

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Commission File No. 000-27866

PowerVerde, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

9300 S. Dadeland Blvd, Suite 600
Miami, Florida
(Address of principal executive offices)

88-0271109
(I.R.S. Employer
Identification No.)

33156
(Zip Code)

(305) 670-3370
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.0001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ Disclosure not contained.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined 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"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock equity, as of June 30, 2017, the last business day of the issuer's most recently completed second fiscal quarter: \$2,392,000.

As of April 17, 2018, the number of outstanding shares of common stock, \$0.0001 par value per share, of the registrant was 31,750,106.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Annual Report on Form 10-K
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PART I

ITEM 1. BUSINESS.

General

Vyrex Corporation (“Vyrex” or the “Company”) was incorporated in Nevada in 1991 and operated as a research and development stage company seeking to discover and develop pharmaceuticals, nutraceuticals and cosmeceuticals for the treatment and prevention of respiratory, cardiovascular and neurodegenerative diseases and conditions associated with aging (the “Biotech Business”). The Biotech Business was unsuccessful and, as a result, the Company ceased material operations relating to that business in October 2005; however, the Company retained its intellectual property rights and contract rights relating to that business (the “Biotech IP”). On October 17, 2005, the Company reincorporated in Delaware.

On February 11, 2008, Vyrex, PowerVerde, Inc. (“PowerVerde”) and Vyrex Acquisition Corporation (“VAC”), a wholly-owned subsidiary of Vyrex, all Delaware corporations, entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, on February 12, 2008, VAC merged with and into PowerVerde, with PowerVerde remaining as the surviving corporation and a wholly-owned subsidiary of Vyrex (the “Merger”). As consideration for the Merger, as of the closing of the Merger, each issued and outstanding share of common stock of PowerVerde was converted into the right to receive 1.2053301 shares of the common stock of Vyrex and each share of VAC was converted into one share of PowerVerde common stock. As a result of the Merger, the former shareholders of PowerVerde held 95% of the common stock of Vyrex.

On August 6, 2008, at a special meeting of shareholders, Vyrex’s name was changed to “PowerVerde, Inc.” Simultaneously, the name of our operating company, PowerVerde, Inc., was changed to “PowerVerde Systems, Inc.”

In March 2009, we sold all of the Biotech IP other than existing licensing contract rights to Dr. Edward Gomez, a pre-Merger investor in PowerVerde and now a shareholder of the Company. In exchange for the assignment of the Biotech IP to him, Dr. Gomez agreed to (i) pay all future costs and expenses relating to the Biotech IP, including, but not limited to, patent fees, license fees and legal fees, and (ii) pay to the Company 20% of all net revenues received from the sale and/or licensing of any of the Biotech IP.

Please note that the information provided below relates to the combined company after the Merger. Since our operations after the Merger consist solely of PowerVerde operations, except where the context otherwise requires, references throughout this Report hereafter to “PowerVerde,” “we,” “us,” “our” and the “Company” will mean or refer to PowerVerde’s business and operations.

The Company is a Delaware corporation formed in March 2007 by George Konrad and Fred Barker. Mr. Konrad served as an officer and director of the Company until October 2012. Mr. Barker served as an officer and director until January 2015. See Item 10 “Directors, Executive Officers and Corporate Governance.” The Company was formed in order to further develop, commercialize and market a series of unique electric generating power systems designed to produce electrical power with zero emissions or waste byproducts, based on a patented pressure-driven expander motor and related organic rankine cycle technology. The design of the motor was conceived by Mr. Barker in January 2001. Mr. Barker previously had a working relationship with Mr. Konrad and enlisted Mr. Konrad and his manufacturing expertise, together with Mr. Barker’s own engineering expertise, to co-develop the motor. As a research and development company, we have tested and continue to test other style drivers as well.

An initial prototype of the motor was created and tested in early 2002, and, based on positive test results, Messrs. Barker and Konrad concluded that the concept could lead to a commercial product. A new design was developed in early 2007, which resulted in a motor that produced more torque and horsepower, as well as being easier to mass produce. The prototype was tested extensively, and substantial tooling and engineering with CAM/CNC programming was completed at the facility of Mr. Konrad's company, Arizona Research and Development ("ARD"), for the possibility of an eventual mass production model. The Company has since abandoned this style of expander and is now focused on a new planetary or quad rotor style expander or motor.

Based on data learned from these earlier prototypes, PowerVerde has manufactured, retrofitted or purchased from third party manufacturers, different expanders and related generation equipment. The Company has been testing these devices on a more powerful and advanced organic rankine cycle (ORC) system referred to as the Liberator. The Company has also built and tested a 100kW pressure-driven motor at another machining and manufacturing facility, Global Machine Works, in Arlington, WA. These two related but distinct systems are designed for two different markets. The 25/50kW system uses low-grade heat source (waste heat) as a fuel source, expanding a working fluid thereby driving the expander/generator, while the 100kW system (without ORC) uses wasted energy (pressure) from natural gas pipeline or wellhead infrastructures to drive the motor/generator and create electric power. In early 2010, our Board of Directors created two separate product lines: waste heat/solar organic rankine cycle powered systems; and gas pipeline/wellhead waste energy recovery systems.

In November 2011, we entered into a binding letter of intent for the acquisition of all of the membership interests in Cornerstone Conservation Group LLC, Scottsdale, Arizona ("Cornerstone"). The acquisition was consummated pursuant to a definitive agreement executed in March 2012. Cornerstone's main asset is its proprietary Combined Cooling, Heating and Power ("CCHP") technology, which utilizes waste heat from commercial and residential heating, ventilation air conditioning and refrigeration ("HVACR") systems. Cornerstone also has substantial experience and technology relating to geothermal or ground source heat pumps.

As consideration for the Cornerstone acquisition, we issued (i) a total of 2,250,000 restricted shares of our common stock to Cornerstone's members, Bryce Johnson ("Johnson"), Paul Kelly ("Kelly") and Vincent Hills ("Hills") in the amounts of 1,575,000, 337,500 and 337,500 shares, respectively, (ii) 10,000 restricted shares to a Cornerstone employee, and (iii) three year warrants to purchase 150,000 shares each to Johnson and Kelly at exercise prices of \$2.00 \$4.00 per share. In November 2011, Johnson joined our Board of Directors, and in January 2012 we moved our operations to a facility in Scottsdale, Arizona, owned by Johnson. See "Item 2 Properties." Johnson also became our chief operating officer in January 2012. Johnson resigned from his officer and director positions in March 2013. As a result of Johnson's resignation, Management decided to impair the goodwill entirely as of December 31, 2012. We continue to operate our laboratory and test the Liberator within Mr. Johnson's facility, where several infrastructure upgrades have been completed. There can be no assurance that our good relationship with Mr. Johnson regarding use of his facility will continue. See Item 2 "Properties."

We believe that Cornerstone's technology is complementary to PowerVerde's platform and existing markets – mainly through the conversion of thermal energy into electric power generation. While we believe that the Cornerstone acquisition brings substantial opportunities for synergy, there can be no assurance that the acquisition will prove successful.

Certain of our non-combustion expanders are fueled by heat (waste heat), via an ORC related system, and create a pressure source powering the PowerVerde expander/generator while emitting zero carbon emissions or waste stream byproducts. The other PowerVerde system, designed to operate on wellhead or natural gas pipeline infrastructure, lacks the ORC component, but includes a pressure cycle known as the Wet Steam Cycle (WSC) using our licensed planetary-style expander. This latter system uses wasted latent energy (pressure) inherent in "city gate" letdowns or wellheads as its pressure source.

Our ORC system requires:

- A heat source (solar, waste heat, geothermal or bio-mass);
- An organic rankine cycle (ORC) or WSC style system to convert heat into pressure;
- PowerVerde expander to convert the pressure into horsepower; and
- A generator to convert the horsepower into electricity.

Our WSC system requires:

- * a pressure source such as gas wellhead;
- * a planetary expander; and
- * an off-the-shelf commodity boiler to create heated steam.

We have built and tested the 25/50kW ORC systems, and we believe that the overall design meets or exceeds performance metrics when compared to the industry at large. We have, however, remained challenged with our inability to thus far generate the continuous hours of operation that we believe necessary for commercial quality expectations. We continue to work toward our goal of a system capable of 20,000 hours (almost three years) of continuous operation. Meanwhile, we believe that we have made great strides in the evolution of our waste heat energy systems, and we continue to pursue opportunities for the commercialization of our Systems. There can be no assurance, however, that our ongoing technical issues will be resolved or that any of our Systems will ever be commercially viable.

As we announced on April 5, 2018, we believe that our recent selection by Duke University to provide the expander technology for a project addressing sanitation needs on a global scale gives us an excellent opportunity to commercialize our expander technology. In October 2017, Duke University contacted PowerVerde to inquire about a waste heat recovery system designed to recapture heat generated by a chemical reaction, at super critical conditions, produced by a reactor Duke had built to handle organic fecal sludge as well as other organic waste. The system, known as a supercritical water oxidizer (SCWO) was designed to accommodate a project known as the “sanitation project”—part of a global initiative to help countries better process human fecal matter and other organic wastes. This project helps people as well as the planet to properly dispose in a sanitary manner of fecal matter that currently, left untreated, poisons lakes, rivers and oceans and endangers public health. We believe, based on our discussions with Duke, that this system is a paradigm shift in performance, specifically processing sewage faster and more completely than existing technology. We believe this system could be adapted worldwide for traditional sewage treatment facilities as well as individual buildings, ships, military installations, landfill or many other applications where organic waste needs to be disposed of.

PowerVerde was invited to apply to build this heat recovery expander in a “Request for Proposal” (RFP) offered by Duke. This RFP was presented to other companies from around the world in a competitive forum. The requirements included a heat capturing system capable of working in super critical condition with pressures as high as 3000 PSI. This metric requires custom designed hardware built to withstand high pressure and temperatures approaching 1000 degrees Fahrenheit. In late December 2017, Duke informed us that PowerVerde was exclusively selected pursuant to the RFP, which was based on Duke’s initial need for approximately 100 SCWO Systems. We are working closely with Duke on the design of the expander for the sanitation project. We are also negotiating with potential commercial and engineering partners for this project as well as potential investors to provide the capital needed. We believe that we will be able to produce the expanders required for the project on terms which satisfy the project’s need for efficient and affordable electricity, while at the same time yielding a reasonable profit to PowerVerde and its shareholders. Given the early stage of the project, there can be no assurance that the project will be successful or that our participation in it will be profitable.

