note 6)	389,703	242,331	1,169,039	681,065
Consulting fees, technical support, and commissions	1,238,962	6,929,142	9,583,143	16,108,013
Depreciation (Note 5)	47,807	21,597	144,457	44,978
Foreign exchange (gain) loss	(41,959)	(492,206)	2,577	(70,732)
Office and miscellaneous	460,338	847,158	1,396,263	2,032,767
Operating lease expense (Note 19)	93,910	96,340	342,077	302,131
Professional fees	601,790	342,444	1,494,425	1,024,901

Research and development	-	-	4,368	-
Salaries and wage expenses	1,187,967	1,910,852	4,510,241	4,402,448
Transfer agent and filing fees	(34,007)	6,548	106,758	136,486
Travel and accommodation	129,470	1,087,576	302,040	2,482,144
Warranty and related (Note 12)	160,125	1,356,422	1,407,420	2,711,213
Total expenses	4,386,278	12,571,961	20,973,556	30,945,123
(Loss) income before other income (expenses)	(3,353,016)	2,330,335	(4,359,912)	11,011,616
Other income (expenses)				
Gain on de-consolidation of subsidiary (Note 18)	-	-	239,174	-
(Loss) gain on change in fair value of derivative liability (Note 10)	(50,869)	57,520	(1,306)	(13,887)
Gain on reduction of acquisition costs of subsidiary (Note 7)	-	-	3,240,250	-
Financing interest income	247,253	13,782	548,543	43,418
Interest expense	(24,015)	(1,501)	(46,479)	(5,006)
Provision for loan	-	-	4,754	-
Gain on termination of lease	-	-	3,019	-
Total other income (expense)	172,369	69,801	3,987,955	24,525
Net (loss) income for the period	(3,180,647)	2,400,136	(371,957)	11,036,141
Other comprehensive income				
Foreign currency translation gain	606,849	(216,909)	690,893	246,634
Comprehensive (loss) income for the period	(2,573,798)	2,183,227	318,936	11,282,775
Net income per share, basic and diluted	(0.07)	0.05	(0.01)	0.24
Weight average number of common shares outstanding, basic ⁽¹⁾	46,598,183	45,983,928	46,305,661	45,981,958
Weight average number of dilutive shares outstanding, diluted	46,598,183	45,983,928	46,305,661	45,981,958

(1) The period ended December 31, 2020, includes 312,500 stock options (December 31, 2019 – 487,500) as they are exercisable at any time and for nominal cash consideration.

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

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Stockholders' Equity

(Unaudited)

(Expressed in U.S. dollars)

	Common stock		Additional Paid-in Capital \$	Accumulated Other Comprehensive Income \$	Deficit \$	Stockholders' Equity \$
	Shares #	Amount \$				
Balance, March 31, 2020	45,659,971	45,660	90,653,018	207,017	(75,321,335)	15,584,360
Fair value of options granted	-	-	60,822	-	-	60,822
Foreign exchange translation gain	-	-	-	(55,797)	-	(55,797)
Net income for the period	-	-	-	-	1,488,681	1,488,681
Balance June 30, 2020	45,659,971	45,660	90,713,840	151,220	(73,832,654)	17,078,066
Shares issued for commissions	95,238	95	95,143	-	-	95,238
Shares for employment settlement	50,000	50	69,450	-	-	69,500
Shares issued on the exercise of stock options	175,000	175	1,575	-	-	1,750
Foreign exchange translation	-	-	-	139,842	-	139,842
Shares issued on debt conversion	50,000	50	62,450	-	-	62,500
Net income for the period	-	-	-	-	1,320,009	1,320,009
Balance September 30, 2020	46,030,209	46,030	90,942,458	291,062	(72,512,645)	18,766,905
Shares issued for acquisition	525,000	525	576,975	-	-	577,500
Shares issued for settlement	100,000	100	99,900	-	-	100,000
Foreign exchange translation	-	-	-	606,849	-	606,849
Net loss for the period	-	-	-	-	(3,180,647)	(3,180,647)
Balance December 31, 2020	46,655,209	46,655	91,619,333	897,911	(75,693,292)	16,870,607

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

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Stockholders' Equity

(Unaudited)

(Expressed in U.S. dollars)

	Common stock		Common stock Issuable	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Deficit	Stockholders' Equity
	Shares #	Amount \$					
Balance, March 31, 2019	45,493,439	45,493	-	90,684,174	270,245	(85,702,755)	5,297,157
Fair value of options granted	-	-	-	13,828	-	-	13,828
Foreign exchange translation gain	-	-	-	-	79,215	-	79,215
Net loss for the period	-	-	-	-	-	(4,814,614)	(4,814,614)
Balance June 30, 2019	45,493,439	45,493	-	90,698,002	349,460	(90,517,369)	575,586
Fair value of options granted	-	-	-	36,347	-	-	36,347
Shareholder settlement	-	-	-	135,454	-	-	135,454
Foreign exchange translation gain	-	-	-	-	384,328	-	384,328
Net income for the period	-	-	-	-	-	13,450,619	13,450,619
Balance September 30, 2019	45,493,439	45,493	-	90,869,803	733,788	(77,066,750)	14,582,334
Fair value of options granted	-	-	-	30,421	-	-	30,421
Shares issued for settlement (cancellation)	25,000	25	-	73,475	-	-	73,500
Common stock issuable	-	-	368,750	-	-	-	368,750
Settlement of Warrants	-	-	-	(750,000)	-	-	(750,000)
Foreign exchange translation (loss)	-	-	-	-	(216,909)	-	(216,909)
Net income for the period	-	-	-	-	-	2,400,136	2,400,136
Balance December 31, 2019	45,518,439	45,518	368,750	90,223,699	516,879	(74,666,614)	16,488,232

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

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PACIFIC GREEN TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Expressed in U.S. dollars)

	Nine months Ended December 31, 2020 \$	Nine months Ended December 31, 2019 \$
Operating Activities		
Net income (loss) for the period	(371,957)	11,036,141
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets (Note 6)	1,169,039	681,065
Gain on reduction of acquisition costs of subsidiary	(3,240,250)	-
Gain on disposition of subsidiary	(242,193)	-
Lease expense	342,077	302,131
Depreciation (Note 5)	144,457	44,978
Lease finance charge	29,748	147,832
Loss (gain) on change in fair value of derivative liability (Note 10)	1,306	13,887
Unrealized loss (gain) on foreign exchange	166,478	-
Fair value of stock options granted (Note 16)	60,822	80,596
Shares issued for services	264,688	73,500
Changes in operating assets and liabilities:		
Short-term investments and amounts held in trust	257,170	317,629
Accounts receivable	1,306,949	(23,309,967)
Prepaid expenses and deposits	154,672	(364,576)
Contract assets	6,814,648	(9,786,672)
Lease payments	(379,820)	(155,993)
Due from related parties	(42,346)	-
Accounts payable and accrued liabilities	(9,991,783)	27,556,388
Warranty provision	483,077	2,252,823
Loan payable	3,329	-
Contract liabilities	(7,110,602)	8,753,877
Due to related parties	-	(115,581)

Net Cash Provided by (Used in) Operating Activities	(10,180,491)	17,528,058
Investing Activities		
Acquisition of business, net of cash acquired (Note 7,8)	114,014	(3,799,648)
Additions of property and equipment	(99,999)	(431,600)
Net Cash Provided by (Used in) Investing Activities	14,015	(4,231,248)
Financing Activities		
Shareholder settlement	-	135,454
Stock issued on acquisition	-	-
Proceeds on option exercise	1,750	-
Share purchase warrants settled	-	(750,000)
Net Cash Provided by (Used in) Financing Activities	1,750	(614,546)
Effect of Foreign Exchange Rate Changes on Cash	209,921	246,634
Change in Cash	(9,954,805)	12,928,898
Cash, Beginning of Period	21,386,934	2,863,148
Cash, End of Period	11,432,129	15,792,046
Non-cash Investing and Financing Activities, excluded in above		
Common stock issuable in business acquisition	525,000	368,750
Consideration accrued for business acquisition (Note 7) net of imputed discount	23,921	5,190,023
Right of use assets and lease obligations recognized	-	1,923,508
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 Condensed Consolidated Interim Financial Statements
December 31, 2020
(Unaudited)
(Expressed in U.S. Dollars)

1. Nature of Operations

Pacific Green Technologies Inc. (the “Company”) was incorporated in the state of Delaware, USA on March 10, 1994. The Company is in the business of acquiring, developing, and marketing environmental technologies, with a focus on emission control technologies. On December 20, 2019, the Company acquired Shanghai Engin Digital Technology Co. Ltd., a company incorporated and registered in China (“Engin”). Engin is a solar design, development, and engineering company (Note 7). On June 19, 2020, Engin was changed to Pacific Green Technologies (Shanghai) Co. Ltd. On October 19, 2020, the Company acquired Innoergy Limited (“Innoergy”). Innoergy is a designer of battery energy storage systems and registered in the United Kingdom (Note 8). In connection with the acquisition, Innoergy adopted the name Pacific Green Innoergy Technologies Limited.

The 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, 2020. In the opinion of management, the accompanying condensed consolidated interim 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.

2. Significant Accounting Policies

(a) Basis of Presentation

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

Pacific Green Technologies (UK) Ltd. (“PGTU”) (Formerly Pacific Green Marine Technologies Ltd.)	Wholly-owned subsidiary of PGMG
Pacific Green Technologies Asia Ltd. (“PGTA”)	Wholly-owned subsidiary
Pacific Green Technologies China Ltd. (“PGTC”)	Wholly-owned subsidiary of PGTA
Pacific Green Marine Technologies Inc. (PGMT Can)	Wholly-owned subsidiary
Pacific Green Marine Technologies Inc. (PGMT US)	Wholly-owned subsidiary of PGMG
Pacific Green Marine Technologies (USA) Inc. (inactive)	Wholly-owned subsidiary of PGMG
Pacific Green Marine Technologies Group Inc. (“PGMG”)	Wholly-owned subsidiary

Pacific Green Energy Storage (UK) Ltd. (“PGESU”) (Formerly Pacific Green Marine Technologies Trading Ltd.)	Wholly-owned subsidiary of PGMG
Pacific Green Environmental Technologies (Asia) Ltd. (“PGETA”)	50.1% owned subsidiary
Pacific Green Marine Technologies (Norway) SA (“PGN”)	Wholly-owned subsidiary of PGTU
Pacific Green Technologies (Shanghai) Co. Ltd. (“Engin”) (Formerly Shanghai Engin Digital Technology Co. Ltd)	Wholly-owned subsidiary
Guangdong Northeast Power Engineering Design Co. Ltd. (“GNPE”)	Wholly-owned subsidiary of ENGIN
Pacific Green Innoergy Technologies Ltd. (“Innoergy”) (Formerly Innoergy Ltd.)	Wholly-owned subsidiary

During the nine months ended December 31, 2020, the Company ceased operations of PGN (Note 18). PGN has been deconsolidated as it has been run by the courts. On October 19, 2020, the Company acquired 100% interest in Innoergy, a designer of battery energy storage systems and registered in the United Kingdom (Note 8). All inter-company balances and transactions have been eliminated upon consolidation.

