

POWER CLOUDS INC.

A Nevada Corporation Listed on the OTC Pink Market
Current Trading Symbol: PWCL.PK

CUSIP Number: 739213 106

Quarterly Report
For the Six Months Ended June 30, 2018 and 2017
(Unaudited)

Including Financial Statements and Disclosures
Prescribed by OTC Pink Market for
Alternative Reporting Standards.

Filed on September 24, 2018



1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Power Clouds Inc. (April 24, 2015 – present)
World Assurance Group, Inc. (09/12/2008 – April 23, 2015)

2) Address of the issuer's principal executive offices

Company Headquarters:

Address 1: One World Trade Center, Suite 8500
New York, NY 10007
Phone: +1 212 220 7434
Email: info@powercloudsinc.com
Website(s): www.powercloudsinc.com

3) Security Information

Trading Symbol: Pinksheets: PWCL

Exact title and class of securities outstanding:

Common Stock:

CUSIP: 739213 106
Par or Stated Value: \$0.001
Total shares authorized: 100,000,000 as of: June 30, 2018
Total shares outstanding: 71,726,725 as of: June 30, 2018

Preferred Stock:

Par or Stated Value: \$0.001
Total shares authorized: 50,000,000 as of: June 30, 2018
Total shares outstanding: Series A 0 as of: June 30, 2018
Total shares outstanding: Series B 0 as of: June 30, 2018
Total shares outstanding: Series C 0 as of: June 30, 2018
Total shares outstanding Series D 30,000,000 as of: June 30, 2018

Transfer Agent

Name: **ClearTrust, LLC**
Address 1: 16540 Pointe Village Dr., # 206
Address 2: Lutz, FL 33558
Phone: 813-235-4490
Web: www.cleartrustonline.com

Is the Transfer Agent registered under the Exchange Act?* **Yes**

*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any restrictions on the transfer of security:

NONE.

Describe any trading suspension orders issued by the SEC in the past 12 months.

NONE.

4) Issuance History

Listed below are any events that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period.

During the six months ended June 30, 2018, the Company issued 250,000 shares of restricted common stock to a consultant for services rendered.

During the twelve months ended December 31, 2017, the Company issued 5,800,000 shares of restricted common stock to Gaia Energy as a portion of the consideration for the acquisition of certain third party PV solar assets and 199,627 shares of restricted common stock to two consultants for services rendered. Additionally, 1,000,000 shares of restricted common stock were returned to, and cancelled by, the Company from World Global Cash Ltd. as part of a stock exchange agreement. In addition, the Company also cancelled 300,000 shares of common stock issuable for non-performance of contractual commitments.

During the year ended December 31, 2016, the Company issued a total of 12,050,000 shares of restricted common stock, consisting of 4,200,000 shares to Gaia Energy in exchange for the acquisition of certain third party PV solar assets (see Financial Footnote 8 below for more detail on this transaction) and 7,850,000 shares to 5 third parties in exchange for services rendered. During the year ended December 31, 2016, the Company also issued 30,000,000 shares of Series D Convertible Preferred Stock in exchange for the return and cancellation of 30,000,000 shares of restricted common stock from Power Clouds Holdings Pte. Ltd.

Each of the above securities offerings or transactions was made by officers and directors of the issuer and was not a registered offering. The offerings relied upon an exemption under Regulation S or Regulation D or Rule 4(2) of the Securities Act of 1933, as amended. The shares in these offerings or transactions were restricted (i.e., not freely tradable), where indicated above; and the certificates evidencing such shares contained a legend (1) stating that the shares have not been registered under the Securities Act of 1933, as amended, and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act of 1933, as amended.

5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The Company's financial statements were prepared by our Chief Financial Officer for its three and six months ended June 30, 2018 and 2017, and are attached hereto and incorporated herein as part of the Company's Quarterly Report, and filed herewith at the end of this Report.

The financial statements requested pursuant to this item were prepared in accordance with US GAAP by persons with sufficient financial skills.

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

Power Clouds Inc. develops, owns and operates Utility Scale Solar projects internationally that provide clean energy to national power grids under long term, government supported, fixed price contracts. The Company currently has operational plants in Romania and Italy and Germany. The Company plans to expand further within Italy and Germany, and to other worldwide locations in the future.