Our main source of funding, the Biotech IP license contract, expired in March 2018. We expect to receive our final installment of Biotech IP revenue in the second quarter of 2018, based on royalties accrued in the first quarter of 2018 in the amount of \$159,094. Thereafter, unless and until we are able to successfully commercialize our Systems and generate positive cash flow from operations, through the Duke project or otherwise, we will have to rely on privately-raised equity and/or debt capital to fund our operations. There can be no assurance that we will be able to raise the necessary capital on commercially reasonable terms. If we are unable to do so, we will have to cease operations.

Employees

We currently have one full-time employee: Mark Prinz based in Scottsdale, Arizona. Mark was hired in 2011. Our chief engineer, Hank Leibowitz, was hired pursuant to a part-time consulting agreement in October 2012. Mr. Leibowitz has been designated our chief design engineer.

Patents

Messrs. Barker and Konrad together obtained U.S. Patent No. 6,840,151 for a “push-push type fluid pressure actuated motor,” which was issued on January 11, 2005. On June 6, 2007, Messrs. Barker and Konrad and the Company’s predecessor, PowerVerde, LLC, permanently and exclusively assigned to PowerVerde all rights to the patent and the other intellectual property relating to the PowerVerde systems. On July 16, 2008, Messrs. Barker and Konrad filed U.S. Patent application No. 61/081,298 for a “system to produce electricity using waste energy in natural gas pipelines.” This application was assigned to the Company; however, it was abandoned in 2009 because we decided to replace it with a new and improved provisional patent application regarding the natural gas pipeline technology. Mr. Barker filed on behalf of PowerVerde a new provisional patent application regarding this technology on April 7, 2010. On October 17, 2008, Mr. Konrad and Mr. Brian K. Gray filed U.S. Patent application No. 12/253,580 for a “low temperature organic rankine cycle system” This application was assigned to the Company. There can be no assurance that these patents will be issued or maintained.

In late 2010, we began filing several provisional patents covering our new organic pressure-driven cycle technology. In January 2011, we hired the inventor of this technology, Keith Johnson, as a specialist in advanced pressure-driven systems. He has assigned to PowerVerde his patent application in this field, U.S. Patent Application 61/424,249 filed on December 17, 2010. There can be no assurance that these patents will be issued or maintained.

Pursuant to the Comerstone acquisition, we acquired all rights to U.S. Patent Application No. 12,749,416 filed on March 29, 2010, entitled “Solar Photovoltaic Closed Fluid Loop Evaporation Tower.” This application was filed by Bryce Johnson as inventor and assigned to Comerstone in connection with the acquisition. There can be no assurance that this patent will be issued or maintained.

On June 25, 2015, our consultant Hank Leibowitz assigned to PowerVerde his U.S. Patent Application No. 62/172,616, filed on June 8, 2015 for “a system and method using high temperature sources [such as gas well flaring] in Rankine cycle power systems.” There can be no assurance that this patent, which we expect to use in connection with our WSC system, will be issued or maintained. We have agreed to pay Mr. Leibowitz a 2% royalty for any and all revenues of products and/or project sales by us based on this patent.

Government Regulations and Incentives

Regulatory proposals to limit greenhouse gases remain under consideration, particularly in Europe. One such measure would be a carbon tax placed on fuels in proportion to their carbon content. Another would be a tax on oil. Yet another would be a “cap and trade” system. All of these would drive up the price of electricity from fossil fuel sources, yet have no impact on carbon-free renewable sources such as those offered by us; however, due to economic conditions in the United States and Europe and strong political opposition, in particular from the new US presidential administration, there can be no assurance that any of these measures will be implemented.

Governments, utilities, businesses, and consumers alike are acutely aware of the negative effects of pollution and use of fossil fuels. Fossil fuel-based emissions contribute to serious health and environmental conditions such as acid rain, particulate pollution, nitrogen deposition, and global climate change. Consequently, government agencies in the United States and Europe at the national, state/provincial and local levels have implemented and proposed various economic incentives in the form of tax credits, rebates, deductions, accelerated depreciation and other subsidies designed to enhance the use of energy-efficient and clean power sources. We believe that these incentives will have a substantial positive impact on demand for the PowerVerde systems; however, there can be no assurance that, even with these incentives, our systems will be economically competitive or that the incentives will continue to be available.

We have applied and continue to apply for federal grants, loans and/or other programs designed to assist development of renewable “green” energy sources, and we have previously retained specialized consultants to assist in this endeavor; however, we have not been successful in these ongoing efforts, and there can be no assurance that we will ever receive any governmental assistance.

Competition

We face substantial competition from numerous other companies, most of whom have financial and other resources substantially greater than ours. Our competition is worldwide, ranging from solo inventors and small businesses all the way to major utility companies and multinational corporations, all of whom are attempting to design, develop and market clean and efficient methods for the generation and delivery of electricity. This competition is expected to increase due to pressures arising from environmental concerns and the increased availability of governmental incentives and subsidies. These competitors may prove more successful in offering similar products and/or may offer alternative products which prove superior in performance and/or more popular with potential customers than our products. Our ability to commercialize our products and grow and achieve profitability in accordance with our business plan will depend on our ability to satisfy our customers and withstand increasing competition by providing high-quality products at reasonable prices. We also face substantial competition from sustained low prices for oil and natural gas. There can be no assurance that we will be able to achieve or maintain a successful competitive position.

Where You Can Find Additional Information

The Company is subject to the reporting requirements under the Exchange Act. The Company files with, or furnishes to, the SEC quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports and will furnish its proxy statement. These filings are available free of charge on the Company’s website, www.powerverdeenergy.com shortly after they are filed with, or furnished to, the SEC.

The SEC maintains an Internet website, www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers.

Risks Related to General Economic Conditions

Increases in interest rates, or tightening of the supply of capital in the volatile global financial markets, could make it difficult for end-users to finance the cost of a PowerVerde system and could reduce the demand for our products and/or lead to a reduction in the average selling price for our products.

We believe that, in the event that we are able to commercialize our products, many of our end-users will depend on debt financing to fund the initial capital expenditure required to purchase and install a PowerVerde system. As a result, increases in interest rates, which are expected to continue for the next 12 months due to announced Federal Reserve policy, could make it difficult for our end-users to secure the financing necessary to purchase and install PowerVerde systems on favorable terms, or at all and thus lower demand and reduce our net sales. Due to the overall economic outlook, our end-users may change their decision or change the timing of their decision to purchase and install PowerVerde systems. In addition, we believe that a significant percentage of our end-users will install PowerVerde systems as an investment, funding the initial capital expenditure through a combination of equity and debt. An increase in interest rates could lower an investor's return on investment in PowerVerde systems, or make alternative investments more attractive relative to PowerVerde systems, and, in each case, could cause these end-users to seek alternative investments. A reduction in the supply of project debt financing or equity investments could reduce the number of our projects that receive financing and thus lower demand for PowerVerde systems.

Reduced growth in or the reduction, elimination or expiration of government subsidies, economic incentives and other support for renewable energy-sourced electricity applications could reduce demand for our systems.

Reduced growth in or the reduction, elimination or expiration of government subsidies, economic incentives and other support for renewable-sourced electricity may result in the diminished competitiveness of our systems relative to conventional and non-renewable sources of energy, and could materially and adversely affect our business.

Electric utility companies or generators of electricity from fossil fuels or other renewable energy sources could also lobby for a change in the relevant legislation in their markets to protect their revenue streams. Reduced growth in or the reduction, elimination or expiration of government subsidies and economic incentives for renewable electricity generation applications, especially those in our target markets, could impede our sales efforts and materially and adversely affect our business, financial condition and results of operations.

Existing regulations and policies and changes to these regulations and policies may present technical, regulatory and economic barriers to the purchase and use of our renewable electricity generation systems, which may significantly reduce demand for our systems.

The market for electricity generation products is heavily influenced by foreign, federal, state and local government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In the United States and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. These regulations and policies could deter end-user purchases of our systems. The new US presidential administration is generally skeptical of government support for the alternative energy industry, and this policy change from the prior administration may materially adversely affect our business.

We anticipate that our systems and their installation will be subject to oversight and regulation in accordance with national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. It is difficult to track the requirements of individual states and design equipment to comply with the varying standards. Any new government regulations or utility policies pertaining to our systems may result in significant additional expenses to us and our potential customers and, as a result, could cause a significant reduction in demand for our systems.

Risks Related to Our Business

We need to raise substantial additional capital to fund our business.

We will need to raise promptly substantial additional funds. Without such additional funds, we may have to cease operations. We will require substantial additional funding for our contemplated research and development activities, commercialization of our products and ordinary operating expenses. Adequate funds for these purposes may not be available when needed or on terms acceptable to us. Insufficient funds may require us to delay or scale back our activities or to cease operations. Our sole source of material revenues has been Biotech IP licensing fees. Our license agreement expired in March 2018, when the underlying patents expired. Our final royalty payment, for royalties accrued in the first quarter of 2018, is expected in the second quarter of 2018.

We face substantial competition in our industry, and we may be unable to attract customers and maintain a viable business.

We face substantial competition from numerous other companies, most of whom have financial and other resources substantially greater than ours. Our competition is worldwide, ranging from solo inventors and small businesses all the way to major utility companies and multinational corporations, all of whom are attempting to design, develop and market clean and efficient methods for the generation and delivery of electricity. This competition is expected to increase due to pressures arising from high prices of fossil fuels, environmental concerns and the availability of governmental incentives and subsidies. These competitors may prove more successful in offering similar products and/or may offer alternative products which prove superior in performance and/or more popular with potential customers than our products. Our ability to commercialize our products and grow and achieve profitability in accordance with our business plan will depend on our ability to satisfy our customers and withstand increasing competition by providing high-quality products at reasonable prices. There can be no assurance that we will be able to achieve or maintain a successful competitive position.

Our success is dependent on the services of our key management and personnel.

Our success will depend in large part upon the skill and efforts of our key personnel hired or who may be hired, including our chief engineer, Hank Leibowitz, and our system specialist, Mark Prinz. Loss of any such personnel, whether due to resignation, death, and disability or otherwise, could have a material adverse effect on our business. In addition, Mr. Leibowitz does not intend to work for PowerVerde on a full-time basis, as he has substantial other business activities. He intends to dedicate the time he deems appropriate to meet PowerVerde's needs; however, there can be no assurance that he will be willing or able to dedicate such time and attention as would maximize PowerVerde's chances for success.