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2020
(Unaudited)
(Expressed in U.S. Dollars)

2. Significant Accounting Policies (continued)

(b) Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses. The ASU sets forth a “current expected credit loss” (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. As a smaller reporting company, this ASU is effective for fiscal years beginning after January 1, 2023, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this ASU on its Consolidated Financial Statements.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements and management 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. Short-term Investments and amounts in escrow

At December 31, 2020, the Company has a \$59,545 (CAD \$75,938) (March 31, 2020 - \$53,106 (CAD \$75,000)) Guaranteed Investment Certificate (“GIC”) held as security against a corporate credit card. The GIC bears interest at 1.00% per annum and matures December 13, 2021.

At December 31, 2020, the Company’s solicitor is holding \$401,385 (March 31, 2020 - \$664,994) relating to proceeds under customer contracts.

4. Lease Receivable

On December 12, 2017, the Company completed the sale of a constructed ENVI-Marine scrubber system under an energy management lease arrangement. The Company’s lease receivable as at December 31, 2020 and March 31, 2020, consists of an amount due from the customer under a long-term lease arrangement.

Previously, the payments to the Company under the lease arrangement were calculated under a cost savings model. During March 2019, the Company and lessee agreed to a revised payment schedule based on a quarterly payment of \$118,000 per quarter through fiscal 2022 in place of the cost saving model. The current portion presented below reflects the minimum expected payments per the lease arrangement for the next twelve months.

At the completion of the minimum required lease payments, the title of the asset transfers to the customer. No amount has been allocated to the residual value. Moreover, there are no other variable amounts involved in this lease arrangement.

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2020
(Unaudited)
(Expressed in U.S. Dollars)

4. Lease Receivable (continued)

	December 31, 2020 \$	March 31, 2020 \$
Current portion, expected within twelve months	472,000	472,000
Amounts expected thereafter	45,382	369,634
Total	<u>517,382</u>	<u>841,634</u>

Future lease payments forecasted in annual periods are as follows:

	\$
2021	472,000
2022	65,114
Interest deemed hereunder	(19,732)
Total	517,382

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2020
(Unaudited)
(Expressed in U.S. Dollars)

5. Property and Equipment

	Cost \$	Accumulated amortization \$	December 31, 2020 Net carrying value \$	March 31, 2020 Net carrying value \$
Building*	961,099	(33,604)	927,495	869,791
Furniture and equipment	314,081	(97,979)	216,102	274,338
Computer equipment*	16,674	(4,943)	11,731	13,930
Leasehold improvements	110,815	(55,379)	55,436	73,140
Testing equipment- Scrubber system	101,294	(25,185)	76,109	70,706
Total	1,503,963	(217,090)	1,286,873	1,301,905

* Acquired as part of a business combination - see Note 7. The building is rented out to a third party for ¥18,500 per month (USD \$2,690) from July 16, 2020 to August 15, 2022.

6. Intangible Assets

	Cost \$	Accumulated amortization \$	Cumulative impairment \$	December 31, 2020 Net carrying value \$	March 31, 2020 Net carrying value \$
Patents and technical information	35,852,556	(7,207,578)	(20,457,255)	8,187,723	8,845,823
Backlogs *	95,898	(46,396)	-	49,502	81,193
Customer lists *	237,794	(37,538)	-	200,256	215,844
Patents and certifications *	3,767,087	(594,674)	-	3,172,413	3,419,375
Software licensing *	13,673	(1,582)	-	12,091	13,068
Total	39,967,008	(7,887,768)	(20,457,255)	11,621,985	12,575,303

* Acquired as part of a business combination - see Note 7

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PACIFIC GREEN TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements
December 31, 2020
(Unaudited)
(Expressed in U.S. Dollars)

7. Acquisition of Shanghai Engin Digital Technology Co. Ltd

On December 20, 2019, the Company acquired all the issued and outstanding stock of Shanghai Engin Digital Technology Co. Ltd., a solar design, development and engineering company and its subsidiary. Engin's expertise in solar technologies provides the Company another green technology to market and develop internationally alongside our manufacturing. The acquisition was concluded concurrently with two groups. The first purchase of the 75% interest was acquired for consideration of \$5,864,234 (¥41,000,000) upon signing (paid), plus a further \$2,145,002 (¥15,000,000) due by March 20, 2020 (partially paid) and a final conditional payment of \$2,860,002 (¥20,000,000) by June 30, 2020 (not paid). The Company has made a partial payment of \$1,072,961 (¥7,500,000) on the outstanding amount of \$2,145,002 (¥15,000,000). The remaining 25% interest was acquired for consideration of 125,000 new shares of the Company (issued after year end), plus a further conditional \$286,000 (¥2,000,000) payable by June 30, 2020 (not paid). The required conditions for the final payment were not met by the selling party. As a result, the company derecognized the liability and recorded a gain of \$3,240,250 (¥22,000,000). On June 19, 2020, Engin's name was changed to Pacific Green Technologies (Shanghai) Co. Ltd.

Total purchase consideration is estimated at \$11,052,307, inclusive of the fair value of the conditional payments, which were considered probable at the acquisition date. The 125,000 shares in the Company have been estimated to have a fair value of \$368,750 or \$2.95 per share. This share price is determined on the basis of the closing market price of the Company's common shares at the date of acquisition.

The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition. The purchase consideration has been applied to cash of \$2,063,358, other net working capital of Engin of \$1,024,461, property and equipment of \$931,554, intangible assets of \$4,112,462, and cumulative translation adjustment of \$470,847. The residual value of consideration after applying it to the carrying values of assets and liabilities acquired and fair value adjustments, resulted in a goodwill allocation of \$3,760,079. The goodwill paid as part of the acquisition is expected to be tax deductible. The measurement period will not exceed one year from the acquisition date.

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8. Acquisition of Innoergy Limited

On October 19, 2020, the Company entered into a Share Purchase Agreement for the acquisition of a 100% interest in Innoergy Limited and immediately changed its name to Pacific Green Innoergy Technologies Limited ("Innoergy"). Innoergy is a designer of battery energy storage systems registered in the United Kingdom. The acquisition marks the Company's entry into the battery energy storage system market in conjunction with its joint venture partner, PowerChina SPEM.

In consideration of all the issued and outstanding securities of Innoergy, the Company has issued to the selling shareholders of Innoergy an aggregate of 525,000 common shares of the Company. The Company paid £25,000 (\$32,500) to a selling shareholder on completion of the transaction, and will pay an equal amount when Innoergy achieves battery storage sales equivalent to 50 megawatts. The common shares of the Company issued to the sellers are subject to a sales volume restriction of 65,625 shares per calendar quarter. As a further condition of the acquisition, Pacific Green will make available to Innoergy a working capital credit facility of £350,000 (approximately \$455,000) at an interest rate of eight percent (8%) per annum, which will be due on demand and secured by a floating charge and debenture against the assets of Innoergy.

Total purchase consideration is estimated at \$633,911, inclusive of the fair value of the conditional payments, which were considered 75% probable at the acquisition date. Total purchase consideration also includes 525,000 shares with fair value of \$577,500 or \$1.10 per share. This share price is determined on the basis of the closing market price of the Company's common shares at the date of acquisition. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition. The purchase consideration has been applied to cash of \$146,503, other net working capital of \$ 2,758, property and equipment of \$540, and loan payable of \$64,981. The residual value of \$549,091 has been allocated to goodwill, which is expected to be partially or completely tax deductible. The resulting goodwill is based on preliminary valuations and is subject to change based on information that may be made available in the measurement period. The measurement period during which changes may be made to the provisional purchase price allocation will not exceed one year from the acquisition date.

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9. Sales, Contract Assets and Contract Liabilities

The Company has analyzed its sales contracts under ASC 606 and has identified performance conditions that are not directly correlated with contractual payment terms with customer. As a result of the timing differences between customer payments and satisfaction of performance conditions, contractual assets and contractual liabilities have been recognized.

Contracts are unique to customers' requirements. However, the Company's performance obligations can generally be identified as:

- Specified service works
- Certified design and engineering works
- Acceptance of delivered equipment to customers
- Acceptance of commissioned equipment

For the three and nine months ended December 31, 2020, and 2019, the Company's recognized sales revenues in proportion to performance obligations as noted below:

	Three months Ended December 31, 2020 \$	Three months Ended December 31, 2019 \$
Specified service works	397,572	-
Certified design and engineering works	-	9,779,337
Acceptance of delivered equipment to customers	1,994,601	19,273,700
Acceptance of commissioned equipment	1,922,166	8,468,912

Concentrated solar power contracts	344,127	-
Total	4,658,466	37,521,949

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9. Sales, Contract Assets and Contract Liabilities (continued)

	Nine months Ended December 31, 2020 \$	Nine months Ended December 31, 2019 \$
Specified service works	817,618	381,338
Certified design and engineering works	3,575,629	21,517,289
Acceptance of delivered equipment to customers	21,498,217	69,697,153
Acceptance of commissioned equipment	15,754,070	13,428,948
Concentrated solar power contracts	483,358	-
Total	42,128,892	105,024,728

Changes in the Company's contract assets and liabilities for the periods are noted as below:

	Contract Assets \$	Sales (Cost of sales) \$	Contract Liabilities \$
Balance, March 31, 2019	12,237,825		(18,850,487)
Customer receipts and receivables	-	-	(134,841,354)
Sales recognized in earnings	-	130,138,574	130,138,574
Payments under contracts	90,932,669	-	-
Costs recognized in earnings	(78,566,155)	(78,556,155)	-
Balance, March 31, 2020	24,604,339		(23,553,267)
Customer receipts and receivables	-	-	(35,018,290)
Sales recognized in earnings	-	42,128,892	42,128,892
Payments and accruals under contracts*	18,700,600	-	-
Costs recognized in earnings	(25,515,248)	(25,515,248)	-
Balance, December 31, 2020	17,789,691		(16,442,665)

* Payments and accruals under contracts include \$7,433,663 presented as receivables which is subject to the fulfilment of future performance obligations.

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PACIFIC GREEN TECHNOLOGIES INC.

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10. Convertible Debenture and Derivative Liability

As at December 31, 2020, the carrying value of the debenture was \$10,000 (March 31, 2020 - \$30,000) and interest expense on the debenture for the three and nine months ended December 31, 2020 was recorded as \$500 (December 31, 2019 - \$1,500) and \$2,833 (December 31, 2019 - \$4,500). During the nine months ended December 31, 2020, \$20,000 of the debenture was converted to 50,000 common shares and a reduction of the derivative liability of \$42,550 was recorded.

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 three and nine months ended December 31, 2020, the Company recorded a loss on the change in fair value of derivative liability of \$50,869 (December 31, 2019- gain of \$57,520) and a loss of \$1,306 (December 31, 2019 – loss of \$13,887), respectively. As at December 31, 2020, the Company recorded a derivative liability of \$133,240 (March 31, 2020 - \$174,484).