The Company currently has nine operating subsidiaries as outlined in the table below:

Subsidiary	Date Acquired / Established	PWCL Ownership	Country of Operation
Power Clouds SRL (Formerly Park Solar Moldoveni)	March 31, 2015	99.5%	Romania
F.R.A.N. Energy Investment SRL (FRAN)	March 31, 2015	99.5%	Romania
Power Clouds (Japan) GK	March 31, 2015	100%	Japan
Power Clouds Europe B.V. ("PCE")	Established August 2016	100%	Netherlands
PC_Italia_01 S.R.L. (formerly Power Clouds (Wind) Italia Srl)	Established June 2015	100% (via PCE)	Italy
PC_Italia_02 S.R.L.	Established August 2016	100% (via PCE)	Italy
Tre Vallie Energia S.r.l.	March 30, 2017	80% (via PC_Italia_01)	Italy
Sant' Angelo Energia S.r.l.	March 30, 2017	100% (via PC_Italia_02)	Italy
PCG_HoldCo UG	July 6, 2018	100%	Germany

B. Date and State (or Jurisdiction) of Incorporation:

Power Clouds Inc. (formerly World Assurance Group, Inc.) (PWCL) was originally incorporated on January 1, 2000 in the State of Colorado. PWCL was reorganized and incorporated on November 8, 2006 in the State of Nevada.

Effective February 1, 2013, PWCL acquired substantially all of the assets and liabilities of Cellad in exchange for a total of 80 shares of PWCL's Series B preferred stock pursuant to a definitive Contribution Agreement dated January 31, 2013 by and among PWCL, PWCL's wholly owned subsidiary, World Acq, Inc. (which subsequently changed its name to Cellad, Inc.), and Cellad. Although PWCL was the legal acquirer, for accounting purposes Cellad was the accounting acquirer and the transaction was accounted for as a reverse merger.

Effective March 5, 2014, World Payment Solutions, Ltd. ("WPS") acquired a controlling interest in PWCL through the purchase of 80 shares of Series B Convertible Preferred Stock from Cellad pursuant to a Stock Purchase Agreement. On April 23, 2014, these shares were converted into common stock and on July 14, 2014 WPS also converted its Series A and Series C Convertible Preferred Stock, which represented 90% of the total issued and outstanding common stock of PWCL on the date of conversion.

On January 30, 2015, WPS assigned all of its PWCL common shares to Mr. Fabio Galdi, who in turn assigned them to Power Clouds Holdings Pte Ltd ("PCH"), a Singapore company that was controlled by Mr. Galdi at that time. As of December of 2016 PCH changed ownership and control,

and is currently owned and controlled by Vincent Browne, PWCL's CEO, acting CFO and Chairman of the Board, through Mr. Browne's dispositive voting and investment control of Growthcap Investments Inc. PCH is currently our largest stockholder, holding 50% of PWCL's total outstanding stock; PCH and its affiliates, Vincent Browne, Growthcap Investments, VestCo I Corp. and VestCo Corp. collectively own 57% of PWCL's outstanding stock.

C. the issuer's primary and secondary SIC Codes;

4911; 3674

D. the issuer's fiscal year end date;

December 31st

E. principal products or services, and their markets;

Power Clouds Inc. owns and operates Utility Scale Solar projects internationally that provide clean energy to national power grids under long term, government supported, fixed price contracts. The Company currently has operational solar parks in Romania and Italy and Germany. The Company plans to expand further within Italy and Germany, and to other worldwide locations in the future. The Company currently has eight operating subsidiaries: Power Clouds SRL (Formerly Park Solar Moldoveni), F.R.A.N. Energy Investment SRL (FRAN), Power Clouds (Japan) GK, Power Clouds Europe B.V., PC_Italia_01 Srl, PC_Italia_02 Srl, Tre Vallie Energia S.r.l, Sant'Angelo Energia S.r.l and PCG_HoldCo UG.

7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company leases office space for its operations on a month-to-month basis; its office is located at One World Trade Center, Suite 8500, New York, NY 10007.

The Company's two Romanian subsidiaries, Power Clouds SRL and F.R.A.N. Energy Investment SRL, are together under a three year lease that continues until October 31, 2017; the office is located at Romania, Bucharest Sector 1, Floreasca Street Nr. 218.

Through its Romanian subsidiaries, the Company owns and operates two solar parks with a combined power output of 6.1 MW constructed at Scornicesti and Nucet in Romania that generate an average of 7,100 MWh/yr. The parks occupy approximately 6 hectares of land that is leased on a 25 year term at combined cost of €16,000 per annum.

The Company's Italian subsidiaries lease the land used to house the parks operated by them from local municipalities. The leases are for 20 years with 5 year extension options. Tre Vallie Energia S.r.l. pays annual surface rights of €1,000 per year, whereas the other park, Sant'Angelo Energia S.r.l., paid the land lease for the full term in a single payment when the park was constructed that was subsequently capitalized.