We have a limited operating history.

We have only a limited operating history. We have yet to generate any material revenues from our systems, as we have sold only one system, in a discounted 2011 sale to a former European distributor, and the commercial value of our products is uncertain. There can be no assurance that we will ever be profitable. Further, we are subject to all the risks inherent in a new business including, but not limited to: intense competition; lack of sufficient capital; loss of protection of proprietary technology and trade secrets; difficulties in commercializing its products, managing growth and hiring and retaining key employees; adverse changes in costs and general business and economic conditions; and the need to achieve product acceptance, to enter and develop new markets and to develop and maintain successful relationships with customers, third party suppliers and contractors.

We may have difficulty in protecting our intellectual property and may incur substantial costs to defend ourselves in patent infringement litigation.

We rely primarily on a combination of trade secrets, patents, copyright and trademark laws, and confidentiality procedures to protect our proprietary technology, which is our principal asset.

Our ability to compete effectively will depend to a large extent on our success in protecting our proprietary technology, both in the United States and abroad. There can be no assurance that (i) any patents that we have applied or apply for will be issued, (ii) any patents issued, including our existing U.S. Patent No. 6,840,151, on which our current products are based, will not be challenged, invalidated, or circumvented, (iii) that we will have the financial resources to enforce our patents or (iv) the patent rights granted will provide any competitive advantage. We could incur substantial costs in defending any patent infringement suits or in asserting our patent rights, including those granted by third parties, and we might not be able to afford such expenditures.

We have limited protection over our trade secrets and know-how.

Although we have entered into confidentiality and invention agreements with our key personnel, there can be no assurance that these agreements will be honored or that we will be able to protect our rights to our non-patented trade secrets and know-how effectively. There can be no assurance that competitors will not independently develop substantially equivalent or superior proprietary information and techniques or otherwise gain access to our trade secrets and know-how.

We may be unable to obtain required licenses from third-parties for product development.

We may be required to obtain licenses to patents or other proprietary rights from third parties. If we do not obtain required licenses, we could encounter delays in product development or find that the development, manufacture or sale of products requiring these licenses could be prevented.

The reduction, elimination or unavailability of contemplated government incentives may force our business plan to be changed and may materially adversely affect our business.

Our business plan relies to a significant extent on the availability of substantial federal, state and local governmental incentives for the development, production and purchase of energy-saving, environmentally-friendly products such as our systems. These incentives include, among others, tax deductions, tax credits, rebates, accelerated depreciation and government loans, grants and other subsidies. There can be no assurance that some or all of these incentives will not be substantially reduced or eliminated, nor can there be any assurance that any currently proposed incentives will actually take effect. Similarly, we have never received, and there can be no assurance that we will ever receive, any government loans, grants or other subsidies.

Lower energy prices may hinder our ability to attract customers and become profitable.

Our products are energy-efficient electric generators which compete primarily with conventional fossil fuel-generated electricity produced and delivered by conventional utility companies. The significant decreases in the prices of oil and natural gas since mid-2014 have materially adversely affected our competitive position. If sustained, these lower fossil fuel prices and the corresponding lower cost of fossil fuel-generated electricity could materially adversely affect our business.

We may be unable to purchase materials and parts on commercially reasonable terms from suppliers.

If we are able to commercialize our systems, our success will depend to a large extent on our ability to obtain a reliable supply of materials and parts from our suppliers on commercially reasonable terms. This may not prove possible due to competition, inflation, shortages, international crises, adverse economic and political conditions and business failures of suppliers or other reasons.

Our insurance may not provide adequate coverage.

Although we maintain general and product liability, property and commercial crime insurance coverage which we consider prudent, there can be no assurance that such insurance will prove adequate in the event of actual casualty losses or broader calamities such as terrorist attacks, earthquakes, financial crises, economic depressions or other catastrophic events, which are either uninsurable or not economically insurable. Any such losses could have a material adverse effect on PowerVerde.

We may be unable to obtain or maintain insurance for our commercial products.

The design, development and manufacture of our products involve an inherent risk of product liability claims and associated adverse publicity. There can be no assurance we will be able to maintain insurance for any of our proposed commercial products. Such insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms or at all. We are also exposed to product liability claims in the event the use of our proposed products result in injury.

Risks Related to Our Common Stock; Liquidity Risks

Our stock price is highly volatile.

The market prices for securities of emerging and development stage companies such as ours have historically been highly volatile, and our limited history has reflected this volatility. Difficulty in raising capital as well as future announcements concerning us or our competitors, including the results of testing, technological innovations or new commercial products, government regulations, developments concerning proprietary rights, litigation or public concern as to safety of potential products developed by us or others, may have a significant adverse impact on the market price of our stock.

We do not pay dividends on our common stock, and we have no intention to do so in the future.

For the near-term, we intend to retain remaining future earnings, if any, to finance our operations and do not anticipate paying any cash dividends with respect to our common stock.

There has been limited trading in our stock.

Our common stock is currently quoted on the OTCBB under the symbol “PWVI.” Since our February 2008 Merger with our predecessor Vyrex Corporation, our stock has been thinly traded, and no assurance can be given as to when, if ever, an active trading market will develop or, if developed, that it will be sustained. As a result, investors may be unable to sell their shares of our common stock at a fair price, if at all.

We may issue additional shares of our stock which may dilute the value of our stock.

Shares which we issue pursuant to private placements generally may be sold in the public market after they have been held for six months, pursuant to Rule 144. The sale or availability for sale of substantial amounts of common stock in the public market under Rule 144 or otherwise could materially adversely affect the prevailing market prices of our common stock and could impair our ability to raise additional capital through the sale of our equity securities.

We may issue shares of preferred stock that could defer a change of control or dilute the interests of holders of our common stock shareholders.

Our Board of Directors is authorized to issue up to 50,000,000 shares of preferred stock. The Board of Directors has the power to establish the dividend rates, liquidation preferences, voting rights, redemption and conversion terms and privileges with respect to any series of preferred stock. The issuance of any series of preferred stock having rights superior to those of the common stock may result in a decrease in the value or market price of the common stock and further, they could be used by the Board of Directors as a device to prevent a change in control favorable to the Company. Holders of preferred stock to be issued in the future may have the right to receive dividends and certain preferences in liquidation and conversion rights. The issuance of such preferred stock could make the possible takeover of the Company or the removal of management of the Company more difficult, and adversely affect the voting and other rights of the holder of the common stock, or depress the market price of the common stock.

Our common stock is covered by SEC “penny stock” rules which may make it more difficult for you to sell or dispose of our common stock.

Since we have net tangible assets of less than \$1,000,000, transactions in our securities are subject to Rule 15c-9 under the Exchange Act which imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of \$1,000,000 or annual incomes exceeding \$200,000 or \$300,000 together with their spouses). For transactions covered by this Rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to the sale. Consequently, this Rule may affect the ability of broker-dealers to sell our securities, and may affect the ability of shareholders to sell any of our securities in the secondary market.

The Commission has adopted regulations which generally define a “penny stock” to be any non-NASDAQ equity security of a small company that has a market price (as therein defined) less than \$5.00 per share, or with an exercise price of less than \$5.00 per share subject to certain exceptions, and which is not traded on any exchange or quoted on NASDAQ. For any transaction by broker-dealers involving a penny stock (unless exempt), the rules require delivery, prior to a transaction in a penny stock, of a risk disclosure document relating to the penny stock market. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in an account and information on the limited market in penny stocks.

FORWARD-LOOKING STATEMENTS

Prospective investors are cautioned that the statements in this Report that are not descriptions of historical facts may be forward-looking statements that are subject to risks and uncertainties. This Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are based on the beliefs of our management as well as on assumptions made by and information currently available to us as of the date of this Report. When used in this Report, the words “plan,” “will,” “may,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project” and similar expressions, as they relate to PowerVerde, are intended to identify such forward-looking statements. Although PowerVerde believes these statements are reasonable, actual actions, operations and results could differ materially from those indicated by such forward-looking statements as a result of the risk factors included in this Report or other factors. We must caution, however, that this list of factors may not be exhaustive and that these or other factors, many of which are outside of our control, could have a material adverse effect on PowerVerde and our ability to achieve our objectives. All forward-looking statements attributable to PowerVerde or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We do not own any real property. On January 1, 2012 our Board of Directors agreed to end the rental agreement with ARD and moved our operations to a 5,000 foot facility owned by our then-director and chief operating officer Bryce Johnson (who resigned in March 2013), located at 7595 E. Gray Rd., Scottsdale, Arizona. We believe that the facility will be adequate to satisfy our needs for at least the next year. From March 2012 to June 2013, we used the facility for a fee of \$700 per month, which covered overhead costs. Since July 2013, this fee has not been charged. We believe that our relationship with Mr. Johnson, who remains a major PowerVerde shareholder, is good, and we believe that this good relationship will continue and allow us to use the facility on current terms for at least the next year; however, there can be no assurance that this will be the case as we do not have a signed lease.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock trades on the Over-The-Counter Bulletin Board ("OTCBB") under the symbol "PWVI." The over-the-counter market quotations provided below reflect inter-dealer prices, without retail mark-ups, mark-down or commission and may not represent actual transactions. The following table sets forth the range of high and low sales prices on the OTCBB for the periods indicated.

Period Beginning	Period Ending	High	Low
January 1, 2016	March 31, 2016	\$ 0.20	\$ 0.08
April 1, 2016	June 30, 2016	\$ 0.30	\$ 0.11
July 1, 2016	September 30, 2016	\$ 0.22	\$ 0.13
October 1, 2016	December 31, 2016	\$ 0.20	\$ 0.05
January 1, 2017	March 31, 2017	\$ 0.20	\$ 0.01
April 1, 2017	June 30, 2017	\$ 0.11	\$ 0.05
July 1, 2017	September 30, 2017	\$ 0.14	\$ 0.09
October 1, 2017	December 31, 2017	\$ 0.15	\$ 0.08
January 1, 2018	March 31, 2018	\$ 0.18	\$ 0.07

Dividends

We have never declared or paid any cash dividends on our common stock, nor do we intend to declare or pay any cash dividends on our common stock in the foreseeable future. Subject to the limitations described below, the holders of our common stock are entitled to receive only such dividends (cash or otherwise) as may (or may not) be declared by our Board of Directors.

Recent Sales of Unregistered Securities

All of PowerVerde's sales of unregistered securities since inception have been made pursuant to private offerings to accredited investors. The sales set forth below were made pursuant to an exemption from registration requirements under Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. Except as otherwise noted below, no placement agent fees or commissions were paid on these offerings, and net proceeds were used for working capital.