The following inputs and assumptions were used to calculate the fair value of the conversion feature of the convertible debenture outstanding as at December 31, 2020,

assuming no expected dividends:

	As at December 31, 2020	As at March 31, 2020
Estimated common stock issuable upon conversion	135,430	178,343
Estimated exercise price per common share	\$ 0.40	\$ 0.40
Risk-free interest rate	0.09%	0.11%
Expected volatility	174.1%	193.6%
Expected life (in years)	0.25	0.25

A summary of the changes in derivative liabilities for the three- and nine-month periods is shown below:

	Three Months Ended December 31, 2020 \$	Three Months Ended December 31, 2019 \$	Nine months Ended December 31, 2020 \$	Nine months Ended December 31, 2019 \$
Balance, beginning of period	(82,371)	(502,993)	(174,484)	(431,586)
Conversion	-	-	42,550	-
Mark to market adjustment	(50,869)	57,520	(1,306)	(13,887)
Balance, end of period	(133,240)	(445,473)	(133,240)	(445,473)

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11. Accounts payable and accruals

	December 31, 2020 \$	March 31, 2020 \$
Accounts payable	1,386,296	9,610,748
Accrued liabilities	27,263,560	32,599,586
Payroll liabilities	49,988	65,951
Short term accounts payable and accrued liabilities	28,699,844	42,276,285
Long term accounts payable and accrued liabilities	1,748,238	1,622,284
Balance, end of period	30,448,082	43,898,569

12. Warranty provision

During the three and nine months ended December 31, 2020, the Company recorded a non-cash warranty provision of \$160,125 (December 31, 2019 - \$1,356,422) and \$1,407,420 (December 31, 2019 - \$2,711,213) respectively, as the Company provides warranties to customers for the design, materials, and installation of scrubber units. Product warranty is recorded at the time of sale and will be revised based on new information as system performance data becomes available.

A summary of the changes in the warranty provision is shown below:

	December 31, 2020 \$	March 31, 2020 \$
Balance, beginning of period	1,089,356	121,345
Provision for warranty	1,407,420	1,630,541
Expenses incurred	(924,343)	(662,530)
Balance, end of period	1,572,433	1,089,356

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13. Related Party Transactions

- (a) As at December 31, 2020, the Company was owed \$42,346 (March 31, 2020 – owed to \$2,154) from companies controlled by a director and officer of the Company. The amounts owing are unsecured, non-interest bearing, and due on demand.
- (b) As at December 31, 2020, the Company owed \$4,250 (March 31, 2020 – \$nil) to a director of the Company. The amounts owing are unsecured, non-interest bearing, and due on demand.
- (c) During the three and nine months ended December 31, 2020, the Company incurred \$330,025 (December 31, 2019 – \$489,766) and \$1,099,756 (December 31, 2019 – \$1,347,652) in consulting fees, salaries, and commissions to companies controlled by a director of the Company.
- (d) During the three and nine months ended December 31, 2020, the Company incurred \$12,750 (December 31, 2019 – \$11,942) and \$38,250 (December 31, 2019 – \$21,479) in consulting fees to a director of the Company.
- (e) During the three and nine months ended December 31, 2020, the Company incurred \$ nil (December 31, 2019 - \$nil) and \$nil (December 31, 2019 - \$35,000) in consulting fees to a director of the Company.

14. Capital Stock

- (a) On July 17, 2020, the Company issued 50,000 shares of common stock with an aggregate value of \$69,500 to a former officer of the Company as per the terms of an employment settlement agreement.
- (b) On August 6, 2020, the Company issued 50,000 shares of common stock with a fair value of \$62,500 pursuant to a conversion of \$20,000 in principal and \$ 42,550 in derivative liability relating to the November 10, 2015 convertible debenture. The fair value of the common stock was determined based on closing price of the Company's common stock of \$1.25 per share. This transaction resulted in a gain on extinguishment of debt of \$50.
- (c) On August 31, 2020, 175,000 stock options were exercised by a director of the Company at the exercise price of \$0.01 per share with an aggregate value of \$1,750. The Company issued 175,000 shares of common stock from the treasury.
- (d) On September 28, 2020, the Company issued 95,238 shares of common stock with an aggregate value of \$95,238 under the terms of a sales commission agreement.
- (e) On October 19, 2020, the Company issued 525,000 shares of common stock with an aggregate value of \$577,500 as part of the acquisition of Innoergy.
- (f) On October 19, 2020, the Company issued 100,000 shares of common stock with an aggregate value of \$100,000 to a former director in recognition and appreciation for his years of exemplary service and commitment to the Company as a bonus.

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PACIFIC GREEN TECHNOLOGIES INC.

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15. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, March 31, 2019	4,300,000	2.15
Cancelled	(1,000,000)	2.50
Balance, March 31, 2020	3,300,000	2.50
Cancelled	(3,300,000)	2.50
Balance December 31, 2020	-	-

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16. 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, 2019	3,452,500	1.41	2.3	5,481,125
Granted	75,000	1.99		
Forfeited	(150,000)	0.63		
Balance, March 31, 2020	3,377,500	1.46	1.49	6,045,000
Exercised	(175,000)	0.01		
Balance, December 31, 2020	3,202,500	1.54	0.89	-

Additional information regarding stock options outstanding at December 31, 2020 is as follows:

Number of shares	Exercisable Weighted average remaining contractual life (years)	Range of Exercise price \$
312,500	0.67	0.01
2,865,000	0.91	1.70
25,000	1.54	2.26
<u>3,202,500</u>		

The estimated fair value of the stock options was being recorded over the requisite service period to vesting. For the three and nine months ended December 31, 2020, the fair value of \$nil (December 31, 2019 - \$30,421) and \$60,822 (December 31, 2019 - \$80,596) was recorded as stock-based compensation.

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

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16. Stock Options (continued)

	Three months ended December 31, 2020	Three months ended December 31, 2019
Risk-free interest rate	2.13%	1.55%
Expected life (in years)	3.0	0.8
Expected volatility	169%	108%

17. Segmented Information

The Company is located and operates in North America and its subsidiaries are primarily located and operating in Europe and Asia. Significant long-term assets are geographically located as follows:

	December 31, 2020			Total \$
	North America \$	Europe \$	Asia \$	
Property and equipment	134,666	212,982	939,225	1,286,873
Intangible assets	8,187,723	-	3,434,262	11,621,985
Right of use assets	58,864	913,673	245,034	1,217,571
	<u>8,381,253</u>	<u>1,126,655</u>	<u>4,618,521</u>	<u>14,126,429</u>
		Asia \$	Europe \$	Total \$
Nine months Ended December 31, 2020		483,358	41,645,534	42,128,892

Three Months Ended December 31, 2020	Asia \$	Europe \$	Total \$
Revenues by customer region	344,127	4,314,339	4,658,466

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17. Segmented Information (continued)

	December 31, 2019			Total \$
	North America \$	Europe \$	Asia \$	
Property and equipment	146,672	239,276	1,315,717	1,701,665
Intangible assets	9,065,190	-	-	9,065,190
Right of use assets	100,098	1,590,030	-	1,690,128
	9,311,960	1,829,306	1,315,717	12,456,983
		Asia \$	Europe \$	Total \$
Nine months ended December 31, 2019		8,114,000	96,910,728	105,024,728
		Asia \$	Europe \$	Total \$
Three months ended December 31, 2019		1,050,884	36,471,065	37,521,949

For the three and nine months ended December 31, 2020, 87% (December 31, 2019 – 81%) and 98% (December 31, 2019 – 75%) of the Company's revenues were derived from three customers, of which two customers are under the same common ownership and control.

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18. Deconsolidation of PGMT Norway SA (PGN)

Effective July 1, 2020, the Company ceased operations of the Norway subsidiary. This was due in part to the thinning spread of the current oil prices combined with the current Covid-19 pandemic conditions. All the assets in PGN were liquidated through a court process. The Company has removed the subsidiary's assets and liabilities from the consolidated balance sheet and recorded a gain of \$239,174. The intercompany loan was due to PGMT US and it was written off due to the liquidation. The courts have now closed this case and the Company has no further liability. At July 1, 2020, PGN's assets and liabilities were as shown below:

	\$
Assets:	
Cash	22,314
Prepays	1,135
PPE	26,720
Right of use	241,825
Total Assets	291,994
Liabilities	
Accounts payable	289,301
Intercompany loans	1,572,571
Operating lease	244,274
Total liabilities	2,106,146
Net liability	(1,814,152)
Intercompany loans write-off	1,572,571
	2,407
Less: investment in subsidiary	
Gain on disposition	239,174

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19. Commitment

- (a) The Company's subsidiaries have entered into three long-term operating leases for office premises in London, United Kingdom, Shanghai, China and North Vancouver, Canada. These lease assets are categorized as right of use assets under ASU No. 2016-02.
- (b) Effective July 1, 2020, the Company terminated its operating lease in Lysaker, Norway as the company has ceased operations of its Norway subsidiary.

Long-term premises lease	Lease commencement	Lease expiry	Term (years)	Discount rate*
London, United Kingdom	April 1, 2019	December 25, 2023	4.75	4.50%
North Vancouver, Canada	December 1, 2019	August 31, 2022	2.75	4.50%
Shanghai, China	March 1, 2020	May 31, 2025	5.25	4.75%

* The Company determined the discount rate with reference to mortgages of similar tenure and terms.

Operating lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As the Company's operating lease does not provide an implicit rate, the discount rate used to determine the present value of the lease payments is the collateralized incremental borrowing rate based on the remaining lease term. The operating lease asset excludes lease incentives. The operating leases do not contain an option to extend or terminate the lease term at the Company's discretion, therefore no probable renewal has been added to the expiry date when determining lease term. Operating lease expense is recognized on a straight-line basis over the lease term.

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19. Commitment (continued)

Lease costs for the three and nine months are summarized as follows:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine months Ended December 31, 2020	Nine months Ended December 31, 2019
Operating lease expense *	\$ 93,910	\$ 96,340	\$ 342,077	\$ 302,131

* Including right of use amortization and imputed interest. Lease payments include maintenance, operating expense, and tax.

The Company has entered into premises lease agreements with minimum annual lease payments expected over the next five years of the lease as follows:

Calendar Year	\$
2021	537,762
2022	524,269
2023	389,054
2024	64,366
2025	16,092
Total future minimum lease payments	1,531,543
Imputed interest	(99,573)
Operating lease obligations	1,431,970

- (b) On July 14, 2017, the Company entered into a new memorandum of understanding to establish a new joint venture company in China with a non-related party (the "Supplier") wherein the Supplier would receive and process orders, manufacture, and install products for the Company's customers. In return, the Company agreed to design the product, provide strategic pricing, sales and marketing direction, as well as provide technology licenses and technical support (the "Technology") to the Supplier. During the term of the agreement, the Company will provide the Supplier with a non-transferrable right and license to use the Technology to manufacture and install the product within the Asia and Russia region.

The parties will fund the venture proportionately, 50.1% by the Company and 49.9% by the Supplier, and excess operating cash flows will be distributed on a quarterly basis. Neither party have funded the joint venture to date and there has been no revenue and expense associated with it.

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20. Income Taxes

The majority of the Company's revenues from international sales are invoiced from and collected by our U.S. entity and recognized as a component of income before taxes in the United States as opposed to a foreign jurisdiction. Net income (loss) before taxes for the Nine months ended December 31, 2020 by U.S. and foreign jurisdictions was as follows:

	December 31, 2020 \$	December 31, 2019 \$
United States	1,831,428	15,116,552
Foreign	<u>(2,203,385)</u>	<u>(4,080,411)</u>
Net income (loss) before taxes	<u>(371,957)</u>	<u>11,036,141</u>

The following table reconciles the income tax expense (benefit) at the statutory rates to the income tax (benefit) at the Company's effective tax rate.