8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Chief Executive Officer, President and Chairman,	
Acting Chief Financial Officer and Secretary:	Vincent Browne
Chief Technology Officer and Director:	Roberto Forlani
Director:	John Thomas
Control Persons:	Power Clouds Holdings Pte. Ltd. (controlled by Vincent Browne)
	VestCo Corp. (controlled by Vincent Browne)
	Telenergia Europe S.r.l. (controlled by Roberto Forlani)
	Gaia Energy S.R.L. (controlled by Lorenzo Silvestre)
	ANCH Holdings Ltd. (controlled by Sean McVeigh)

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

No

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

No

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

No

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

Vincent Browne

Ownership: Includes: 20,587,571 shares of restricted common stock and 30,000,000 shares of Series D Convertible Preferred Stock held indirectly through Power Clouds Holdings. Ltd., a Singapore company, of which Mr. Browne holds dispositive voting and investment control over through his dispositive voting and investment control of Growthcap Investments Inc., a Delaware company; 6,000,000 shares of restricted common stock indirectly held through VestCo Corp., a Delaware company owned and controlled by Mr. Browne, and 1,250,000 shares of restricted common stock held indirectly through his control of VestCo I Corp.

Address: One World Trade Center, Suite 8500, New York, NY 10007

Roberto Forlani

Ownership: Includes 21,701,784 shares of restricted common stock held indirectly through Telenergia Europe S.r.l., a Romanian corporation owned and controlled by Mr. Roberto Forlani.

Address: Strada Madrigalului 42A, Apartment 4, 2nd room

Gaia Energy S.R.L.:

Ownership: Includes 10,000,000 shares of restricted common stock held by Gaia, which is owned and controlled by Lorenzo Silvestre.

Address: via Ferrovie dello Stato zona A.S.I., 81030 Gricignano di Aversa (Caserta), Italy

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: Tali Durant
Firm: DART Business Services, LLC
Address: 16192 Coastal Highway, Lewes, DE 19958
Email: tali@dart-services.com

10) I, Vincent Browne, certify that:

1. I have reviewed this Quarterly Report of Power Clouds Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

September 24, 2018

/s/ Vincent Browne

Vincent Browne

Chief Executive Officer and acting Chief Financial Officer

**POWER CLOUDS INC.
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

**AS OF AND FOR THE SIX MONTHS ENDED
JUNE 30, 2018 AND 2017 (Unaudited)**



**POWER CLOUDS INC.
AND SUBSIDIARIES**

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POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
Prepared by Management
(Unaudited)

	June 30, 2018	December 31, 2017
<u>ASSETS</u>		
Current assets		
Total cash and cash equivalents	\$ 182,491	\$ 130,366
Accounts receivable	177,946	275,111
Energy incentives earned not invoiced	358,756	652,468
Taxes recoverable	302,641	365,485
Prepaid expenses and vendor deposits	106,282	30,521
Prepayments relating to acquisition of PV plants	1,440,020	59,101
Total Current Assets	2,568,136	1,513,052
Fixed assets - net		
Plant and machinery	5,050,874	5,424,370
Leased assets	1,438,603	1,521,364
Total Fixed Assets	6,489,477	6,945,734
Intangible assets - net		
Present value of contracted income streams	3,666,540	3,768,236
Capitalized costs relating to PV plants	1,797,380	1,898,975
Total Intangible Assets	5,463,920	5,667,211
Total Assets	\$ 14,521,533	\$ 14,125,997
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and accrued liabilities	980,698	1,061,472
Promissory notes - related parties	1,508,968	1,700,804
Contingent amounts payable under earn out agreements	1,747,204	1,559,820
Amounts used under short term lines of credit	75,015	71,747
Convertible loans - related parties	502,097	355,098
Current portion - senior debt	325,065	332,953
Current portion - capital leases	85,294	142,155
Convertible promissory notes	260,100	31,400
Notes payable	1,397,193	-
Taxes payable	113,975	119,144
Accrued Interest	93,863	51,907
Total Current Liabilities	7,096,657	5,426,499
Liabilities greater than 1 year		
Senior secured debt	550,110	729,935
Capital leases	996,373	1,097,077
Promissory notes payable - third parties	509,267	509,267
Convertible promissory notes - third parties	-	228,700
Deferred amounts payable for acquisitions	-	20,998
Total liabilities greater than 1 year	2,055,750	2,585,976
Total Liabilities	9,152,407	8,012,476
Stockholders' Equity		
Series D Convertible Preferred stock	30,000	30,000
Net Common stock, \$0.001 par value; 100,000,000 shares authorized, 71,726,725 and 71,776,725 shares issued and outstanding as of June 30, 2018 and December 31, 2017 respectively.	71,728	71,778
Other comprehensive income (loss)	502,733	859,835
Additional paid in capital	11,668,781	11,641,231
Accumulated (deficit) surplus	(6,904,116)	(6,489,322)

Total Shareholders' Equity	5,369,126	6,113,522
Total Liabilities and Stockholders' Equity	\$ 14,521,533	\$ 14,125,997

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Prepared by Management
(unaudited)