In the fourth quarter of 2012, we sold \$325,000 principal amount of two-year Series A Secured Promissory Notes to accredited investors. At closing, we issued to each investor a three-year warrant to purchase one share of our common stock at an exercise price of \$.41 per share. Pursuant to the terms of the Notes, on December 1, 2013, we were obligated to issue an additional three-year warrant (covering the same number of shares as the initial warrant) to each investor at an exercise price equal to \$.21 per share (the average price of the common stock during the 10 trading days prior to December 1, 2013).

Each Note investor received simple interest at the rate of 10% per annum based on a 365-day year and actual days elapsed in the period for which such interest is payable. Accrued interest was payable semi-annually on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. The entire principal balance of the Notes, together with all unpaid interest accrued thereon, was due and payable on December 31, 2014. The Notes were collateralized by our Biotech license fee revenues. We agreed to pay a \$25,000 fee to the placement agent, Martinez-Ayme Securities, Inc. ("MAS"); however, in December 2013, this receivable was assigned by MAS to our Director and Chief Executive Officer Richard Davis and the amount due was reduced to \$20,000 in exchange for payment to Mr. Davis of \$4,000, which was paid in 2014.

In the first quarter of 2013, we sold an additional \$75,000 principal amount of Series A Secured Promissory Notes. In connection with these Notes, we issued warrants to purchase 75,000 shares of common stock concurrent with issuance of the Notes and we issued warrants to purchase an additional 75,000 shares in December 2013 at an exercise price equal to \$.21 per share (the average price of the common stock during the 10 trading days prior to December 1, 2013).

In the fourth quarter of 2014, the Note Holders agreed to extend the maturity date of the Note principal balance to December 31, 2016. In connection with the Note extension, we revised the terms of the original warrants issued December 31, 2012, extending the expiration date from December 31, 2015 to December 31, 2017 and the exercise price was reduced from \$0.41 per share to \$0.39 per share. We also revised the terms of the additional warrants to extend the expiration date to December 31, 2018, and the exercise price was reduced from \$.21 per share to \$0.17 per share.

In the first quarter of 2017, the Note Holders agreed to extend the maturity date of the Notes to September 30, 2017, and in the third quarter of 2017 the maturity date was extended to April 30, 2018. In 2017, we paid \$250,000 in principal on the Notes. The \$150,000 balance of the Notes was paid in full in January 2018.

In the first quarter of 2014, we raised gross proceeds of \$240,000 through private placement of 2,400,000 unregistered shares of common stock to accredited investors at \$.10 per share.

In the second quarter of 2014, we raised gross proceeds of \$75,000 through private placement of 750,000 unregistered shares of common stock to accredited investors at \$.10 per share. We paid a 10% placement agent fee to MAS for this offering.

In the third quarter of 2014, we raised gross proceeds of \$100,000 through private placement of 1,000,000 unregistered shares of common stock to accredited investors at \$.10 per share.

Issuer Purchases of Equity Securities

During the years ended December 31, 2017, and 2016, there were no equity securities repurchases by the Company.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

Critical Accounting Policies

The consolidated financial statements of PowerVerde, Inc. are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these consolidated financial statements requires our management to make estimates and assumptions about future events that effect the amounts reported in the financial statements and related notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. We believe the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

Licensing and royalty revenue from royalty agreements unrelated to the Company’s planned operations is recognized in accordance with the terms of the specific agreement which is based on sales by the licensee to which the royalties relate. Revenues recognized under these agreements amount to 96% and 100% of total revenues for the years ended December 31, 2017 and 2016, respectively.

Common Stock Purchase Warrants

The Company accounts for common stock purchase warrants in accordance with ASC Topic 815- 40, Derivatives and Hedging – Contracts in Entity’s Own Equity (“ASC 815-40”). Based on the provisions of ASC 815- 40, the Company classifies as equity any contracts that (i) require physical settlement or net-share settlement, or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). All outstanding warrants as of December 31, 2017 and 2016, were classified as equity.

Intellectual Property

The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses an estimate of the undiscounted cash flows over the remaining life of its long-lived assets, or related group of assets where applicable, in measuring whether the assets to be held and used will be realizable. In the event of impairment, the Company would discount the future cash flows using its then estimated incremental borrowing rate to estimate the amount of the impairment.

Stock-based compensation.

We account for stock-based compensation based on ASC Topic 718-Stock Compensation which requires expensing of stock options and other share-based payments based on the fair value of each stock option awarded. The fair value of each stock option is estimated on the date of grant using the Black-Scholes valuation model. This model requires management to estimate the expected volatility, expected dividends, and expected term as inputs to the valuation model.

Overview

From January 1991 until October 2005, the Company devoted substantially all of its efforts and resources to research and development related to its unsuccessful Biotech Business, in particular the study of biological oxidation and antioxidation directed to the development of potential therapeutic products for the treatment of various diseases and conditions. In the most recent years, the Company’s research focused mainly on targeted antioxidant therapeutics and nutraceuticals. The Company is a development stage company, has never generated any substantial revenue from product sales and has relied primarily on equity financing, licensing revenues, and various debt instruments for its working capital. The Company has been unprofitable since its inception.

Following the cessation of material Biotech Business operations in October 2005, the Company turned its primary focus to seeking an appropriate merger partner for its public shell. This resulted in the February 2008 Merger with Vyrex. In March 2009, we assigned most of our Biotech intellectual property other than our rights under existing licensing agreements (the “Biotech IP”) to an investor in exchange for his agreement to pay all future expenses relating to the Biotech IP and to pay us 20% of any net proceeds received from future sale and/or licensing of the Biotech IP. We do not expect this arrangement to generate material revenues.

Since the Merger, we have focused on the development and testing of our electric power systems, and since 2008 we have focused on their applicability to thermal and formerly natural gas pipeline operations. We have abandoned the pipeline opportunities in terms of focusing on the thermal applications. The Company’s business is subject to significant risks, including the risks inherent in our research and development efforts, uncertainties associated with obtaining and enforcing patents and intense competition. See “Risk Factors.”

Except as specifically noted to the contrary, the following discussion relates only to PowerVerde since, as a result of the Merger, the only historical financial statements presented for the Company in periods following the Merger are those of the operating entity, PowerVerde.

Results of Operations

Years ended December 31, 2017 and 2016

During 2017, we continued to focus on upgrading the durability and continued operations capability of our waste heat systems. We had no revenues in 2017 other than \$818,443 in Biotech IP licensing fees, a 39.2% increase from \$587,613 in licensing income for 2016, and \$34,000 for part-time skilled manufacturing services provided by our employee to a third party. Our research and development expenses decreased by \$120,414 (36.4%) in 2017 as compared to 2016, and our general and administrative expenses increased by \$107,576 (33.8%). The decrease in expenses was primarily due to the decrease in stock option issuances for services as well as our ongoing cost control efforts. Substantial net losses will continue until we are able to successfully commercialize and market our products, as to which there can be no assurance.

Liquidity and Capital Resources

We have financed our operations since inception principally through the sale of debt and equity securities. Also, since 2012 we have received material amounts of Biotech IP licensing fees. As of December 31, 2017, we had working capital of \$168,859 as compared to a working capital deficit of \$272,120 as of December 31, 2016. Our improved working capital position is due primarily to our increased Biotech IP revenue in 2017.

Due to our substantially increased Biotech IP revenues in 2017, we were able in January 2018 to pay in full the \$150,000 balance of our Notes payable to related parties and to begin 2018 with substantial working capital; however, our Biotech IP license agreement expired in March 2018 due to the expiration of our underlying patents. Consequently, we have no further material source of cash other than our final Biotech IP royalty payment for the first quarter of 2018, which we expect to receive in the second quarter of 2018 in the amount of \$159,094. We are seeking a new source of revenue by using our employee to provide part-time skilled manufacturing services to a third party; however, we expect this arrangement to generate no more than \$5,000 per month.

We continue to seek funding from private equity and debt investors, as we need to promptly raise substantial additional capital in order to finance our plan of operations. There can be no assurance that we will be able to promptly raise the necessary funds. If we do not promptly raise the necessary funds, we may be forced to cease operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the Company and other information required by this Item are set forth herein in a separate section beginning with the Index to the Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and President, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of financial statements.

All internal controls over financial reporting, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding of controls. Therefore, even effective internal control over financial reporting can provide only reasonable, and not absolute, assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal controls over financial reporting may vary over time. Because of its inherent limitations, internal controls over financial reporting may also fail to prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—An Integrated Framework (September 1992). Based on this evaluation, our management concluded that, as of December 31, 2017, our internal control over financial reporting was effective.

No Attestation Report

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

Changes in Internal Control Over Financial Reporting

There were no significant changes in internal control over financial reporting during the fourth quarter of 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The names of our officers and directors, as well as certain information about them are set forth below:

Name	Age	Position(s)	Held Since
Richard H. Davis	62	Chief Executive Officer, Director	2008
John Hofmann	61	Chief Financial Officer	2011

Richard H. Davis. Mr. Davis joined our Board in February 2008 in connection with the Vyrex Merger, and he became Chief Executive Officer in August 2011. He received a B.S degree in economics from Florida State University in 1982. He joined First Equity Corporation (“First Equity”) in Miami that same year. First Equity operated as a regional full-service brokerage and investment bank. Mr. Davis’ duties included equity deal structure and brokerage-related activities. After First Equity was acquired in 2001, Mr. Davis joined the corporate finance department of William R. Hough & Company (“Hough”), where he continued structuring equity finance and private acquisitions. Hough was acquired in 2004 by RBC Dain Rauscher (“Dain”), a global investment banking firm. Dain consolidated Hough’s corporate finance activities into its New York offices. Mr. Davis elected to remain in Miami and joined Martinez-Ayme Securities, assuming the newly-created position of managing director of corporate finance.