	December 31, 2020 \$	December 31, 2019 \$
Net income (loss) before taxes	(371,957)	11,036,141
Statutory tax rate	21%	21%
Expected income tax expense (recovery)	(78,111)	2,317,590
Permanent differences and other	502,105	300,596
Foreign tax rate difference	37,233	(41,777)
Change in valuation allowance	<u>(461,227)</u>	<u>(2,576,409)</u>
Income tax provision	<u>-</u>	<u>-</u>
Current	-	-
Deferred	<u>-</u>	<u>-</u>
Income tax provision	<u>-</u>	<u>-</u>

As of the date of this filing, the Company has completed delinquent tax filings and management believes that the active entities within the group are now current with statutory corporate income tax filings. Certain of the amounts presented above are based on estimates and what management believes are prudent filing positions. The actual losses available could differ from these estimates upon assessment and review by taxation authorities.

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20. Income Taxes (continued)

On December 22, 2017, the US federal tax legislation commonly known as the Tax Cut and Jobs Act (TCJA) was signed into law. The TCJA made major changes to the Internal Revenue Code, including reducing the US federal income corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. Under the TCJA, for net operating losses ("NOLs") arising in taxable years beginning after December 31, 2017, the TCJA limits a US corporate taxpayer's ability to utilize NOL carryforwards to 80% of the taxpayer's taxable income (as modified by the CARES Act, as described below). In addition, NOLs arising in taxable years beginning after December 31, 2017 can be carried forward indefinitely, with no carryback. NOLs generated in tax years beginning before January 1, 2018 are not subject to the taxable income limitation and generally has a 20-year carryforward. On March 27, 2020 the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act introduced various tax changes, including granting a five-year carry back period for NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021, temporary suspension of the 80% taxable income limitation on the use of NOLs arising in tax years beginning after December 31, 2017 but before January 1, 2021.

The Company estimates that it has accumulated estimated net operating losses of approximately US\$17.7 million of which US\$14.2 million arose from the US and which does not begin to expire until 2033. In addition, the Company estimates that it has \$1.9 million in losses available in the United Kingdom. Historical losses in the U.S., are subject to limitations on use due to deemed changes in control for tax purposes. This impacts the timing and opportunity to use certain losses.

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21. Subsequent Events

- a) On January 11, 2021, the Company received notice for the conversion of \$10,000 of principle and \$81,592 of interest due under a convertible promissory note. Accordingly, the Company has issued 228,981 common shares in settlement at the conversion rate of \$0.40 per share (Note 10).
- b) On January 14, 2021, the Company entered into a Battery Energy Storage System Strategic Manufacturing Framework Agreement (the "Framework Agreement") with Shanghai Electric Gotion New Energy Technology Co., Ltd. ("SEG").

Under the terms of the Framework Agreement, the parties will work together towards the development of various lithium-ion Battery Energy Storage System (BESS) projects around the world. The Company, through its wholly owned subsidiary, Pacific Green Energy Storage Technologies, Inc., will manage each project's overall execution, including system design, integration and commercial optimization, while SEG will produce the battery technology as the equipment manufacturer.

- c) On January 15, 2021, the Company granted 25,000 stock options to an officer of the Company. The stock options are exercisable at a 25% discount to market and vest on January 15, 2021. These stock options are exercisable 12 months following the grant date.
- d) On February 1, 2021, the Company appointed Peter Rossbach to become an Independent Non-Executive Director of our Company.
- e) On February 2, 2021, the Company executed a settlement agreement and a postponement agreement with Scorpio Bulkers Inc. ("SALT") and Scorpio Tankers Inc. (STNG), respectively. Under the terms of the settlement agreement, SALT has been released from its commitments and guarantees related to its previous purchase contracts in exchange for: (1) \$7,215,000 paid within 5 days of settlement, and (2) deposits and other monies already transferred to the Company with respect to the contracts. Each party is thereafter released from any further guarantees or claims related to these contracts. Under the terms of the postponement agreement, STNG is released from its commitments under previous purchase contracts in exchange for: (1) \$5,276,500 paid within 5 days of settlement, (2) \$2,683,250 paid at the 6-month anniversary of the settlement, and (3) deposits and other monies already transferred to the Company with respect to the contracts. Under the postponement agreement, STNG retains an option for nine months allowing it to pay \$2,638,250 to "unfreeze" between eleven and nineteen of the remaining STNG purchase agreements. If the option is exercised, the Company will be required to deliver under the current commitment with a revised timeline for delivery at a pre-agreed purchase price. For all vessels not covered under such an exercised option, each party is released from any further guarantees or claims related to these contracts.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report and unless otherwise indicated, the terms "we", "us", "our", the "Company", and "our company" mean Pacific Green Technologies Inc., a Delaware corporation, and our wholly owned subsidiaries, (1) Pacific Green Marine Technologies Inc., a Delaware corporation, (2) Pacific Green Marine Technologies Group Inc., a Delaware corporation, (3) Pacific Green Marine Technologies Inc., a Canadian corporation, (4) Pacific Green Technologies (UK) Limited, a United Kingdom company, (5) Pacific Green Technologies Asia Limited, a Hong Kong company, (6) Pacific Green Technologies China Limited, a Hong Kong company, (7) Pacific Green Energy Storage (UK) Limited, a United Kingdom company, (8) Pacific Green Marine Technologies (Norway) AS, (9) Pacific Green Marine Technologies (USA) Inc., a Delaware Corporation (inactive), (10) Pacific Green Environmental Technologies (Asia) Ltd. (11) Pacific Green Technologies (Shanghai) Co. Ltd., a Chinese company, (12) Guangdong Northeast Power Engineering Design Co Ltd., a Chinese company, and (13) Pacific Green Innoergy Technologies Ltd., a United Kingdom company, unless otherwise indicated.

Strategy

The Company is the proprietary owner of emission control technologies with three distinct applications:

- ENVI-MarineTM, for the marine industry;
- ENVI-PureTM, for the waste to energy and biomass industries; and
- ENVI-CleanTM, designed for coal fired power electricity generation and industrial plants involved in steel generation.

The Company has been proactively seeking the acquisition and development of other technologies designed to improve the environment. On October 19, 2020, the Company entered into a Share Purchase Agreement for the acquisition of Innoergy, a designer of battery energy storage systems. The acquisition marks Pacific Green's entry into the battery energy storage system market in conjunction with its joint venture partner, PowerChina SPEM.

ENVI-Marine™

Our marine division has been driving the Company's rapid growth, with recruiting at all levels and departments to deliver its significant order book to clients and continues to work closely and strengthen ties with its partner PowerChina SPEM.

Since entering the marine sector, the Company has commissioned over 100 ENVI-Marine™ scrubbers.

ENVI-Pure™

Increasing legislation relating to landfill of municipal solid waste has led to the emergence of increasing numbers of waste to energy plants ("WtE"). A WtE plant obviates the need for landfill, burning municipal waste for conversion to electricity. A WtE plant is typically 45-100MW. The ENVI-Pure™ system is particularly suited to WtE as it cleans multiple pollutants in a single system. The Company has successfully tested its ENVI-Pure™ technology at a WtE plant in Edmonton, England, United Kingdom, and is in discussions regarding the installation of its technologies at WtE facilities in China.

ENVI-Clean™

EnviroTechnologies Inc. has previously conducted successful sulphur dioxide demonstration tests at the American Bituminous Coal Partners power plant in Grant Town, West Virginia.

The testing achieved a three-test average of 99.3% removal efficiency. The implementation of US Clean Air regulations in July 2010 has created additional demand for sulphur dioxide removal in all industries emitting sulphur pollution. Furthermore, China consumes approximately one half of the world's coal, but introduced measures designed to reduce energy and carbon intensity in its 12th Five Year Plan. Applications include regional power facilities and heating for commercial buildings and greenhouses. Typical applications range in size from 1 to 20 megawatts (MW) with power generation occupying the larger end of the range.

In 2017, following the signing of a joint venture agreement with PowerChina SPEM, an ENVI-Clean™ was sold to a steelworks company in Yancheng to remove SO2 from its 93MW gas combustion powerplant.

The ENVI-Clean™ system removes most of the sulphur dioxide, particulate matter, greenhouse gases and other hazardous air pollutants from the flue gases produced by the combustion of coal, biomass, municipal solid waste, diesel and other fuels.

Significant Events for the Period

On October 19, 2020, the Company completed the acquisition of Innoergy, a designer of battery energy storage systems registered in the United Kingdom. The acquisition marks the Company's entry into the battery energy storage system market in conjunction with its joint venture partner, PowerChina SPEM. Consideration for the acquisition of 100% of Innoergy was determined to be approximately \$633,911.

On October 26, 2020, Xavier Lara was appointed Senior Vice President, Concentrated Solar Power, of the Company.

On December 2, 2020, the company signed a Joint-Venture Agreement with Amr Khashoggi Trading Company Limited to incorporate a company in the Kingdom of Saudi Arabia for the sale of Pacific Green's environmental technologies within the region.

Results of Operations

The following summary of our results of operations should be read in conjunction with our unaudited interim financial statements for the three and nine months ended December 31, 2020 and 2019.

Revenue for the three and nine months ended December 31, 2020 was \$4,658,466 and \$42,128,892 versus \$37,521,949, and \$105,024,728 for the three and nine months ended December 31, 2019. The Company's revenues were mainly derived from the sale of marine scrubber units and related services. During the three months ended December 31, 2020, the Company recognized revenue for 5 (December 31, 2019 - 50) marine scrubber units and these marine scrubber units were in various stages of engineering, delivery, and commissioning. The decrease in revenue was due to a major client deferring 32 marine scrubber units to 2021. 13 of these units have been cancelled. The remainder are still postponed with an option to either proceed or cancel (Note 21(e)).

During the nine months, the Company realized a gross margin of 40% (December 31, 2019 - 40%). Management anticipates realizing margins between 20% and 40% in future periods.