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 31,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 31,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>
Revenues	\$ 984,713	\$ 655,010	\$ 1,421,803	\$ 934,260
Cost of revenues	(447,542)	(361,890)	(647,703)	(561,781)
Gross profit	537,171	293,120	774,101	372,479
Operating expenses				
Sales and general administrative	247,994	264,267	468,973	427,413
Costs relating to financing	107,459	5,000	122,459	5,600
Stock compensation costs - non cash	27,500	(30,000)	27,500	10,137
Earnings before interest, tax, depreciation and amortization (EBITDA)	154,218	53,853	155,168	(70,671)
Interest costs	(110,519)	(69,103)	(167,464)	(102,222)
Depreciation and amortization	(60,234)	(235,064)	(393,477)	(329,461)
Other income	-	-	-	33,000
Gain (Loss) on foreign exchange	87	5,522	(4)	34,246
Gain on disposal of fixed assets	-	5,915	-	(151,002)
Provision for loss on sale of subsidiary		(165,148)		(165,148)
Net (loss) before tax	\$ (9,264)	\$ (404,025)	\$ (405,776)	\$ (751,258)
Income tax	(6,487)	-	(9,018)	-
Net (loss) after tax	\$ (22,935)	\$ (404,025)	\$ (414,794)	\$ (751,258)
Weighted average shares outstanding:				
Basic	71,594,857	71,587,989	71,536,834	68,647,720
Fully diluted	101,594,857	101,587,989	101,536,834	98,647,720
<i>Earnings (loss) per share - fully diluted attributable to common stockholders</i>				
Basic	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)
Fully diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
Prepared by Management
(Unaudited)

	Preferred Shares		Common stock issued		Common stock issuable		Additional Paid in Capital	Other Compreh- ensive Income	Accumulated Deficit	Total
	Series D	Amount	Shares	Amount	Shares	Amount				
Balance December 31, 2016	30,000,000	\$ 30,000	65,477,098	\$ 65,477	300,000	\$ 300	\$ 11,356,147	\$(182,826)	\$(5,080,071)	\$ 6,189,026
Restricted shares issued to consultants for services			300,000	300			27,150			27,450
Restricted shares issued to consultants for services			74,627	75			12,612			12,687
Restricted shares issued to consultants for services			125,000	125			8,625			8,750
Acquisition of Italian operating companies					5,800,000	5,800	516,200			522,000
Stock issuable issued			5,800,000	5,800	(5,800,000)	(5,800)	-			-
Cancellation of stock issuable					(300,000)	(300)	(29,700)			(30,000)
Consolidation of subsidiary undertakings							(249,803)			(249,803)
Exchange translation of foreign held assets								1,042,662		1,042,662
Net loss for the period									(1,409,251)	(1,409,251)
Balance December 31, 2017	30,000,000	\$ 30,000	71,776,725	\$ 71,776	-	-	\$ 11,641,231	\$ 859,836	\$(6,489,322)	\$ 6,113,521
Adj. of Restricted shares issued for services in 2017			(300,000)	(300)			300			-
Restricted shares issued to consultants for services			250,000	250			27,250			27,500
Exchange translation of foreign held assets								(357,103)		(357,103)
Net loss for the period									(414,794)	(414,794)
Balance June 30, 2018	30,000,000	\$ 30,000	71,726,725	\$ 71,726	-	\$ -	\$ 11,668,781	\$ 502,733	\$(6,904,117)	\$ 5,639,123

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Prepared by Management
(Unaudited)

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Net loss	\$ (414,794)	\$ (751,258)
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Depreciation	393,476	329,461
Restricted common stock issued for services	27,500	39,836
Stock compensation costs (income)	-	(29,700)
Loss on sale of fixed assets	-	151,002
Provision for loss on sale of subsidiary	-	165,148
<i>Changes in assets and liabilities, net of acquisition and disposals:</i>		
Accounts receivable and other short-term receivables	154,839	(45,893)
Accounts payable & accrued liabilities	(80,774)	(1,762)
Energy incentives earned not yet received	293,712	(187,117)
Vendor deposits & prepayments	(75,762)	85,445
Accrued interest	49,140	(20,560)
	-	-
Net cash generated (used) from operating activities	347,336	(265,397)
Cash flows from investing activities:		
Cash acquired in acquisitions	-	82,937
Cash provided from sale of Japan plant	-	1,416,905
Deposits paid under asset acquisition contracts	(1,380,919)	-
Cash paid for the acquisition of Italian subsidiaries	-	(799,028)
Net cash (used) generated from investing activities	(1,380,919)	700,814
Cash Flows from financing activities:		
Net proceeds (repayment) of debt - related parties	147,000	(50,000)
Payments on debt principal - senior debt	(168,759)	(154,850)
Net proceeds from lines of credit	3,268	-
Payments on leased assets - principal	(30,471)	(16,805)
Payment on notes payable	(175,061)	(22,633)
Proceeds from issuance of notes payable	1,397,193	-
Net cash provided (used) from financing activities	1,173,170	(244,288)
Cash Flows from Foreign Currency Activities:		
Gain (loss) on foreign exchange	-	34,246
Translation of foreign held assets	(87,462)	(101,487)
Net cash (used in) provided by foreign currency activities	(87,462)	(67,241)
Net increase in cash and cash equivalents	52,125	123,888
Cash and cash equivalents, beginning of the period	130,366	302,265
Cash and cash equivalents, end of the period	\$ 182,491	\$ 426,153
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	\$ 92,321	\$ 122,783
Cash paid for taxes	\$ -	\$ -