John Hofmann. Mr. Hofmann became our Chief Financial Officer in August 2011. Since December 2017, he has been a partner in the accounting firm of KSDT and Company, Miami, Florida (“KSDT”). Previously, he was president of J L Hofmann & Associates, P.A., Coral Gables, Florida (“JLHPA”), where he provided financial consulting and accounting services to select clientele since 1990. JLHPA and KSDT have provided services to PowerVerde since July 2010. Mr. Hofmann also serves as Operating Partner of Taft Street Partners I, Ltd., providing consulting services and capital for commercial and residential real estate projects. Mr. Hofmann started his career working with multinational companies for ten years as a Senior Manager for PricewaterhouseCoopers LLP (“PwC”). While at PwC, he traveled extensively primarily working on international tax matters and issues concerning the Internal Revenue Service. Locally, Hofmann has worked with the Miami Dolphins, Carnival Cruise Line, Royal Caribbean Cruise Line, Resorts International and Terremark Worldwide. Mr. Hofmann earned his Bachelor of Science in Accounting at the University of Florida and obtained his Master of Science in Taxation from Florida International University. Mr. Hofmann became a Certified Public Accountant through the Florida Board of Accountancy in 1982. He is a member of the Florida Institute of CPAs.

Election of Directors

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders, including the election of directors. Cumulative voting with respect to the election of directors is not permitted by our Certificate of Incorporation.

Our Board of Directors shall be elected at the annual meeting of the shareholders or at a special meeting called for that purpose. Each director shall hold office until the next annual meeting of shareholders and until the director’s successor is elected and qualified.

Committees

Our Board of Directors does not yet have any committees; however, we may establish an audit committee and a compensation/stock option committee in the near future.

Advisory Board Members

In March 2010, our Board of Directors created an Advisory Board to advise and recommend, on a non-legally-binding basis, certain directions or actions deemed to be beneficial to the Company's success. The Advisory Board's members may be shareholders or non-shareholders; however, each member represents a specific industry or vocation complementary to the Company's anticipated markets, customers and technical needs. It is anticipated that the Advisory Board will meet once a year in person and meet by conference call quarterly. We expect to compensate the Advisory Board members with restricted stock and/or options; however, the compensation plan has not yet been established. The members of the Advisory Board are as follows:

- *Stephen H. McKnight* . Mr. McKnight is active in real estate investment and management. Through his firms, he has created a portfolio in excess of 2.0 million square feet of commercial property, mostly in the Southwest United States. Mr. McKnight is also active in both equity and debt holdings, managing both trusts and family estates. He received an MBA from the University of Pittsburg in 1975.
- *Randy Hinson* . Mr. Hinson founded and successfully operated a pump manufacturing business in Houston, Texas. Mr. Hinson recently sold the company to a publicly-traded oil company, and remains under a non-compete contract during an agreed-upon transition process.
- *Leon Breece* . Mr. Breece has operated as an entrepreneur and CPA in the Los Angeles, California area for many years. Mr. Breece's company, Breece and Associates, handles accounting and tax matters for established companies and high profile individuals. He is an active investor in both the stock market and early stage private companies.
- *Dr. Robert F. Ehrman* . Dr. Ehrman is an owner and manager of commercial real estate, and has owned and managed several successful businesses. He attended the University of Miami School of Medicine, Northwestern Chiropractic College, and the University of Minnesota. Mr. Ehrman is a resident of Miami, Florida.

All of the Advisory Board Members are PowerVerde shareholders.

Compliance with Section 16(a) of the Securities and Exchange Act of 1934

Under the securities laws of the United States, our directors, executive officers and any persons holding more than 10% of the Company's common stock are required to report their initial ownership of the Company's common stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to identify in this Report those persons who failed to timely file these reports. All of the filing requirements were satisfied in 2017. In making this disclosure, we have relied solely on written representations of our directors and executive officers and copies of the reports that have been filed with the Commission.

Code of Ethics

We have not adopted a code of ethics for our management because of the costs involved and our lack of resources and limited operations.

ITEM 11. EXECUTIVE COMPENSATION.

Through March 2018, we have not paid any compensation to officers or directors in such capacity. Since becoming PowerVerde officers, Messrs Davis and Hofmann have not received any salary or other cash compensation for services in that capacity except that, in June 2011, Messrs. Davis and Hofmann received three-year warrants to purchase 600,000 and 200,000 shares, respectively, of our common stock, at a price of \$1.05 per share (the market price on the date of grant). In addition, in March 2013, Messrs Davis and Hofmann received five-year warrants to purchase 1,000,000 and 500,000 shares, respectively, of our common stock, at a price of \$.30 per share (the market price on the date of grant). In March 2012, in exchange for his interest in Cornerstone, our then officer and director Bryce Johnson received 1,575,000 shares of our restricted common stock and three-year warrants to purchase 150,000 shares of our common stock at exercise prices of \$2.00, \$3.00 and \$4.00 as to 50,000 shares each. Mr. Johnson resigned from his positions with PowerVerde in March 2013.

Employment Agreements

Effective June 15, 2011, we entered into an employment agreement with Mark P. Prinz pursuant to which Mr. Prinz serves as a Project Engineer. Pursuant to this agreement, we paid Mr. Prinz a salary of \$11,250 per month through June 2013. Based on an amendment effective July 1, 2013, his salary has been \$7,500 per month since then. This agreement is terminable by either party without cause upon 30 days' prior written notice. In connection with this employment agreement, we granted Mr. Prinz (i) a 10-year option to purchase 100,000 shares of our common stock at a price of \$1.23 per share (the market price on the date of grant); and (ii) a 10-year option to purchase 100,000 shares of our common stock at a price of \$2.00 per share. In each case, one-fourth of the option shares, *i.e.*, 25,000 shares, vested as of the date of the employment agreement, and the balance vests in equal installments every six months thereafter until fully vested, provided that Mr. Prinz is still employed by us at the time and subject to PowerVerde achieving certain operational targets. Additionally, in connection with this employment agreement, Mr. Prinz assigned certain intellectual property rights to the Company. The employment agreement contains standard confidentiality provisions, as well as standard non-competition and non-solicitation provisions which survive for two years following termination of employment.

On October 25, 2012, we entered into a consulting agreement with Hank Leibowitz, the principal of Waste Heat Solutions, LLC and an expert with 39 years experience in the field of advanced energy systems. Pursuant to this consulting agreement, which is terminable by either party on 30 days' notice, we pay to Mr. Leibowitz's company, Waste Heat Solutions, \$7,500 per month. In connection with this consulting agreement, we issued to Waste Heat Solutions (i) a fully vested 10-year option to purchase 500,000 shares of common stock at \$.56 per share and (ii) a 10-year option, vesting six months from the contract date, *i.e.*, on April 25, 2013, to purchase an additional 500,000 shares at \$.56 per share. This consulting agreement contains standard confidentiality provisions, as well as standard non-competition and non-soliciting provisions which survive for two years following termination of the consultancy.

We may also issue to our officers and directors stock options on terms and conditions to be determined by our Board of Directors or designated committee.

Compensation of Directors

We have not yet determined a compensation plan for our directors. We intend to provide our directors with reasonable compensation for their services in cash, stock and/or options.

Indemnification of Directors and Officers

Our Certificate of Incorporation allows us to indemnify our present and former officers and directors and other personnel against liabilities and expenses arising from their service to the full extent permitted by Delaware law. The persons indemnified include our (i) present or former directors or officers, (ii) any person who while serving in any of the capacities referred to in clause (i) who served at our request as a director, officer, partner, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (iii) any person nominated or designated by (or pursuant to authority granted by) our Board of Directors or any committee thereof to serve in any of the capacities referred to in clauses (i) or (ii).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information as of April 17, 2018, regarding the beneficial ownership of our common stock by (i) each of our directors and “named executive officers”; and (ii) all of our executive officers and directors as a group. To our knowledge, no other person beneficially owns more than 5% of our common stock. As of April 17, 2018, we had 31,750,106 shares outstanding.

Name and Address of Beneficial Owner	Shares Owned	Percent of Class
George Konrad ¹ 21615 N Second Avenue Phoenix, AZ 85027	4,027,408	12.68%
Bryce Johnson ² 7595 E. Gray Road Scottsdale, Arizona 85266	2,758,333	8.69%
Fred Barker ³ 21615 N Second Avenue Phoenix, AZ 85027	1,695,990	5.34%
Officers and Directors		
Richard H. Davis ⁴ 8365 SW 168 Terrace Palmetto Bay, FL 33157	2,803,033	8.83%
John L. Hofmann ⁵ 420 S. Dixie Highway, Suite 4B Coral Gables, Florida 33146	1,200,000	3.78%
All Directors and Executive Officers as a group (persons) ⁶	4,003,033	12.61%

¹ Mr. Konrad resigned as President and Director in October 2012. At that time, he surrendered 3,000,000 shares of common stock to our Treasury.

² Mr. Johnson resigned as an officer and director in March 2013. Includes 1,050,000 shares represented by currently exercisable warrants.

³ Mr. Barker's shares are owned by Mr. Barker and his wife as joint tenants. Mr. Barker resigned as an officer and director in January 2015.

⁴ Mr. Davis' shares include: 2,400,000 shares represented by currently exercisable warrants, 114,033 shares owned by Mr. Davis' wife, as to which he disclaims beneficial ownership, and 10,000 shares owned by Darby Shore Management, Inc., a Florida corporation (“Darby”), for which Mr. Davis is an officer, director and 25% shareholder. Mr. Davis may be deemed to have voting and investment power over these shares held by Darby.

⁵ All of these shares are represented by currently exercisable warrants.

⁶ Includes 3,600,000 shares represented by currently exercisable warrants.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

See Item 11. “Executive Compensation.”

Mr. Barker resigned from his positions as an officer and director of the Company in January 2015.

Since July 2010, Mr. Hofmann’s accounting firms, JLHPA and KSDT have provided financial consulting and accounting services to PowerVerde. We paid a total of \$28,215 to JLHPA and \$0 to KSDT in 2017.

We do not have any independent directors, as our sole director Mr. Davis is an officer. We intend to seek qualified independent directors to serve on our Board of Directors by the end of 2018.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The firm of Cherry Bekaert LLP, Certified Public Accountants (“CB”) was designated by our Board of Directors to audit the consolidated financial statements of our company for the fiscal years ended December 31, 2017 and 2016. The following table summarizes the aggregate fees billed and expected to be billed to us by CB for the fiscal years ended December 31, 2017 and 2016, respectively:

Principal Accountant Fees and Service

	2017	2016
Audit Fees	\$ 52,500	\$ 50,750
Total	\$ 52,500	\$ 50,750

Audit Fees

The aggregate fees billed and expected to be billed by CB for professional services rendered for the fiscal years ended 2017 and 2016, respectively, including fees associated with the annual audit, the reviews of the consolidated financial statements included in our Forms 10-K, the reviews of the quarterly reports on Form 10-Q, fees related to filings with the Securities and Exchange Commission and consultations on accounting issues and the application on new accounting pronouncements were approximately \$52,500 and \$50,750, respectively.