Our financial results for the three and nine months ended December 31, 2020 and 2019 are summarized as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Revenues	\$ 4,658,466	\$ 37,521,949	\$ 42,128,892	\$ 105,024,728
Cost of goods sold	\$ 3,625,204	\$ 22,619,653	\$ 25,515,248	\$ 63,067,989
Gross Profit	\$ 1,033,262	\$ 14,902,296	\$ 16,613,644	\$ 41,956,739
Expenses				
Advertising and promotion	\$ 152,172	\$ 223,757	\$ 510,748	\$ 1,089,709
Amortization of intangible assets	\$ 389,703	\$ 242,331	\$ 1,169,039	\$ 681,065
Management and technical consulting	\$ 1,238,962	\$ 6,929,142	\$ 9,583,143	\$ 16,108,013
Depreciation	\$ 47,807	\$ 21,597	\$ 144,457	\$ 44,978
Foreign exchange loss (gain)	\$ (41,959)	\$ (492,206)	\$ 2,577	\$ (70,732)
Office and miscellaneous	\$ 460,338	\$ 847,158	\$ 1,396,263	\$ 2,032,767
Operating lease expense	\$ 93,910	\$ 96,340	\$ 342,077	\$ 302,131
Professional fees	\$ 601,790	\$ 342,444	\$ 1,494,425	\$ 1,024,901
Research and development	\$ -	\$ -	\$ 4,368	\$ -
Salaries and wages	\$ 1,187,967	\$ 1,910,852	\$ 4,510,241	\$ 4,402,448
Transfer agent and filing fees	\$ (34,007)	\$ 6,548	\$ 106,758	\$ 136,486

Travel and accommodation	\$ 129,470	\$ 1,087,576	\$ 302,040	\$ 2,482,144
Contingent warranty provision and related	\$ 160,125	\$ 1,356,422	\$ 1,407,420	\$ 2,711,213
Total expenses	\$ 4,386,278	\$ 12,571,961	\$ 20,973,556	\$ 30,945,123
Other Income (Expense)				
Provision for loan	\$ -	\$ -	\$ 4,754	\$ -
Interest expense	\$ (24,015)	\$ (1,501)	\$ (46,479)	\$ (5,006)
Gain on reduction of acquisition costs of subsidiary	\$ -	\$ -	\$ 3,240,250	\$ -
Gain on derecognition of Norway subsidiary	\$ -	\$ -	\$ 239,174	\$ -
Gain on termination of lease	\$ -	\$ -	\$ 3,019	\$ -
Interest income on finance lease	\$ 247,253	\$ 13,782	\$ 548,543	\$ 43,418
Gain (loss) on change in fair value of derivative liability	\$ (50,869)	\$ 57,520	\$ (1,306)	\$ (13,887)
Net Income (Loss)	\$ (3,180,647)	\$ 2,400,136	\$ (371,957)	\$ 11,036,141

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Due to the current Covid-19 pandemic and the lower than anticipated oil price spread, expenses for the three and nine months ended December 31, 2020 were \$4,386,278 and \$20,973,556 as compared to \$12,571,961 and \$30,945,123 for the three and nine months ended December 31, 2019 as the Company reduced its operations team and closed its Norway subsidiary. Consulting fees, technical support, and commissions decreased significantly also due to the Norway office closure and lower sales. Advertising, office-based costs, alongside travel costs also decreased due to reduced business activities. Depreciation and amortization expenses increased due to property, equipment, and intangible assets recorded from Engin acquisition in December 2019. Additionally, the delivery of units resulted in a warranty provision being recorded for possible maintenance and claim issues within a prescribed period. For the three- and nine-months period, the Company recorded a warranty provision of \$160,125 (December 31, 2019 - \$1,356,422) and \$1,407,420 (December 31, 2019 - \$2,711,213) related to the estimated expectation of warranty costs.

During the nine months ended December 31, 2020, due to the Covid-19 pandemic conditions, and the narrowing oil price spread, we decided to cease operations of our Norway subsidiary. As a result, a gain on disposition of the Norway subsidiary of \$239,174 was recognized.

During the nine months ended December 31, 2020, we recorded a gain of \$3,240,250 (¥22,000,000) related to the re-evaluation of the probability of the contingent consideration associated with the Engin acquisition.

For the three and nine months ended December 31, 2020, our company had a net loss of \$3,180,647 and \$371,957 (\$0.07 per share and \$0.01 per share respectively) compared to net income of \$2,400,136, and \$11,036,141 (\$0.05 per share and \$0.24 per share respectively) for the three and nine month period ended December 31, 2019.

Liquidity and Capital Resources

Working Capital

	December 31, 2020	March 31, 2020
Current Assets	\$ 45,958,263	\$ 64,182,889
Current Liabilities	\$ 47,412,017	\$ 67,713,871
Working Capital (Deficit)	\$ (1,453,754)	\$ (3,530,982)

Cash Flows

	Nine months Ended December 31, 2020	Nine months Ended December 31, 2019
Net Cash Provided by (Used in) Operating Activities	\$ (10,180,491)	\$ 17,528,058
Net Cash Used in Investing Activities	\$ 14,015	\$ (4,231,248)
Net Cash Provided by (Used in) Financing Activities	\$ 1,750	\$ (614,546)
Effect of Exchange Rate Changes on Cash	\$ 209,921	\$ 246,634
Net Change in Cash	\$ (9,954,805)	\$ 12,928,898

As of December 31, 2020, we had \$11,432,129 in cash, \$45,958,263 in total current assets, \$47,412,017 in total current liabilities. We had a working capital deficit of \$1,453,754, compared to a working capital deficit of \$3,530,982 at March 31, 2020. The Company's working capital deficit improved as we closed Norway office and the contingent payable for Engin acquisition was removed due to payment condition not met. The Company's contract assets, contract liabilities, and accruals change significantly from period to period, depending on the status of equipment deliveries, customer receipts and payments to third party manufacturers.

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During the nine months ended December 31, 2020, we used \$10,180,491 in operating activities, whereas we received \$17,528,058 from operating activities for the nine months period ended December 31, 2019. The negative operating cash flow for the nine months ended December 31, 2020 was mainly resulted from changes in accounts payable and accruals, contract assets, and contract liabilities as well as the Covid-19 pandemic conditions.

During the nine months ended December 31, 2020, we received \$14,015 in investing activities, whereas we used \$4,231,248 in investing activities during the nine months ended December 31, 2019. Our investing activities for the nine months ended December 31, 2020 were primarily related to cash acquired from the acquisition of Innoergy less acquisition costs and additions of property and equipment.

Our financing activities for the nine months ended December 31, 2020 were \$1,750 from a stock option exercise, whereas we used \$614,546 from financing activities for the nine months ended December 31, 2019. Our financing activities for the nine months ended December 31, 2020 were primarily related to exercise of stock options.

Subsequent Events

- a) On January 11, 2021, the Company received notice for the conversion of \$10,000 of principle and \$81,592 of interest due under a convertible promissory note. Accordingly, the Company has issued 228,981 common shares in settlement at the conversion rate of \$0.40 per share (Note 10).
- b) On January 14, 2021, the Company entered into a Battery Energy Storage System Strategic Manufacturing Framework Agreement (the “Framework Agreement”) with Shanghai Electric Gotion New Energy Technology Co., Ltd. (“SEG”).

Under the terms of the Framework Agreement, the parties will work together towards the development of various lithium-ion Battery Energy Storage System (BESS) projects around the world. The Company, through its wholly owned subsidiary, Pacific Green Energy Storage Technologies, Inc., will manage each project’s overall execution, including system design, integration and commercial optimization, while SEG will produce the battery technology as the equipment manufacturer.

- c) On January 15, 2021, the Company granted 25,000 stock options to an officer of the Company. The stock options are exercisable at a 25% discount to market and vest on January 15, 2021. These stock options are exercisable 12 months following the grant date.
- d) On February 1, 2021, the Company appointed Peter Rossbach to become an Independent Non-Executive Director of our Company.
- e) On February 2, 2021, the Company executed a settlement agreement and a postponement agreement with Scorpio Bulkers Inc. (“SALT”) and Scorpio Tankers Inc. (STNG), respectively. Under the terms of the settlement agreement, SALT has been released from its commitments and guarantees related to its previous purchase contracts in exchange for: (1) \$7,215,000 paid within 5 days of settlement, and (2) deposits and other monies already transferred to the Company with respect to the contracts. Each party is thereafter released from any further guarantees or claims related to these contracts. Under the terms of the postponement agreement, STNG is released from its commitments under previous purchase contracts in exchange for: (1) \$5,276,500 paid within 5 days of settlement, (2) \$2,683,250 paid at the 6-month anniversary of the settlement, and (3) deposits and other monies already transferred to the Company with respect to the contracts. Under the postponement agreement, STNG retains an option for nine months allowing it to pay \$2,638,250 to “unfreeze” between eleven and nineteen of the remaining STNG purchase agreements. If the option is exercised, the Company will be required to deliver under the current commitment with a revised timeline for delivery at a pre-agreed purchase price. For all vessels not covered under such an exercised option, each party is released from any further guarantees or claims related to these contracts.

Anticipated Cash Requirements

We do not anticipate requiring additional funds to fund our budgeted expenses over the next 12 months. However, if we do these funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares.

Our cash requirement estimates may change significantly depending on the nature of our business activities and our ability to raise capital from our shareholders or other sources.

We currently have office locations in the Canada, United Kingdom, China. We have hired staff in various regions and rely heavily upon the use of contractors and consultants. Our general and administrative expenses for the year will consist primarily of technical consultants, management, salaries and wages, professional fees, transfer agent fees, bank and interest charges and general office expenses. The professional fees have increased and relate to matters such as contract review, business acquisitions, regulatory filings, patent maintenance, and general legal, accounting and auditing fees.

Should we require additional funding over the next twelve months, we would intend to raise new cash requirements from private placements, shareholder loans or possibly a registered public offering (either self-underwritten or through a broker-dealer). If we are unsuccessful in raising enough money through such efforts, we may review other financing possibilities such as bank loans. At this time, we do not have a commitment from any broker-dealer to provide us with financing. There is no assurance that any financing will be available to us or if available, on terms that will be acceptable to us.

As of December 31, 2020, we had \$11,432,129 cash on hand. Our anticipated profits realized from sales of ENVI marine units are expected to fund our planned expenditure levels in the short term. After careful consideration we believe current operations, anticipated deliveries and expected profit from such deliveries to be sufficient to cover expected cash operating expenses over the next 12 months.

Going Concern

Our financial statements for the quarter ended December 31, 2020 have been prepared on a going concern basis.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Contractual Obligations

As a “smaller reporting company”, we are not required to provide tabular disclosure obligations.

Critical Accounting Policies

Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the useful life and recoverability of property and equipment and intangible assets, contract assets and liabilities associated with revenue contracts in progress, contingent consideration on asset acquisition, warranty accruals, fair values of convertible debentures and derivative liabilities, and deferred income tax asset valuation allowances. Our company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by our company may differ materially and adversely from our company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and are comprised of patents, customer relationships, plant designs, backlog, and software licensing. Intangible assets are reviewed annually for impairment. The patents, which were acquired in 2013 and written down in 2015, are being amortized straight-line over the estimated useful life of 17 years. During the year ended March 31, 2020, the Company acquired customer relationships, plant designs, backlog, and software licensing, which are amortized straight-line over the estimated useful life of 6, 6, 2, and 10 years.

Impairment of Long-lived Assets

Our company reviews long-lived assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in

circumstance indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset.

Revenue Recognition

The Company derives revenue from the sale of emission control equipment and related services as well as providing design and engineering services for Concentrated Solar Power, desalination, and waste to energy technologies.

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.

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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; and
- 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.

As our contracts with customers include multiple performance obligations, judgment is required to determine whether performance obligations specified in these contracts are distinct and should be accounted for as separate revenue transactions for recognition purposes. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using expected cost-plus margin.

Contracts signed with one customer have significant financing component. The Company provides design, production, and installation services of scrubber units to this customer. 20% of the contract price is payable at least 6 calendar months prior to the dry dock date. The remaining 80% is payable in 24 equal monthly instalments starting at the end of the calendar month following the installation date on a vessel by vessel basis. As 80% of the contract price is payable after the last performance obligation towards the scrubber, significant financing component is separated from revenue and interest income at 5.4% is recorded when payments are received from the customer.

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.

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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.