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED SUPPLEMENTAL STATEMENTS OF CASH FLOWS
Prepared by Management
(Unaudited)

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:

	For the Six Months Ended	
	June 30, 2018	June 30, 2017 (Restated)
Restricted shares issued to consultants for services	\$ 27,500	\$ 39,836
Increase in contingent amounts payable under acquisition contracts	\$ 229,480	\$ -
Restricted shares cancelled for services	\$ -	\$ (30,000)
 <i>Acquisition of Italian operating companies:</i>		
Leased assets - net	-	1,361,271
Intangible Assets - capitalized costs relating to PV parks (net)	-	1,797,800
Intangible Assets - discounted contracted future income	-	2,797,831
Accounts Receivable	-	105,822
Tax Receivables	-	181,412
Cash assumed	-	83,356
Income Earned not invoiced	-	54,743
Prepayments	-	7,323
Trade Payables	-	(67,714)
Tax Payables	-	(3,405)
Lease ST	-	(127,196)
Lease LT	-	(1,140,515)
Cash paid	-	(799,028)
Loan notes issued	-	(1,970,056)
Prepaid expenses used	-	(1,049,731)
Contingent amounts payable under earn-out agreements	-	(709,913)
Common shares issued		522,000

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
Notes to Financial Statements
(Unaudited)

1. Organization and Formation

Power Clouds Inc. (formerly World Assurance Group, Inc.) (“We”, “PWCL” or the “Company”) was incorporated in the State of Colorado on January 1, 2000, then reorganized as a Nevada corporation on November 8, 2006. On September 11, 2008 the corporation changed its name from Asset Realization, Inc. to World Assurance Group, Inc.

On April 24, 2015, the Company changed its name from World Assurance Group, Inc. to Power Clouds Inc.

Change of control of PWCL

Effective March 5, 2014, World Payment Solutions, Ltd. (“WPS”) acquired a controlling interest in PWCL through the purchase of 80 shares of Series B Convertible Preferred Stock from shareholders pursuant to a Stock Purchase Agreement. These 80 shares of Series B Convertible Preferred Stock represented an 80% beneficial ownership interest in PWCL and 80% of the total issued and outstanding common shares on a fully diluted, as-converted basis. As a result of this acquisition, WPS became the majority shareholder of the PWCL.

On April 23, 2014, WPS converted the 80 shares of PWCL Series B Convertible Preferred Stock into a total of 29,802,080 shares of restricted common stock, which represented 80% of the fully diluted common stock of PWCL on the date of conversion.

On January 30, 2015, WPS assigned all of its PWCL shares to Mr. Fabio Galdi, who in turn assigned them to Power Clouds Holdings Pte Ltd (“PCH”), a Singapore company that was controlled by Mr. Galdi at the time. In December of 2016 PCH changed control and is currently owned and controlled by Vincent Browne, PWCL’s CFO and Director, through Mr. Browne’s dispositive voting and investment control of Growthcap Investments Inc. PCH is currently the majority shareholder of PWCL.

Acquisition of certain subsidiaries from Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd.).

On March 25, 2015 (the “Closing Date”), PWCL acquired a controlling interest in three companies: Power Clouds Japan GK (PCGK), Solar Parc Moldoveni SRL (“SPM”) and F.R.A.N. Energy Investment SRL (“FRAN”), each a subsidiary of Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd.) a Singapore company, pursuant to an Equity Acquisition and Contribution Agreement, as amended, whereby PWCL contributed 5700 RON to SPM, which represents 95% of the share capital of SPM, and 7600 RON to FRAN, which represents 95% of the share capital of FRAN, and Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd.) transferred 100% of its capital in PCGK to PWCL. In further consideration for the acquisition of the controlling interest in the three companies, (i) PWCL issued a \$100,000 promissory note to Mr. Forlani, Power Clouds Holdings Pte. Ltd.’s (formerly Power Clouds Pte. Ltd.) CEO and shareholder, accruing no interest and payable in full on March 25, 2016, (ii) Mr. Galdi, PWCL’s Chairman and controlling shareholder at the time, transferred 6,500,000 shares of PWCL common stock owned by Mr. Galdi individually to Mr. Forlani, and (iii) PWCL issued 6,500,000 shares of PWCL common stock to Power Clouds Pte. Ltd. In addition, all intercompany payables were set off against each other with any surplus due to any party after such setoff written off, and Mr. Forlani forgave all debt owed to him by each of the three target companies.