Tax Fees

The aggregate fees billed or expected to be billed by JLHPA and KSDT for tax compliance, tax advice and tax planning rendered to the Company for each of the fiscal years ended December 31, 2017 and 2016 were approximately \$2,000.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

See Exhibit Index and Financial Statements Index, below.

PowerVerde, Inc.
Annual Report on Form 10-K
Year Ended December 31, 2017

EXHIBIT INDEX

Exhibit No.	Description
3.1	<u>Certificate of Incorporation of Vyrex Corporation as filed with the Delaware Secretary of State on September 8, 2005.</u> ¹
3.2	<u>Bylaws of Vyrex Corporation, dated as of September 9, 2005.</u> ¹
3.3	<u>Amended and Restated Certificate of Incorporation of Vyrex Corporation as filed with the Delaware Secretary of State on August 14, 2008.</u> ²
10.1	<u>Agreement and Plan of Merger, dated as of February 11, 2008 by and among Vyrex Corporation, Vyrex Acquisition Corporation and PowerVerde, Inc.</u> ³
10.4	<u>Intellectual Property Transfer Agreement dated as of March 4, 2009, between PowerVerde, Inc. and Edward C. Gomez.</u> ⁶
10.9	<u>Agreement dated April 7, 2011, between PowerVerde, Inc. and George Konrad.</u> ⁸
10.10	<u>Employment Agreement dated April 7, 2011, between PowerVerde, Inc. and George Konrad.</u> ⁸
10.11	<u>Employment Agreement dated as of June 15, 2011, between PowerVerde, Inc. and Mark P. Prinz.</u> ¹⁶
10.14	<u>Amendment to Agreement dated August 19, 2011, between PowerVerde, Inc. and George Konrad.</u> ¹⁶
10.16	<u>Binding Letter of Intent for Acquisition dated November 1, 2011, between PowerVerde, Inc., Bryce Johnson, Paul Kelly and Vince Hils.</u> ¹⁰
10.18	<u>Membership Interest Purchase Agreement between PowerVerde, Inc., Bryce Johnson, Paul Kelly and Vince Hils dated March 30, 2012.</u> ¹²
10.19	<u>Agreement dated October 16, 2012, among PowerVerde, Inc., George Konrad and Arizona Research and Development Inc.</u> ¹³
10.20	<u>Consulting Agreement between the Company and Waste Heat Solutions LLC dated October 25, 2012.</u> ¹⁴
10.21	<u>Form of Series A Secured Promissory Note dated December 2012.</u> ¹⁴

10.22	<u>Security Agreement between PowerVerde Inc. and Series A Note holders dated December 31, 2012.</u> ¹⁴
10.23	Amendment to the Settlement Agreement between the Company and George Konrad dated February 7, 2014. ¹⁵
10.24	<u>Assignment of Intellectual Property Agreement between the Company and Vyrex IP Holdings Inc. dated June 30, 2015.</u> ¹⁷
21.1	Subsidiaries of the Company. ¹
31.1	<u>Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</u> *
31.2	<u>Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</u> *
32.1	<u>Certification of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.</u> *
32.2	<u>Certification of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.</u> *

*	Filed herewith.
1	Previously filed on Form 8-K filed with the SEC on October 21, 2005.
2	Previously filed on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 19, 2008.
3	Previously filed on Form 8-K with the SEC on February 12, 2008. Nonmaterial schedules and exhibits identified in the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-B. The Company agrees to furnish supplementally to the SEC upon request by the SEC a copy of any omitted schedule(s) or exhibit(s).
4	Previously filed on Form 10-K for the year ended December 31, 2008, as filed with the SEC on April 15, 2009.
5	Previously filed on Form 10-Q for the quarter ended September 30, 2009, as filed with the SEC on November 17, 2009.
6	Previously filed on Form 10-K for the year ended December 31, 2008, as filed with the SEC on April 15, 2009.
7	Previously filed on Form 8-K filed with the SEC on February 4, 2011.
8	Previously filed on Form 10-K for the year ended December 31, 2010, as filed with the SEC on April 7, 2011.
9	Previously filed on Form 8-K filed with the SEC on September 30, 2011
10	Previously filed on Form 8-K filed with the SEC on November 7, 2011
11	Previously filed on Form 8-K filed with the SEC on February 9, 2012.
12	Previously filed on Form 8-K filed with the SEC on April 5, 2012.
13	Previously filed on Form 8-K filed with the SEC on October 22, 2012.
14	Previously filed on Form 10-K for the year ended December 31, 2012, as filed with the SEC on May 16, 2013.
15	Previously filed on Form 10-K for the year ended December 31, 2014, as filed with the SEC on March 16, 2015.
16	Previously filed on Form 10-Q for the quarter ended June 30, 2011, as filed with the SEC on August 22, 2011.
17	Previously filed on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 30, 2016.

SIGNATURES

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

POWERVERDE, INC.

Dated: April 17, 2018

by: /s/ Richard H. Davis
Richard H. Davis
CEO and Principal Executive Officer

In accordance with the Exchange Act, this Report has been *signed* by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Richard H. Davis.</u>	Chief Executive Officer, Director	April 17, 2018
<u>/s/ John L. Hofmann</u>	Chief Financial Officer	April 17, 2018

PowerVerde, Inc. and Subsidiary

Annual Report on Form 10-K
Year Ended December 31, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
PowerVerde, Inc. and Subsidiary
Coral Gables, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of PowerVerde, Inc. and subsidiary as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has historically incurred net losses and negative operating cash flows and its sole source of revenue relates to a license that expired in March 2018. As of December 31, 2017, the Company had an accumulated deficit of approximately \$11,378,720. These factors, and others discussed in Note 2, raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since December 31, 2010.

Cherry Bekaert LLP
Fort Lauderdale, Florida
April 17, 2018

PowerVerde, Inc. and Subsidiary
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,336	\$ 4,786
Accounts receivable	369,959	170,539
Prepaid expenses	42,694	56,628
Total Current Assets	<u>413,989</u>	<u>231,953</u>
Property and Equipment		
Property and equipment, net of accumulated depreciation of \$99,418 and \$85,156, respectively	<u>8,222</u>	<u>22,484</u>
Other Assets		
Intellectual property, net of accumulated amortization of \$689,900 and \$677,716, respectively	2,374	14,558
License, net of accumulated amortization of \$15,822 and \$5,822, respectively	<u>84,178</u>	<u>94,178</u>
Total Other Assets	<u>86,552</u>	<u>108,736</u>
Total Assets	<u>\$ 508,763</u>	<u>\$ 363,173</u>
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 95,310	\$ 79,073
Notes payable to related parties	150,000	425,000
Total Current Liabilities	<u>245,310</u>	<u>504,073</u>
Total Liabilities	<u>245,310</u>	<u>504,073</u>
Stockholders' Deficiency		
Preferred stock:		
50,000,000 shares authorized, 0 shares issued at December 31, 2017 and 2016		
Common stock:		
200,000,000 common shares authorized, par value \$0.0001	3,981	3,981
per share, 40,300,106 common shares issued and 31,750,106 shares outstanding at December 31, 2017 and December 31, 2016		
Additional paid-in capital	12,129,331	12,129,331
Treasury stock, 8,550,000 shares at cost	(491,139)	(491,139)
Accumulated deficit	<u>(11,378,720)</u>	<u>(11,783,073)</u>
Total Stockholders' Equity (Deficiency)	<u>263,453</u>	<u>(140,900)</u>
Total Liabilities and Stockholders' Equity (Deficiency)	<u>\$ 508,763</u>	<u>\$ 363,173</u>

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

PowerVerde, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2017 and 2016

	2017	2016
Revenue, Net	\$ 852,443	\$ 587,613
Operating Expenses		
Research and development	210,624	331,038
General and administrative	210,491	318,067
Total Operating Expenses	421,115	649,105
Income (Loss) from Operations	431,328	(61,492)
Other Income (Expenses)		
Interest income	806	—
Interest expense	(27,781)	(62,270)
Total Other Income (Expenses)	(26,975)	(62,270)
Income (Loss) before Income Taxes	404,353	(123,762)
Provision for Income Taxes	—	—
Net Income (Loss)	\$ 404,353	\$ (123,762)
Net Income (Loss) per Share - Basic and Diluted	\$ 0.01	\$ (0.00)
Weighted Average Common Shares Outstanding - Basic and Diluted	31,750,106	31,750,106

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

PowerVerde, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)

For the years ended December 31, 2017 and 2016

	<u>Common Shares</u>	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficiency)</u>
Balances, December 31, 2015	31,750,106	\$ 3,981	\$ 11,921,516	\$ (491,139)	\$ (11,659,311)	\$ (224,953)
Stock-based compensation	—	—	207,815	—	—	207,815
Net loss	—	—	—	—	(123,762)	(123,762)
Balances, December 31, 2016	<u>31,750,106</u>	<u>\$ 3,981</u>	<u>\$ 12,129,331</u>	<u>\$ (491,139)</u>	<u>\$ (11,783,073)</u>	<u>\$ (140,900)</u>
Net income	—	—	—	—	404,353	404,353
Balances, December 31, 2017	<u>31,750,106</u>	<u>\$ 3,981</u>	<u>\$ 12,129,331</u>	<u>\$ (491,139)</u>	<u>\$ (11,378,720)</u>	<u>\$ 263,453</u>

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

PowerVerde, Inc. and Subsidiary
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Net income (loss)	\$ 404,353	\$ (123,762)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	36,446	32,371
Amortization of discount	—	12,884
Stock based compensation	—	207,815
Changes in operating assets and liabilities		
Accounts receivable and prepaid expenses	(184,730)	6,324
Interest receivable	(756)	—
Accounts payable and accrued expenses	16,237	37,122
Payable to related parties	—	(26,000)
Cash (Used in) Operating Activities	(271,550)	(146,754)
Cash Flows from Financing Activities		
Proceeds from notes payable, related party	—	25,000
Principal payments on notes payable, related parties	(275,000)	(25,000)
Cash (Used in) Financing Activities	(275,000)	(147,569)
Net (Decrease) in Cash and Cash Equivalents	(3,450)	(815)
Cash and cash equivalents at Beginning of Period	4,786	5,601
Cash and cash equivalents at End of Period	<u>\$ 1,336</u>	<u>\$ 4,786</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	<u>\$ 48,235</u>	<u>\$ 24,977</u>
Supplemental Schedule of Non-Cash Activities		
Note receivable in connection with Liberty accounts receivable	<u>\$ 34,000</u>	<u>\$ —</u>

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

PowerVerde, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Business

PowerVerde, Inc. (the “Company”) is a “C” Corporation organized under the Laws of Delaware with operations in Scottsdale, Arizona. The Company’s two founders, now its largest shareholders, have conceived and developed the use of a power systems patent. For several years, the Company has been undertaking research and development on a power generating system based on the patent and related intellectual property, which it hopes to commercialize in the near future.