Our company's financial instruments consist principally of cash, accounts receivable, lease receivable, amounts due from and to related parties, accounts payable and accrued liabilities, operating lease liability, and convertible debenture. The recorded values of all 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, 2020, on a recurring basis:

	Level 1 \$	Level 2 \$	Level 3 \$
Derivative liabilities	-	133,240	-
Total	-	133,240	-

Stock-based compensation

The Company records share-based payment transactions for acquiring goods and services from employees and nonemployees in accordance with ASC 718, Compensation – Stock Compensation, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are measured

at grant-date fair value of the equity instruments issued.

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

Contract Liabilities and Contract Assets

Contractual arrangements with customers for the sale of a scrubber unit generally provide for deposits and instalments through the procurement and design phases of equipment manufacturing. Amounts received from customers, which are not yet recorded as revenues under the Company's revenue recognition policy are presented as contract liabilities.

Similarly, contractual arrangements with suppliers and manufacturers normally involved with the manufacturing of scrubber units may require advances and deposits at various stages of the manufacturing process. Payments to our manufacturing partners are recorded as contract assets until the equipment is manufactured to specifications and accepted by the customer.

The Company presents the contract liabilities and contract assets on its balance sheet when one of the parties to the revenue contract has performed before the other.

Warranty Provision

The Company reserves a 2% warranty provision on the completion of a contract following the final payment, there being a number of milestone-based stage payments. The specific terms and conditions of those warranties vary depending upon the product sold and geography of sale. The Company's product warranties generally start from the delivery date and continue for up to twelve to twenty-four months. The Company provides warranties to customers for the design, materials, and installation of scrubber units. The Company has a back-to-back manufacturing guarantee from its major supplier, which covers materials, production, and installation. Factors that affect the Company's warranty obligation include product failure rates, anticipated hours of product operations and costs of repair or replacement in correcting product failures. These factors are estimates that may change based on new information that becomes available each period. Similarly, the Company also accrues the estimated costs to address reliability repairs on products no longer in warranty when, in the Company's judgment, and in accordance with a specific plan developed by the Company, it is prudent to provide such repairs. The Company intends to assess the adequacy of recorded warranty liabilities quarterly and makes adjustments to the liability as necessary.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our president (our principal executive officer, principal financial officer and principal accounting officer), as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our president (our principal executive officer) and chief financial officer (principal financial officer and principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2020. Based on the evaluation of these disclosure controls and procedures, and in light of the material weaknesses found in our internal controls over financial reporting, our president (our principal executive officer) and chief financial officer (principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our president (our principal executive officer, principal financial officer and principal accounting officer), our company conducted an evaluation of the effectiveness of our company's internal control over financial reporting as of December 31, 2020 using the criteria established in "*Internal Control - Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. On December 20, 2019, the Company acquired 100% of the equity of Shanghai Engin Digital Technology Co. Ltd. Please read Item 1 - Financial Statements: Note 7 – Acquisition of Shanghai Engin Digital Technology Co. Ltd.

Management have excluded from its evaluation of the effectiveness of its internal control over financial reporting, as of December 31, 2020, Engin business's internal control over financial reporting associated with net assets of \$7,104,080 and total revenues of \$483,358 included in the Company's consolidated financial statements as of and for the quarter ended December 31, 2020. On October 19, 2020, the Company acquired 100% of the equity of Innoergy Ltd. Please read Item 1 - Financial Statements: Note 8 – Acquisition of Innoergy Ltd. Management have excluded from its evaluation of the effectiveness of its internal control over financial reporting, as of December 31, 2020, Innoergy business's internal control over financial reporting associated with net assets of \$1,572 and total revenues of \$nil included in the Company's consolidated financial

statements as of and for the quarter ended December 31, 2020.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2020, our company determined that there were control deficiencies that constituted material weaknesses, as described below.

- *We do not have an Audit Committee* – While not being legally obligated to have an audit committee, it is the management's view that such a committee, including a financial expert member, is an utmost important entity level control over our company's financial statements. Currently the board of directors acts in the capacity of the audit committee, and does not include a member that is considered to be independent of management to provide the necessary oversight over management's activities.
- *We did not have adequate accounting personnel throughout the year* – The Company has hired a number of qualified financial reporting accountants in Q4 2020. However, it takes time to implement controls over segregation of duties and financial and accounting processes.

As a result of the material weaknesses described above, management has concluded that our company did not maintain effective internal control over financial reporting as of December 31, 2020 based on criteria established in Internal Control—Integrated Framework issued by COSO.

Changes in Internal Control over Financial Reporting

There has been no significant change in our internal control over financial reporting identified in connection with our evaluation we conducted of the effectiveness of our internal control over financial reporting as of December 31, 2020, that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of our company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit our company to provide only management's report in this annual report.

Continuing Remediation Efforts to address deficiencies in Company's Internal Control over Financial Reporting

When the Company has sufficient personnel available, then our board of directors, in particular and in connection with the aforementioned deficiencies, will establish the following remediation measures:

- We will attempt to increase the number of members on our board of directors and nominate an audit committee including a financial expert in the next fiscal year, 2020-2021.
- We will incorporate more controls including segregation of duties and undertake regular and thorough reviews of all accounting entries are in the process of determining how best to implement global controls in relation to these individuals to improve better segregation of duties.

PART II— OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

MARKET RISKS

Competition within the environment sustainability industry may prevent us from remaining profitable.

The alternative energies industry is competitive and fragmented and includes numerous small companies capable of competing effectively in the market we target as well as several large companies that possess substantially greater financial and other resources than we do. Larger competitors' greater resources could allow those competitors to compete more effectively than we can with our Technologies. A number of competitors have developed more mature businesses than us and have successfully built their names in the international alternative energy markets. These various competitors may be able to offer products, sustainability technologies or services more competitively priced and more widely available than our Technologies and may also have greater resources to create or develop new technologies and products than us. Failure to compete in the alternative energy industry may prevent us from becoming profitable, and thus you may lose your entire investment.

Significant drop in oil price may have a material adverse effect on our business.

In March 2020, Saudi Arabia triggered an oil price war in response to Russia's refusal to reduce oil production in order to keep prices for oil at a moderate level. This economic conflict resulted in a sharp drop of the oil price over the spring of 2020, including low-sulphur fuel oil. The corresponding reduction in the price of low-sulphur fuel oil could negatively affect the demand for our marine scrubbers. Fuels with higher sulphur content have been cheaper than low-sulphur fuel historically. Our marine scrubbers allow our customers to use fuels with higher sulphur content. A decrease in the demand for marine scrubbers, which allow the use of heavy fuel oil under IMO 2020, could reduce our sales of marine scrubbers.

Our business is impacted by customer concentration.

Two customers that are under the same common ownership and control accounted for an aggregate 71% and 0%, respectively, of our revenues for the years ended March 31, 2020 and 2019. The rapid rise in importance of these customers has been of great benefit to the business, but the potential loss of these customers could have a material adverse effect on our financial position and results of operations.

We face risks associated with our plans to market our Technologies and operate internationally.

We have begun to market our Technologies internationally and bid for projects in many different jurisdictions. We have limited experience operating internationally, including developing and manufacturing our products to comply with the commercial and legal requirements of international markets. Our success in international markets will depend, in part, on our ability and that of our partners to secure relationships with foreign partners, and our ability to manufacture and install our Technologies that meet foreign regulatory and commercial requirements. Additionally, our planned international operations are subject to other inherent risks, including potential difficulties in enforcing contractual

obligations and intellectual property rights in foreign countries, and could be adversely affected due to fluctuations in currency exchange rates, political and economic instability, acts or threats of terrorism, changes in governmental policies or policies of central banks, expropriation, nationalization and/or confiscation of assets, price controls, fund transfer restrictions, capital controls, exchange rate controls, taxes, unfavorable political and diplomatic developments, changes in legislation or regulations and other additional developments or restrictive actions over which we will have no control.

Our ability to conduct business in international markets may be affected by political, legal, tax and regulatory risks.

Net sales from outside the United States comprised 92% and 100% of our net sales for the years ended March 31, 2020 and March 31, 2019, respectively. Further, certain of our third-party suppliers and manufacturers are located in China and European countries. Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is exposed to the risks associated with international operations, including:

- burdens of complying with a wide variety of laws and regulations, including more stringent regulations relating to data privacy and security, particularly in the European Union;
- political and economic instability;
- natural disasters;
- trade restrictions;
- the imposition of government controls;
- an inability to use or to obtain adequate intellectual property protection for our key brands and products;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies;
- the lack of well-established or reliable legal systems in certain areas or a legal system subject to undue influence or corruption;
- a business culture in which illegal sales practices may be prevalent;
- logistics and sourcing;
- the presence of high inflation in the economies of international markets;
- military conflicts; and
- acts of terrorism.

The occurrence of any of these risks could negatively affect our international business and consequently our overall business, financial condition and results of operations.

FINANCIAL AND LIQUIDITY RISKS

We may not be able to secure additional financing to meet our future capital needs due to changes in general economic conditions.

We anticipate needing significant capital to develop our sales force and effectively market the Technologies. We may use capital more rapidly than currently anticipated and incur higher operating expenses than currently expected, and we may be required to depend on external financing to satisfy our operating and capital needs. We may need new or additional financing in the future to conduct our operations or expand our business. Any sustained weakness in the general economic conditions and/or financial markets in the United States or globally could adversely affect our ability to raise capital on favorable terms or at all. From time to time we have relied, and may also rely in the future, on access to financial markets as a source of liquidity to satisfy working capital requirements and for general corporate purposes. We may be unable to secure debt or equity financing on terms acceptable to us, or at all, at the time when we need such funding.

Risk of increase volatility of financial markets resultant from global Covid-19 pandemic.

Beginning in 2020, the global Covid-19 pandemic significantly increased the volatility of financial markets worldwide. Significant volatility or disruptions of the capital markets could eliminate our access to financing, and/or significantly increase its cost. Such volatility or disruptions in the capital markets may cause lenders to be unwilling to provide us with financing to fund our ongoing operations and growth.

OPERATIONAL RISKS

We have a limited operating history with significant losses.

We have yet to establish any history of profitable operations. We incurred a cumulative deficit of \$75,693,292 for the period from April 5, 2011 (inception) to December 31, 2020. We generated our first revenues during the year ended March 31, 2018 of \$1,995,000. We generated our first net income during the year ended March 31, 2020 of \$10,381,420. We expect that future revenues and profitability will be sufficient to sustain our operations for the foreseeable future. However, the current Covid-19 pandemic is causing significant challenges to our operations in terms of deliverables to our customers. Our profitability will depend on our ability to successfully market and sell the Technologies and there can be no assurance that we will be able to do so.

We are dependent upon our officers for execution of our business plan.

As a result, our future success depends heavily upon the continuing services of the members of our senior management team. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key

personnel in the future. We do not currently maintain key man insurance on our senior managers. The loss of the services of our senior management team and employees could result in a disruption of operations which could result in reduced revenues.

Outbreaks of epidemic diseases, including Covid-19, could adversely impact our business operations.

Our business could be adversely affected by a widespread second wave of the Covid-19 pandemic which has been predicted by health experts. Many countries have imposed travel bans, quarantines, and other emergency public health measures. This could have an adverse effect on our ability to travel, distribute and install products, as well as force the temporary closure of offices and facilities. In addition, the global marine transportation industry has been negatively affected by travel restrictions and shutdown of businesses. This in turn can reduce demand for our marine scrubbers to these shipping customers if many vessels sit idle or are taken out of service during the outbreak. On June 19, 2020, the Company closed the Norway office as we rethink the sales strategy in the marine division.