Acquisition of Entity Under Common Control

In July of 2015, PWCL acquired a 95% membership interest in Green Light GK, a Japanese company owned by Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd), the majority shareholder of PWCL. In 2017 PWCL sold Green Light GK; see Footnote 4 for more details.

Power Clouds Europe B.V.

In August of 2016, the Company incorporated a new wholly owned subsidiary in the Netherlands, Power Clouds Europe B.V. This company was incorporated to ultimately hold the Company’s European operating companies and sub-holding companies as appropriate. It has no direct operating activities as at March 31, 2018.

PC_Italia_01 S.R.L. (Formerly Power Clouds Wind Italia S.R.L.)

In June of 2015, PWCL incorporated a company in Italy, PC_Italia_01 S.R.L. (formerly named Power Clouds Wind Italia S.R.L.). This company was incorporated to acquire Italian special purpose vehicles (SPV's), power plants and / or other assets located in Italy. As of December 31, 2016 no such acquisitions had been closed. During the quarter ended March 31, 2017, this company completed the acquisition of an SPV in Italy which operates a 1MW PV solar park. (See Footnote 6 for more information).

PC_Italia_02 S.R.L.

In August of 2016, the Company incorporated a new company in Italy, PC_Italia_02 SRL as a wholly owned subsidiary of Power Clouds Europe B.V. This company was incorporated to acquire Italian special purpose vehicles, power plants and / or other assets located in Italy. During the quarter ended March 31, 2017, this company completed the acquisition of an SPV in Italy which operates a 702KW PV solar park. (See Footnote 6 for more information).

Summary:

Power Clouds Inc. (PWCL) is a holding company that operated through eight operating subsidiaries as of June 30, 2018:

Subsidiary	Date Acquired / Established	PWCL Ownership	Country of Operation
Power Clouds SRL (Formerly Park Solar Moldoveni)	March 31, 2015	99.5%	Romania
F.R.A.N. Energy Investment SRL (FRAN)	March 31, 2015	99.5%	Romania
Power Clouds (Japan) GK	March 31, 2015	100%	Japan
Power Clouds Europe B.V. ("PCE")	Established August 2016	100%	Netherlands
PC_Italia_01 S.R.L. (formerly Power Clouds (Wind) Italia Srl)	Established June 2015	100% (via PCE)	Italy
PC_Italia_02 S.R.L.	Established August 2016	100% (via PCE)	Italy
Tre Vallie Energia S.r.l.	March 30, 2017	80% (via PC_Italia_01)	Italy
Sant'Angelo Energia S.r.l.	March 30, 2017	100% (via PC_Italia_02)	Italy

The Company has elected a calendar accounting period beginning on January 1 and ending on December 31 of each year.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of consolidation

The consolidated financial statements for the six months ended June 30, 2018 and 2017 include 100% of the assets, liabilities, revenues, expenses and cash flows of Power Clouds Inc. The Company also consolidated the financial statements of its operating subsidiaries: Power Clouds SRL, FRAN Energy Investment SRL, Power Clouds Japan GK, PC_Italia_01 SRL, PC Italia_02 SRL, Power Clouds Europe B.V., Tre Vallie Energia S.R.L. and Sant'Angelo Energia S.R.L. All intercompany accounts and transactions have been eliminated in consolidation. The results of subsidiaries acquired or disposed of during the respective periods are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are adjusted to reflect actual experience when necessary. Significant estimates and assumptions affect many items in the financial statements. These include estimates of fair

value of common stock and related impact to stock-based compensation. Actual results may differ from those estimates and assumptions, and such results may affect income, financial position or cash flows.

Risks and Uncertainties

The Company's operations are subject to significant risk and uncertainties including financial, operational, technological, and regulatory risks including the potential risk of business failure. Also see Footnote 3 regarding going concern matters.

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1 that are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The carrying amount of the Company's financial assets and liabilities, such as cash, prepaid expenses, accounts payable and accrued expenses, approximate their fair value because of the short maturity of those instruments.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated. It is not however practical to determine the fair value of advances from stockholders, if any, due to their related party nature.

Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the Related parties include: (a). affiliates of the Company; (b). entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; (c). trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d). principal owners of the Company; (e). management of the Company; (f). other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g). other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence

the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of financial statements is not required in those statements. The disclosures shall include: (a). the nature of the relationship(s) involved; (b). a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; (c). the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d). amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Commitments and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

Intellectual Property

To date, we do not have any federally registered trademarks. We do not currently have any patents or patent applications in process. Any future patent applications with respect to our technology may not be granted, and, if granted, patents may be challenged or invalidated. In addition, issued patents may not provide us with any competitive advantages and may be challenged by third parties. Our practice is to affix copyright notices on our product literature in order to assert copyright protection for these works.