Note 2 – Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred recurring operating losses (other than in 2017) and negative cashflows from operations. Additionally, 96% and 100% of the Company’s 2017 and 2016 revenues, respectively, result from royalties related to a license that expired in March 2018, so such revenues will not recur beyond that date, and the Company currently has limited additional sources of revenues for the foreseeable future. The Company has historically relied upon unrelated and related party debt and equity financing to fund its cash flow shortages and will require either additional debt or equity financing to sustain its operations. The Company earned net income of \$404,353 in 2017; however, almost all of the Company’s revenues in 2017 and prior years were derived from royalties under its biotech licensing agreement, which expired in March 2018. Those factors create substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company continues to seek funding from private debt and equity investors, as it needs to promptly raise substantial additional capital in order to finance its plan of operations. There can be no assurance that the Company will be able to promptly raise the necessary funds on commercially acceptable terms, if at all. If the Company does not raise the necessary funds, it may be forced to cease operations.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of PowerVerde, Inc. and its wholly-owned subsidiary, PowerVerde Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Business

The Company is devoting substantially all of its present efforts to establish a new business involving the development and commercialization of clean energy electric power generation systems, and none of its planned principal operations have commenced. However, royalties from licenses unrelated to planned principal operations continue to be recognized as revenue. No revenues from this planned principal operation have been generated.

Cash Equivalents

The Company considers primarily all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of balances due from royalties in connection with the Company’s license agreement with VDF FutureCeuticals, Inc. The Company monitors accounts receivable and provides allowances when considered necessary. At December 31, 2017 and 2016, accounts receivable were considered to be fully collectible. Accordingly, no allowance for doubtful accounts was provided.

Revenue Recognition

Revenue from royalty and assembly agreements unrelated to the Company's planned operations is recognized in accordance with the terms of the specific agreements. Revenues recognized under these agreements amount to 100% of total revenues for the years ended December 31, 2017 and 2016.

Intellectual Property

The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses an estimate of the undiscounted cash flows over the remaining life of its long-lived assets, or related group of assets where applicable, in measuring whether the assets to be held and used will be realizable (Step 1 test). In the event of impairment, the Company would discount the future cash flows using its then estimated incremental borrowing rate to estimate the amount of the impairment.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for major betterments and additions are capitalized, while replacement, maintenance and repairs, which do not extend the lives of the respective assets, are expensed as incurred.

Impairment of Long-Lived Assets

Impairment losses are recorded on long-lived assets (property, equipment, license and intellectual property) used in operations when impairment indicators are present and the undiscounted expected cash flows estimated to be generated by those assets are less than the carrying value of such assets. No impairment losses have been recognized during the years ended December 31, 2017 or 2016.

Stock-based compensation

The Company has accounted for stock-based compensation under the provisions of ASC Topic 718 – "Stock Compensation" which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (stock options and common stock purchase warrants). The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatilities are based on historical volatility of peer companies and other factors estimated over the expected term of the stock options. The expected term of options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

Common Stock Purchase Warrants

The Company accounts for common stock purchase warrants in accordance with ASC Topic 815-40, "Derivatives and Hedging – Contracts in Entity's Own Equity" ("ASC 815-40"). Based on the provisions of ASC 815-40, the Company classifies as equity any contracts that (i) require physical settlement or net-share settlement, or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company, or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). All outstanding warrants as of December 31, 2017 and 2016 were classified as equity.

Accounting for Uncertainty in Income Taxes

The Company follows the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2014, 2015, 2016 and 2017, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2017.

We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. In the event we received an assessment for interest and/or penalties, it has been classified in the consolidated financial statements as general and administrative expense.

Research and Development Costs

The Company's research and development costs are expensed in the period in which they are incurred. Such expenditures amounted to \$210,624 and \$331,038 for the years ended December 31, 2017 and 2016, respectively.

Earnings (Loss) Per Share

Earnings (loss) per share is computed in accordance with FASB ASC Topic 260, "Earnings per Share". Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Certain common stock equivalents were not included in the earnings (loss) per share calculation as their effect would be anti-dilutive. Warrants exercisable for 3,675,000 shares and options for 5,750,500 shares were excluded from weighted average common shares outstanding on a diluted basis.

Financial instruments

The Company carries cash and cash equivalents, accounts receivable, accounts payable and accrued expenses at historical costs. The respective estimated fair values of these assets and liabilities approximate carrying values due to their current nature. The Company also carries notes payable to related parties at historical cost less discounts from warrants issued as loan financing costs. The fair value of such notes is substantially similar to the face value of the notes (\$150,000).

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Note 4 – Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach. The core principal of the standard is that revenue should be recognized when the transfer of promised goods or services is made in an amount that the entity expects to be entitled to in exchange for the transfer of goods and services. ASU 2014-09 also requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2015-14") which deferred the effective date of the standard. This standard will be effective for the calendar year ending December 31, 2018.

In November 2015, the FASB issued ASU No. 2015-17, “Income Taxes (Topic 740)” (“ASU 2015-17”). Currently U.S. GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. The amendments under ASU 2015-17 will require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update will be effective for fiscal years beginning after December 15, 2016 and interim periods within the fiscal years beginning after December 15, 2016. The Company adopted the new guidance on January 1, 2017. The adoption of ASU 2015-17 did not have any impact on the Company’s consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 was effective for the Company beginning January 1, 2017. The Company adopted the new guidance on January 1, 2017. Adoption did not have a material impact on its consolidated results of operations and financial position.

In August 2016, the FASB issued Accounting Standards Updated 2016-15, “Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments” (ASU 2016-15). The standard addresses eight specific cash flow issues to reduce diversity in practice in how certain cash receipts and cash payments are presented on the Statements of Cash Flows. ASU 2016-15 is effective for the Company beginning January 1, 2018. The amendments require a retrospective approach to adoption and early adoption is permitted, including in an interim period. The Company is currently evaluating the potential impact of this standard.

In January 2017, the FASB issued Accounting Standards Update 2017-01, “Business Combinations: Clarifying the Definition of a Business” (ASU 2017-01). The standard clarifies the definition of a business and adds guidance to assist entities when evaluating whether transactions should be accounted for as acquisitions or disposals of assets or as businesses. The standard provides a screen to determine whether a set of assets and activities qualifies as a business or as a set of assets. ASU 2017-01 is effective for the Company beginning January 1, 2018. The Company believes that this standard will have no effect on its financial statements.

In January 2017, the FASB issued Accounting Standards Update 2017-04, “Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment” (ASU 2017-04). The standard simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments of ASU 2017-04, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal years and interim periods within those years beginning January 1, 2019. The amendments require a prospective approach to adoption and early adoption is permitted for interim or annual goodwill impairment tests. The Company does not believe this standard will have any effect on its financial statements as the Company does not have any goodwill.

The Company does not believe that other standards which have been issued but are not yet effective will have a significant impact on its financial statements.

Note 5 – Intellectual Property and Note Payable

Intellectual Property partially consists of technology acquired from the purchase of 100% of the membership interests of Cornerstone Conservation Group LLC (“Cornerstone”) on March 30, 2012 for \$659,440. Accumulated amortization with respect to this intellectual property was \$659,440 at December 31, 2017 and 2016.

On June 30, 2015, the Company entered into an Assignment Agreement with VyrexIP Holdings Inc., a company owned by Company shareholder Edward Gomez for the purchase of intellectual property. The net price of these assets was comprised of a down payment of \$16,116 and a \$58,436 promissory note to the seller due July 15, 2016, partially offset by assignment by the seller to the Company of a \$38,000 promissory note due November 14, 2015, issued by the seller’s licensee Epalex Corporation, a company of which Mr. Gomez is chairman and a major stockholder. This note was paid in full in November 2015. Accumulated amortization with respect to this intellectual property was \$30,460 and \$18,276 at December 31, 2017 and 2016, respectively.

On June 1, 2016, the Company entered into a ten-year License Agreement with Helidyne LLC for total consideration of \$100,000 to utilize the Helidyne intellectual property in the manufacturing of planetary rotor expanders and the incorporation of same in the Company’s distributed electric power generation systems. The license agreement also grants the Company an exclusive license to sell the expanders whether manufactured by Helidyne or by the Company. The Company’s royalty obligation begins on the earlier of the commercialization of the product or three years from the effective date of the agreement. Once the royalty obligation begins, the minimum annual royalty is \$50,000 for each of the first six years, and \$100,000 for the remainder of the agreement.

For the years ended December 31, 2017 and 2016, amortization expense was \$22,184 and \$18,006 respectively, and accumulated amortization of the intangible assets was \$705,722 and \$683,538 at December 31, 2017 and 2016, respectively.

Future amortization of the intangible assets was as follows as of December 31, 2017:

Year ending December 31:

2018	\$ 12,374
2019	10,000
2020	10,000
Thereafter	54,178
Total	<u>\$ 86,552</u>

Note 6 – Stockholders’ Equity (Deficiency)

Warrants

The Company issued warrants on June 3, 2011 to various persons, including affiliates of the Company, for services provided to the Company. These warrants covered the purchase of 1,855,000 unregistered shares of the Company’s stock at an exercise price of \$1.05 per share with a five-year term. These share-based payments have been accounted for in accordance with ASC 815-40 using the Black Scholes pricing model to determine the fair value of each warrant. As of December 31, 2017, 800,000 of these warrants were outstanding and 1,055,000 had expired.

In connection with the acquisition of Cornerstone (See Note 5), on March 30, 2012, the Company issued warrants to purchase 300,000 unregistered shares of common stock at exercise prices ranging from \$2.00 to \$4.00 per share. As of December 31, 2017, all of these warrants had expired.

In December 2012, the Company issued three-year warrants to purchase 325,000 unregistered shares of the Company’s common stock at an exercise price of \$.41 per share in association with the Secured Promissory Note (See Note 8). In December 2014, the expiration date of these warrants was extended to December 31, 2017. As of December 31, 2017, all of these warrants had expired.