The pandemic could also impact our customers and suppliers negatively in operations and financial conditions. Any disruption of our suppliers or customers would likely impact our sales and operating results. Further, a pandemic could result in a worldwide health crisis and economic downturn, which could impact our operating results.

We will continue to be dependent on certain third-party – PowerChina SPEM relationship risk.

PowerChina SPEM is based in Shanghai, China and provides design, procurement, project management, manufacturing, installation, and other services to us in the marine scrubber business which constitutes the majority of our sales. The business would be adversely affected should the relationship terminate, or be made difficult through the imposition of political, financial, fiscal, regulatory or similar restrictions between China and the U.S. PowerChina SPEM is reliant on sourcing raw materials and supplies from both within and outside China, and these supplies could also be disrupted by further severe health pandemics, such as the recent Covid-19 outbreak, severe weather, the occurrence of threat of wars of other conflicts, and other similar events.

Our management has significant control over our affairs.

Currently, our officers and directors collectively beneficially own approximately 21.5% of our outstanding common stock. Accordingly, our officers and directors are in a position to significantly affect major corporate transactions and the election of our directors. There is no provision for cumulative voting for our directors.

Our information technology systems, processes, and sites may suffer interruptions, failures, or attacks which could affect our ability to conduct business.

Our information technology systems provide critical data connectivity, information, and services for internal and external users. These include, among other things, processing transactions, summarizing, and reporting results of operations, complying with regulatory, legal or tax requirements, storing project information and other processes necessary to manage the business. Our systems and technologies, or those of third parties on which we rely, could fail, or become unreliable due to equipment failures, software viruses, cyber threats, terrorist acts, natural disasters, power failures or other causes. Cybersecurity threats are evolving and include, but are not limited to, malicious software, cyber espionage, attempts to gain unauthorized access to our sensitive information, including that of our customers, suppliers, and subcontractors, and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent security threats from materializing. If any of these events were to materialize, the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified and could have a material adverse effect on our reputation, operating results, and financial condition.

We are subject to legal proceedings and legal compliance risks that could harm our business.

From time to time, we may be subject to contract disputes or litigation. In connection with any disputes or litigation in which we are involved, we may incur costs and expenses in connection with defending ourselves or in connection with the payment of any settlement or judgment or compliance with any ruling in connection therewith. The expense of defending litigation may be significant. The amount of time to resolve lawsuits is unpredictable and defending ourselves may divert management's attention from the day-to-day operations of our business, which could adversely affect our business, financial condition, results of operations and cash flows. In addition, an unfavorable outcome in any such litigation could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States, or GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. See Note 2 to our consolidated financial statements included in this report regarding the effect of new accounting pronouncements on our financial statements. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. Further, the implementation of new accounting pronouncements or a change in other principles or interpretations could have a significant effect on our financial results.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. For example, our revenue recognition policy is complex, and we often must make estimates and assumptions that could prove to be inaccurate. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition and the cost of providing the contractual warranty to our customers. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of investors, resulting in a decline in our stock price.

If we fail to effectively mitigate the material weaknesses and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls over financial reporting are necessary for us to provide reliable and accurate financial reports and effectively prevent fraud. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of internal control over financial reporting as of March 31, 2020, our company determined that there were control deficiencies that constituted material weaknesses, as described below:

- *We do not have an audit committee* – while not being legally obligated to have an audit committee, it is the management’s view that such a committee, including a financial expert member, is an utmost important entity level control over our Company’s financial statements. Currently the board of directors acts in the capacity of the audit committee and does not include a member that is considered to be independent of management to provide the necessary oversight of management’s activities. It is the intention of management to increase the number of members on our board of directors and nominate an audit committee including a financial expert in the fiscal year ending March 31, 2021, though there is no certainty that this will be achieved.
- *We did not have adequate accounting personnel throughout the year ended March 31, 2020* – the Company has hired a number of qualified reporting accountants in Q4 2020. However, it takes time to implement controls over segregation of duties and financial and accounting processes. Furthermore, loss of these people or our inability to replace them with similarly skilled and trained individuals or new processes in a timely manner could adversely impact our internal control mechanisms.

REGULATORY RISKS

Our business is subject to environmental and consumer protection legislation and any changes in such legislation could prevent us from remaining profitable.

The energy production and technology industries are subject to many laws and regulations which govern the protection of the environment, quality control standards, health and safety requirements, and the management, transportation and disposal of hazardous substances and other waste. Environmental laws and regulations may require removal or remediation of pollutants and may impose civil and criminal penalties for violations. Some environmental laws and regulations authorize the recovery of natural resource damages by the government, injunctive relief and the imposition of stop, control, remediation, and abandonment orders. Similarly, consumer protection laws impose quality control standards on products marketed to the public and prohibit the distribution and marketing of products not meeting those standards.

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The costs arising from compliance with environmental and consumer protection laws and regulations may increase operating costs for both us and our potential customers. Any regulatory changes that impose additional environmental restrictions or quality control requirements on us or on our potential customers could adversely affect us through increased operating costs and potential decreased demand for our services, which could prevent us from remaining profitable.

Changes in tax laws or regulations or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

We are subject to income taxes in the United States and various foreign jurisdictions. A number of factors may adversely affect our future effective tax rates, such as the jurisdictions in which our profits are determined to be earned and taxed; changes in the valuation of our deferred tax assets and liabilities; adjustments to estimated taxes upon finalization of various tax returns; changes in available tax credits, grants and other incentives; changes in stock-based compensation expense; the availability of loss or credit carry-forwards to offset taxable income; changes in tax laws, regulations, accounting principles or interpretations thereof; or examinations by US federal, state or foreign jurisdictions that disagree with interpretations of tax rules and regulations in regard to positions taken on tax filings. A change in our effective tax rate due to any of these factors may adversely affect our future results from operations.

In addition, as our business grows, we are required to comply with increasingly complex taxation rules and practices. We are subject to tax in the U.S. and in foreign tax jurisdictions as we expand internationally. The development of our tax strategies requires additional expertise and may impact how we conduct our business. If our tax strategies are ineffective or we are not in compliance with domestic and international tax laws, our financial position, operating results and cash flows could be adversely affected.

STRATEGIC AND TECHNOLOGY RISKS

There exist a number of strategic challenges, which we may not be able to overcome.

Our prospects must be considered in light of the risks, expenses, delays and difficulties frequently encountered in establishing a new business in an emerging and evolving industry, including the following factors:

- our business model and strategy are still evolving and are continually being reviewed and revised;
- we may not be able to raise the capital required to develop our initial client based and reputation; and
- we may not be able to successfully develop our planned products and services.

We cannot be sure that we will be successful in meeting these challenges and addressing these risks and uncertainties. If we are unable to do so, our business will not be successful and the value of your investment in us will decline.

We may not be able to expand our business or manage our future growth effectively.

We may not be able to expand our business or manage future growth, which will require successful execution of:

- expanding our existing customers and expanding to new markets;
- ensuring manufacture, delivery and installation of our products;
- implementing and improving additional and existing administrative, financial and operations systems, procedures and controls;
- hiring additional employees;

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- expanding and upgrading our technological capabilities;
- managing relationships with our customers and suppliers and strategic partnerships with other third parties;
- maintaining adequate liquidity and financial resources; and
- continuing to increase our revenues from operations.

Ensuring delivery of our products is subject to many market risks, including scarcity, significant price fluctuations and competition. Maintaining adequate liquidity is dependent upon a variety of factors, including continued revenues from operations, working capital improvements, and compliance with our debt instruments. We may not be able to achieve our growth strategy during the foreseeable future. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, develop new products, satisfy customer requirements, execute our business plan, or respond to competitive pressures.

The development and expansion of our business through acquisitions, joint ventures, and other strategic transactions may create risks that may reduce the benefits we anticipate from these strategic alliances and may prevent us from achieving or sustaining profitability.

We intend to enter into technology acquisition and licensing agreements and strategic alliances such as joint ventures or partnerships in order to develop and commercialize our proposed technologies and services, and to increase our competitiveness. We currently do not have any commitments or agreements regarding acquisitions, joint ventures or other strategic alliances. Our management is unable to predict whether or when we will secure any such commitments or agreements, or whether such commitments or agreements will be secured on favorable terms and conditions.

Our ability to continue or expand our operations through acquisitions, joint ventures or other strategic alliances depends on many factors, including our ability to identify acquisitions, joint ventures, or partnerships, or access capital markets on acceptable terms. Even if we are able to identify strategic alliance targets, we may be unable to obtain the necessary financing to complete these transactions and could financially overextend ourselves.

Acquisitions, joint ventures or other strategic transactions may present financial, managerial and operational challenges, including diversion of management attention from existing business and difficulties in integrating operations and personnel. Acquisitions or other strategic alliances also pose the risk that we may be exposed to successor liability relating to prior actions involving a predecessor company, or contingent liabilities incurred before a strategic transaction. Due diligence conducted in connection with an acquisition, and any contractual guarantees or indemnities that we receive from sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual liabilities. Liabilities associated with an acquisition or a strategic transaction could adversely affect our business and financial performance and reduce the benefits of the acquisition or strategic transaction.

We may fail to successfully integrate any additional acquisitions made by us into our operations.

As part of our business strategy, we may look for opportunities to grow by acquiring other product lines, technologies or facilities that complement or expand our existing business. We may be unable to identify additional suitable acquisition candidates or negotiate acceptable terms. In addition, we may not be able to successfully integrate any assets, liabilities, customers, systems or management personnel we may acquire into our operations and we may not be able to realize related revenue synergies and cost savings within expected time frames. There can be no assurance that we will be able to successfully integrate any prior or future acquisition.

We are at risk that the Technologies will not perform to expectations.

As at the date of this report, the Technologies have been tested to satisfactory requirements but there is no guarantee that the Technologies will continue to perform satisfactorily in the future which would damage our prospects.

The market for alternative energy products, technologies or services is emerging and rapidly evolving and its future success is uncertain. Insufficient demand for the Technologies would prevent us from achieving or sustaining profitability.

It is possible that we may spend large sums of money to bring the Technologies to market, but demand may not develop or may develop more slowly than we anticipate.

Our future success is currently dependent on our Technologies and:

- our ability to quickly react to technological innovations;
- the cost-effectiveness of our Technologies;
- the performance and reliability of alternative energy products and services that we develop;
- our ability to formalize marketing relationships or secure commitments for our Technologies, products and services;
- realization of sufficient funding to support our marketing and business development plans.

We may be unable to develop widespread commercial markets for our Technologies. We may be unable to sustain profitability.

We are at risk that we are unable to manufacture our Technologies in accordance with contractual terms.

All contracts which we secure for the sale of our Technologies will require that we supply a functioning emission control system. There is a risk that we are unable to manufacture and supply our Technologies in accordance with contractual terms. Any failure by us to perform our obligations under any such contract may have a detrimental impact on our financial standing and reputation.

Delays in or not completing our product and Technology development goals may adversely affect our revenue and profitability.