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns.

Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

The Company adopted the provisions of paragraph 740-10-25-13 of the FASB Accounting Standards Codification. Paragraph 740-10-25-13 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under paragraph 740-10-25-13, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Paragraph 740-10-25-13 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Uncertain Tax Positions

The Company did not take any uncertain tax positions and had no unrecognized tax liabilities or benefits in accordance with the provisions of Section 740-10-25 at June 30, 2018 and 2017.

Revenue Recognition

The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

The Company derives its revenues from the generation of green energy from its power plants to the local power grid on long term contracts. In Romania, the Company also holds a license to sell energy directly to end users which is recorded as revenue in line with above policies for end customers.

Persuasive evidence of an arrangement is demonstrated via invoice; service is considered provided when the invoice is raised, or applicable government incentives/subsidies have been earned from the generation of energy from the plants, in line with the customer agreements and delivery of the products or service has taken place.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of ASC 718 apply to new grants and to grants that were outstanding as of the effective date and subsequently modified.

During the six months ended June 30, 2018 and 2017, there were no stock options granted or outstanding.

During the six months ended June 30, 2018, warrants to purchase up to an aggregate of 937,500 shares of the Common Stock, exercisable at \$0.20 per share, subject to adjustment as described in the Warrants, having a four year term, and warrant to purchase up to an aggregate of 4,659,328 shares of Common Stock, exercisable at \$0.122 per share, subject to adjustment as described in the Warrants, having a three year term. During the twelve months ended December 31, 2016, warrants to purchase up to a total of 6,640,000 shares of restricted common stock were issued with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 3 year term. Effective December 31, 2016,

Vincent Browne, our CFO, and Roberto Forlani, our CEO, each agreed to cancel, effective immediately, all unvested warrants issued to them pursuant to their consulting agreements: See Related Party Transactions FN 15. This resulted in 7,200,000 warrants being cancelled and 600,000 vested warrants remaining issued and outstanding to Mr. Browne, and 5,400,000 warrants being cancelled by Mr. Forlani.

As at June 30, 2018, warrants to purchase up to a total of 6,836,828 shares of restricted common stock were issued and outstanding and vested, 4,659,328 of which terminate in June of 2021, 600,000 of which terminate in July of 2018, 640,000 of which terminate in July of 2019 and the remaining 937,500 terminate in May of 2022. As at June 30, 2017, warrants to purchase up to a total of 1,240,000 shares of restricted common stock were issued and outstanding and vested with an exercise price of Twenty Cents (\$0.20) per share, having a term of three years, 600,000 of which terminate in July of 2018 and the remaining 640,000 of which terminate in July of 2019. As the exercise price of the warrants is above the market price at the issuance dates, no beneficial conversion feature cost was recorded against either of these warrants in the current period. No charge has been taken for these warrants in the income statement for the six months ended June 30, 2018 or 2017.

Net income (loss) per common share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent shares issuance arrangement, stock options or warrants.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss attributable to common stockholders	\$ (22,935)	\$ (404,025)	\$ (405,776)	\$ (751,258)
<i>Weighted average shares issued</i>				
Basic	71,594,857	71,587,989	71,536,834	68,647,720
Fully diluted	101,594,857	101,587,989	101,536,834	98,647,720
<i>Loss per share - attributable to common stockholders</i>				
Basic	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)
Fully diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

As at June 30, 2018, warrants to purchase up to a total 6,836,828 shares of restricted common stock were issued and outstanding and vested, 4,659,328 of which terminate in June of 2021, 600,000 of which terminate in July of 2018, 640,000 of which terminate in July of 2019 and the remaining 937,500 terminate in May of 2022. As at June 30, 2017, warrants to purchase up to a total of 1,240,000 shares of restricted common stock were issued and outstanding and vested with an exercise price of Twenty Cents (\$0.20) per share, having a term of three years, 600,000 of which end in July of 2018 and the remaining 640,000 of which end in July of 2019. As the exercise price of the warrants is above the market price at the issuance dates, no beneficial conversion feature cost was recorded against either of these warrants in the current period.

No charge has been taken for these warrants in the income statement for the three or six months ended June 30, 2018 or 2017.

Cash flows reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method (“Indirect method”) as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments.

The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company considers its financial statements issued when they are widely distributed to users, such as through filing them with OTC Markets.

Reclassification

Certain amounts from prior periods may have been reclassified to conform to the current period presentation. There is no effect on net loss, cash flows or stockholders' deficit as a result of these reclassifications.

Recently issued accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

3. Going Concern

The financial statements for the six months ended June 30, 2018 and 2017 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of our business. As reflected in the accompanying financial statements, we had a net loss of \$22,935 and \$404,025 for the three months ended June 30, 2018 and 2017, respectively, and \$414,794 and \$751,258 for the six months ended June 30, 2018 and 2017, respectively.