During January 2013, the Company issued three-year warrants to purchase 75,000 unregistered shares of the Company’s common stock at an exercise price of \$0.41 per share in association with the Secured Promissory Note (See Note 8). In December 2014, the expiration date of these warrants was extended to December 31, 2017. As of December 31, 2017, all of these warrants had expired.

During March 2013, the Company issued its Chief Executive Officer and Chief Financial Officer five –year warrants to purchase common stock at an exercise price of \$0.30 per share (market price on date of grant) in the amounts of 1,000,000 and 500,000 shares, respectively. The Company recognized \$210,000 in compensation expense. As of December 31, 2015, all of these warrants were outstanding. In October 2015, these warrants were repriced and extended with an exercise price of \$0.15 and a new expiration date of October 26, 2022 in connection with a general repricing and extension of the Company options and warrants as set forth below in this Note 6. As of December 31, 2017, all of these warrants were outstanding.

On December 1, 2013, the Company issued additional three-year warrants to purchase 400,000 unregistered shares of the Company’s common stock at an exercise price equal to \$0.21 per share (the average closing price of the common stock during the 10 trading days prior to December 1, 2013). This was in association with the Secured Promissory Note (See Note 8). In December 2015, the expiration date of these warrants was extended to December 31, 2018. As of December 31, 2017, all of these warrants were outstanding.

During the fourth quarter of 2014, the Company revised the terms of the 400,000 original warrants issued December 2012 and January 2013, extending the maturity dates to December 31, 2017 and the exercise price was reduced from \$0.41 per share to \$0.39 per share. The Company also revised the terms of the additional 400,000 warrants issued December 1, 2013, to extend the maturity date to December 31, 2018 and the exercise price was reduced from \$0.21 per share to \$0.17 per share.

During September 2015, the Company issued five-year warrants to a stockholder for the purchase 25,000 shares of common stock as additional consideration for a \$25,000 loan. These warrants expire in September 2020.

During June 2016, the Company issued warrants to a stockholder for the purchase of 900,000 shares of common stock at an exercise price of \$0.11 per share in consideration for the Company utilizing his facility space from January 2013 to December 2015. These warrants expire in June 2021. As of December 31, 2017, all of these warrants were outstanding.

In July 2016, a warrant for the purchase of 25,000 shares of common stock was issued to a stockholder as additional consideration for a \$25,000 loan. These warrants expire in July 2021. As of December 31, 2017, all of these warrants were outstanding.

In October 2016, another warrant for the purchase of 25,000 shares of common stock was issued to the same stockholder as additional consideration for extending the maturity of the \$25,000 loan for an additional 90 days. These warrants expire in October 2021. As of December 31, 2017, all of these warrants were outstanding.

A summary of warrants issued, exercised and expired during the year ending December 31, 2017 is as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2016	4,275,000	\$ 0.33	\$ 45,000
Issued	—	—	—
Expired	(600,000)	(1.44)	—
Balance at December 31, 2017	<u>3,675,000</u>	<u>\$ 0.15</u>	<u>\$ 45,000</u>

Note 7 – Stock Options

Stock option activity for the year ended December 31, 2017, is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2016	5,750,000	\$ 0.31	5.12
Granted	—	—	—
Expired/forfeited	—	—	—
Options outstanding at December 31, 2017	5,750,000	\$ 0.31	4.12

Total stock option compensation was \$0 and \$207,815, respectively, for the years ended December 31, 2017 and 2016. There is no unrecognized compensation expense associated with the options.

Note 8 - Notes Payable to Related Parties

Notes payable to related parties at December 31, 2017 consist of notes payable to stockholders of \$150,000 (issued in 2012). The notes had been due in one principal payment on September 30, 2017, but are now due on April 30, 2018, after extensions granted by the Note holders in the third quarter of 2017. Interest is payable semiannually at 10%. The notes are collateralized by all receivables now or hereafter existing pursuant to the license agreement with VDF FutureCeuticals, Inc. discussed in Notes 3 and 9. In 2017, the Company made payments totaling \$250,000 toward the principal balance of the Notes. The notes were paid in full in January 2018.

Note 9 - Commitments and Contingencies

On June 25, 2015, Company consultant Hank Leibowitz assigned to the Company a patent he obtained for a system and method for using high temperature sources in Rankine cycle power systems. The Company has agreed to pay Mr. Leibowitz a 2% royalty for any and all revenues of products and/or project sales by the Company based on the subject patent.

The Company's license agreement with VDF FutureCeuticals, Inc., which has generated substantially all of the Company's revenues since 2012, terminated in March 2018, when the underlying patents expired.

On June 1, 2016, the Company entered into a ten-year License Agreement with Helidyne LLC to utilize the Helidyne intellectual property in order to use Helidyne expanders in Powerverde systems and to sell Helidyne expanders. As part of the licensing agreement the Company committed to purchase two 50 kW expanders, at a price of \$25,000 each, on or before the sixth month anniversary of the agreement. The \$50,000 was payable in two monthly installments of \$25,000 beginning October 2016. The Company had made payments totaling \$38,750, towards the purchase of the expanders, all of which was included in prepaid expense and other current assets in the consolidated balance sheets at December 31, 2016. Due to Helidyne's failure to perform under the agreement, the Company has not made any further payments to Helidyne and does not intend to do so unless and until Helidyne performs as required. Helidyne has not objected to the Company's position, and it is very unlikely that Helidyne will ever be able to perform. Consequently, in the third quarter of 2017, the Company wrote off the \$38,750 paid to Helidyne.

The Company agreed to pay Helidyne LLC a royalty of 3% of sales, subject to a minimum annual royalty of \$50,000 beginning on the earlier of commercialization of the product or three years from the effective date of the agreement. This minimum royalty would be payable only if Helidyne performs as required, which is very unlikely, or if the Company elects to produce its own expanders using Helidyne technology. The Company does intend to produce these expanders directly or through a contract manufacturer in the future. See Note 5.

On April 15, 2017, the Company entered into a manufacturing assembly agreement with Liberty Plugins, Inc. ("Liberty") to manufacture and assemble Liberty's Hydra electronic vehicle charging systems and ship completed Hydras to Liberty's facility in Santa Barbara, California (the "Liberty Agreement"). Liberty has agreed to pay \$1,000 for the first 10 Hydras assembled in a month, \$750 per Hydra for the next 10 Hydras assembled per month and \$500 per Hydra for each Hydra assembled above 20 per month. As of December 31, 2017, the Company has built and shipped 34 Hydras, and these products were invoiced throughout the third and fourth quarter of 2017. The \$34,807 revenue for these products is reflected in the net revenue on the Company's consolidated statement of operations for the quarter ended December 31, 2017.

On September 30, 2017, the Company converted the outstanding accounts receivable from Liberty, totaling \$25,000, into a Promissory Note with 12% interest and a maturity date of January 31, 2018. On December 31, 2017, the Company converted an additional \$9,000 from accounts receivable from Liberty to the principal balance of the Promissory Note and extended the maturity date of the Note to April 30, 2018.

Note 10 – Income Taxes

Deferred income taxes are provided based on the provisions of ASC Topic 740, “Accounting for Income Taxes”, to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Significant components of the Company’s net deferred income taxes are as follows:

	December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carry forwards	\$ 1,557,027	\$ 2,484,406
Start-up cost	174,679	289,843
Goodwill	408,552	672,754
Stock based compensation	414,080	614,790
Other	2,972	1,644
Deferred tax assets	2,557,309	4,063,436
Less valuation allowance	(2,557,309)	(4,063,436)
Net deferred tax assets after valuation allowance	\$ —	\$ —

A reconciliation of the U.S. statutory federal income tax rate to the effective income tax rate (benefit) follows:

Rate Reconciliation

	December 31,	
	2017	2016
Federal income tax at statutory rate	\$ 137,480	\$ (42,079)
State Tax	14,678	(4,493)
Permanent Differences	433	120
Other	(1,285)	127,755
Change in Valuation Allowance	(151,306)	(81,304)
	\$ —	\$ —

In assessing the ability to realize a portion of the deferred tax assets, management considers whether it is more than likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making the assessment. After consideration of the evidence, both positive and negative, management has determined that a \$2,557,860 valuation allowance at December 31, 2017 is necessary. The change in the valuation allowance for the current year is \$1,506,127, which represents the changes in the deferred items. At December 31, 2017, the Company has available net operating loss carry forwards for federal income tax purposes of \$6,133,666 expiring at various times from 2027 through 2032.

Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Write-offs	Other Charges	Balance at End of Period
Deferred tax asset valuation allowance					
Year ended December 31, 2017	\$ 4,063,436	\$ (1,506,127)	\$ —	\$ —	\$ 2,557,309
Year ended December 31, 2016	\$ 4,144,741	\$ (81,304)	\$ —	\$ —	\$ 4,063,436

Note 11 - Related Party Transactions

Since July 2010, the accounting firm J.L. Hofmann & Associates, P.A. (“JLHPA”), whose principal is our CFO John L. Hofmann, has provided financial consulting and accounting services to the Company. In December 2017, J.L. Hofmann & Associates, P.A. merged with Kabat, Schertzer, De La Torre, Taraboulos & Co, LLC (“KSDT”). The Company paid \$28,215 and \$35,855 for its services in the years ended December 31, 2017 and 2016, respectively.

Note 12 – Subsequent Events

See Note 8 regarding payment of notes payable to related parties. The Company expects to receive its final royalty payment under the license agreement, covering the first quarter of 2018 through March 18, 2018, in the second quarter of 2018.

**CERTIFICATION PURSUANT TO
18 USC, SECTION 1350, AS ADOPTED PURSUANT TO
SECTIONS 302 AND 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard H. Davis, certify that:

1. I have reviewed this Form 10-K of PowerVerde, 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.

Dated: April 17, 2018

/s/ Richard H. Davis

Richard H. Davis, Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 USC, SECTION 1350, AS ADOPTED PURSUANT TO
SECTIONS 302 AND 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Hofmann, certify that:

1. I have reviewed this Form 10-K of PowerVerde, 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.

Dated: April 17, 2018

/s/ John L. Hofmann

John L. Hofmann, Chief Financial Officer

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

In connection with the Annual Report of PowerVerde, Inc. (the "Company") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Davis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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 the Company.

/s/ Richard H. Davis

Richard H. Davis

Chief Executive Officer

Dated: April 17, 2018

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

In connection with the Annual Report of PowerVerde, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John L. Hoffman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) 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 the Company.

/s/ John L. Hofmann

John L. Hofmann

Chief Financial Officer

Dated: April 17, 2018