If we experience delays in meeting our development goals, our products exhibit technical defects, or if we are unable to meet cost or performance goals, including power output, useful life and reliability, the profitable commercialization of our products will be delayed. In this event, potential purchasers of our products may choose alternative technologies and any delays could allow potential competitors to gain market advantages. We cannot assure that we will successfully meet our commercialization schedule in the future.

We may not be able to protect important intellectual property and we could incur substantial costs defending against claims that our products infringe on the proprietary rights of others.

We hold Technology patents registered in many countries and jurisdictions, but there is a risk that claims against us related to infringement of proprietary rights may be difficult and costly to defend. Should we be unsuccessful in our defences, this could have an adverse effect on our financial results and position.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

The restructuring of existing, or the raising of new, equity or debt securities may affect detrimentally our existing shareholders.

If we do raise funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders would be reduced, and the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, we may be subject to debt covenants, which could place limitations on our operations including our ability to declare and pay dividends. Our inability to raise additional funds on a timely basis would make it difficult for us to achieve our business objectives and would have a negative impact on our business, financial condition, and results of operations.

The continued sale of our equity securities will dilute the ownership percentage of our existing stockholders and may decrease the market price for our common stock.

As of December 31, 2020, the Company's cash reserves are approximately \$11.4 million. We expect to continue our efforts to market, manufacture and deliver our Technologies to customers. Should the Company need additional resources, we may consider selling additional equity securities which will result in dilution to our existing stockholders. In short, our continued need to sell equity will result in reduced percentage ownership interests for all of our investors, which may decrease the market price for our common stock.

We do not intend to pay dividends and there will thus be fewer ways in which you are able to make a gain on your investment.

We have never paid dividends and do not intend to pay any dividends for the foreseeable future. To the extent that we may require additional funding currently not provided for in our financing plan, our funding sources may prohibit the declaration of dividends. Because we do not intend to pay dividends, any gain on your investment will need to result from an appreciation in the price of our common stock. There will therefore be fewer ways in which you are able to make a gain on your investment. In the future when we do intend to pay dividends, we will formalize a dividend policy.

Because the SEC imposes additional sales practice requirements on brokers who deal in shares of penny stocks, some brokers may be unwilling to trade our securities. This means that you may have difficulty reselling your shares, which may cause the value of your investment to decline.

Our shares are classified as penny stocks and are covered by Section 15(g) of the Securities Exchange Act of 1934 (the "Exchange Act") which imposes additional sales practice requirements on broker-dealers who sell our securities in this offering or in the aftermarket. For sales of our securities, broker-dealers must make a special suitability determination and receive a written agreement prior from you to making a sale on your behalf. Because of the imposition of the foregoing additional sales practices, it is possible that broker-dealers will not want to make a market in our common stock. This could prevent you from reselling your shares and may cause the value of your investment to decline.

Financial Industry Regulatory Authority (FINRA) sales practice requirements may limit your ability to buy and sell our common stock, which could depress the price of our shares.

FINRA rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares, have an adverse effect on the market for our shares, and thereby depress our share price.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
(2)	Plan of Acquisition, Reorganization, Arrangement Liquidation or Succession
2.1	Assignment and Share Transfer Agreement dated June 14, 2012 between our company, Pacific Green Technologies Limited and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
(3)	Articles of Incorporation and Bylaws
3.1	Articles of Incorporation filed on July 3, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.2	Certificate of Amendment filed on August 15, 1995 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.3	Certificate of Amendment filed on August 5, 1998 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.4	Certificate of Amendment filed on October 15, 2002 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.5	Certificate of Amendment filed on May 8, 2006 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.6	Certificate of Amendment filed on May 29, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)
3.7	Bylaws filed on July 3, 2012 (incorporated by reference to our Registration Statement on Form 10 filed on July 3, 2012)

* Filed herewith.

Exhibit Number	Description
3.8	Certificate of Amendment filed on November 30, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 11, 2012)
(4)	Instruments Defining the Rights of Security Holders, Including Indentures
4.1	Share Certificate relating to shares held by our company in the Ordinary Share Capital of Peterborough Renewable Energy Limited (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2013)
(10)	Material Contracts
10.1	Consulting Agreement dated May 1, 2010 between our company and Sichel Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)
10.2	Representation Agreement dated June 7, 2010 between Pacific Green Group Limited and EnviroTechnologies, Inc. (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)
10.3	Peterborough Agreement dated October 5, 2011 between EnviroResolutions, Inc., Peterborough Renewable Energy Limited and Green Energy Parks Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)
10.4	Promissory Note dated June 2012 between our company and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)
10.5	Assignment and Share Transfer Agreement dated June 14, 2012 between our company, Pacific Green Technologies Limited and Pacific Green Group Limited (incorporated by reference to our Registration Statement on Form 10, filed on July 3, 2012)
10.6	Non-Executive Director Agreement dated December 18, 2012 between our company and Neil Carmichael (incorporated by reference to our Current Report on Form 8-K filed on December 19, 2012)
10.7	Supplemental Agreement dated March 5, 2013 between EnviroResolutions, Inc., Peterborough Renewable Energy Limited and Green Energy Parks Limited (incorporated by reference to our Annual Report on Form 10-K filed on July 1, 2013)
10.8	Supplemental Agreement dated March 5, 2013 between our company, EnviroTechnologies Inc. and EnviroResolutions Inc. (incorporated by reference to our Current Report on Form 8-K filed on March 13, 2013)
10.9	Form of Share Exchange Agreement dated April 3, 2013 between our company and Shareholders of EnviroTechnologies Inc. (incorporated by reference to our Current Report on Form 8-K filed on April 8, 2013)
10.10	Form of Share Exchange Agreement dated April 25, 2013 between our company and Shareholders of EnviroTechnologies Inc. (incorporated by reference to our Current Report on Form 8-K filed on April 30, 2013)
10.11	Stock Purchase Agreement dated May 16, 2013 between our company and Shareholders of Pacific Green Energy Parks (incorporated by reference to our Current Report on Form 8-K/A filed on June 3, 2013)
10.12	Debt Settlement Agreement dated May 17, 2013 between our company, EnviroResolutions, Inc. and EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K/A filed on June 3, 2013)
10.13	Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on August 9, 2013)
10.14	Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on August 30, 2013)
10.15	Agreement dated September 26, 2013 between our company and Andrew Jolly (incorporated by reference to our Current Report on Form 8-K filed on October 3, 2013)
10.16	Form of Share Exchange Agreement between our company and Shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on October 22, 2013)
10.17	Agreement dated October 22, 2013 between our company and Chris Williams (incorporated by reference to our Current Report on Form 8-K filed on December 5, 2013)
10.18	Form of Subscription Agreement between our company and the subscribers (incorporated by reference to our Current Report on Form 8-K filed on December 24, 2013)
10.19	Form of Share Exchange Agreement between our company and certain shareholders of EnviroTechnologies, Inc. (incorporated by reference to our Current Report on Form 8-K filed on December 27, 2013)

Exhibit Number	Description
10.20	Agreement dated January 27, 2014 between our company and Pöyry Management Consulting (UK) Limited (incorporated by reference to our Quarterly Report on Form 10-Q filed on February 19, 2014)
10.21	Form of Subscription Agreement between our company and the subscribers (incorporated by reference to our Current Report on Form 8-K filed on March 11, 2014)
10.22	Loan Agreement between our company and Intrawest Overseas Limited dated May 27, 2014 (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 19, 2014)
10.23	Put Option Agreement between our company and Intrawest Overseas Limited dated May 27, 2014 (incorporated by reference to our Quarterly Report on Form 10-Q filed on August 19, 2014)
10.24	Investor Relations Agreement dated September 22, 2015 between Pacific Green Technologies Inc. and Midam Ventures, LLC (incorporated by reference to our Current Report on Form 8-K filed on December 8, 2015)
10.25	Investor Relations Agreement dated October 24, 2015 between Pacific Green Technologies Inc. and Red Rock Marketing Media, Inc. (incorporated by reference to our Current Report on Form 8-K filed on December 21, 2015)
10.26	Convertible Note dated November 10, 2015 issued to Tangiers Investment Group, LLC (incorporated by reference to our Current Report on Form 8-K filed on November 24, 2015)
10.27	Commercial Joint Venture Agreement between PowerChina SPEM Company Limited and Pacific Green Technologies China Limited dated November 17, 2015 (incorporated by reference to our Current Report on Form 8-K filed on December 21, 2015)
(14)	Code of Ethics
14.1	Code of Ethics and Business Conduct (incorporated by reference to our Annual Report on Form 10-K filed on July 15, 2014)
(21)	Subsidiaries of the Registrant
21.1	Pacific Green Technologies Limited, a United Kingdom corporation (wholly owned); Pacific Green Energy Parks Limited, a British Virgin Islands corporation (wholly owned); Energy Park Sutton Bridge, a United Kingdom corporation (wholly owned by Pacific Green Energy Parks Limited).
(31)	Rule 13a-14 (d)/15d-14d) Certifications
31.1*	Section 302 Certification by the Principal Executive Officer

31.2*	Section 302 Certification by the Principal Financial Officer and Principal Accounting Officer
(32)	Section 1350 Certifications
32.1*	Section 906 Certification by the Principal Executive Officer
32.2*	Section 906 Certification by the Principal Financial Officer and Principal Accounting Officer
(99)	Additional Exhibits
99.1	Peterborough Renewable Energy Limited Directors' Report and Financial Statements for the period ended December 31, 2012 (incorporated by reference to our Current Report on Form 8-K filed on December 12, 2013)
101*	Interactive Data Files
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PACIFIC GREEN TECHNOLOGIES INC.
(Registrant)

Dated: February 12, 2021

By: /s/ Scott Poulter
Scott Poulter
President, Secretary, Treasurer and
Director
(Principal Executive Officer)

Dated: February 12, 2021

By: /s/ Richard Fraser-Smith
Richard Fraser-Smith
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: February 12, 2021

By: /s/ Scott Poulter
Scott Poulter
President, Secretary, Treasurer and
Director
(Principal Executive Officer)

Dated: February 12, 2021

By: /s/ Richard Fraser-Smith
Richard Fraser-Smith
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Poulter, certify that:

1. I have reviewed this quarterly report on Form 10-Q for December 31, 2020 of Pacific Green Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2021

/s/ Scott Poulter

Scott Poulter
President, Secretary, Treasurer and Director
(Principal Executive Officer)
Pacific Green Technologies Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Fraser-Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for December 31, 2020 of Pacific Green Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2021

/s/ Richard Fraser-Smith

Richard Fraser-Smith

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Pacific Green Technologies Inc.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Poulter, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of Pacific Green Technologies Inc. for the period ended December 31, 2020 (the **Report**) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pacific Green Technologies Inc.

Dated: February 12, 2021

/s/ Scott Poulter

Scott Poulter
President, Secretary, Treasurer and Director
(Principal Executive Officer)
Pacific Green Technologies Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Pacific Green Technologies Inc. and will be retained by Pacific Green Technologies Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard Fraser-Smith, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q of Pacific Green Technologies Inc. for the period ended December 31, 2020 (the **Report**) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pacific Green Technologies Inc.

Dated: February 12, 2021

/s/Richard Fraser-Smith

Richard Fraser-Smith
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
Pacific Green Technologies Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Pacific Green Technologies Inc. and will be retained by Pacific Green Technologies Inc. and furnished to the Securities and Exchange Commission or its staff upon request.