We had accumulated stockholder's equity of \$5,369,126 and \$6,113,522 as at June 30, 2018 and December 31, 2017, respectively, and a working capital deficit of \$4,528,521 and \$3,913,448 as of June 30, 2018 and December 31, 2017, respectively. As at June 30, 2018 we had \$182,491 of unrestricted cash on hand.

Given the current level of cash resources, receivables and long term supply contracts, management is confident that current operations will continue for the foreseeable future. The Board of Directors of PWCL therefore feels that the Company has the ability to continue as a going concern in the foreseeable future.

As a result, the accompanying financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

As part of its business plan, the Company requires additional funds to finance construction and acquisition of additional renewable energy plants through debt and/or equity financing. The successful outcome of future financing activities cannot be determined at this time and there is no assurance that even if achieved, the Company will have sufficient funds to execute its intended business plan. There is no guarantee that sufficient or any new funding will be achieved on terms suitable to the business, or at all.

4. Acquisition and Subsequent Disposition of Green Light:

In July of 2015, the Company acquired a 95% membership interest in Green Light GK, a Japanese company owned by Power Clouds Holdings Pte. Ltd.

In March of 2017, Power Cloud Inc., a Nevada corporation (the "Company" or "PWCL") entered into a definitive Sale

Agreement, whereby PWCL's Japanese subsidiary Green Light GK, agreed to sell its Otaru PV project in Hokkaido province, including the land owned, in exchange for a gross total of JPY511 million (\$4,466,880) including sales taxes. Under the contract Green Light will be responsible for the completion of the plant and connection to the local power grid.

PWCL incurred placement agent fees and expenses as part of this transaction in the amount of JPY86 million that are deducted from the gross proceeds.

PWCL also entered into an agreement to sell its Green Light GK to Nicola Greico as part of the placement agent fees and expenses and this ownership transfer completed on October 18, 2017.

The table below outlines the transaction details for the sale of the Japanese Solar project and operating companies:

	At Closing March 8, 2017		Exchange	At Disposal
	Yen 000's	USD 000's	Gain / (Loss) in period USD 000's	October 18, 2017 USD 000's
Proceeds from sale	511,816	\$4,467	\$109	\$4,576
Costs to complete construction	(190,334)	\$(1,661)	\$(41)	\$(1,702)
Placement agent fees & costs	(86,000)	\$(751)	\$(18)	\$(769)
Net cash proceeds	235,482	\$2,055	\$50	\$2,105
Net carrying cost of land and project assets at time of sale	(267,326)	\$(2,333)	\$(82)	\$(2,415)
Working capital movements	13,063	\$114	-	\$114
Loss on sale of asset and related operating companies	(18,780)	\$(164)	\$(32)	\$(196)

5. Series D Convertible Preferred Stock held by Power Clouds Holdings Pte. Ltd.

On October 4, 2016 the Company authorized and issued 30,000,000 shares of Series D Convertible Preferred Stock, \$0.001 par value per share. The Series D Preferred rank pari-passu with the common shares and convert into a total of 30,000,000 common shares. The Series D Preferred vote on an as-converted basis with the common stock. Each share of Series D Preferred shall automatically convert to Common Stock on the earlier of (i) the date on which the Company's Articles of Incorporation shall have been amended to increase the number of total authorized shares of common stock to 150,000,000 or greater, or (ii) the date on which the Company completes a reverse stock split of its common stock, into that number of fully paid and non-assessable shares of Common Stock as is determined by a factor of at least 3, for a full conversion of all issued and outstanding shares of Series D Preferred into a maximum potential total of thirty million (30,000,000) shares of common stock. The Series D are not redeemable.

On October 4, 2016 a Stock Exchange Agreement was entered into by and among the Company and its majority shareholder, Power Clouds Holdings Pte. Ltd. ("PCH") whereby PCH returned 30,000,000 shares of PWCL common stock, which were cancelled and returned to the total authorized but unissued shares of common stock, in exchange for 30,000,000 shares of Series D Convertible Preferred Stock. All terms and conditions of the Series D Convertible Preferred Stock are set forth in the Certificate of Designation of Series D Convertible Preferred Stock, attached as an exhibit to the Company's Quarterly Report filed on November 25, 2016.

The Company did not record a net gain or loss on the cancellation of the common and issuance of the preferred shares of reflecting the net fair value of the shares on the day of the simultaneous return and issuance.

On December 28, 2016, Power Cloud Holdings Pte. Ltd.'s ownership and control was transferred to Growthcap Investments, Inc., a Delaware corporation owned and controlled by Vincent Browne, PWCL's CEO, acting CFO and Chairman of the Board.

6. Italian PV Solar Park Acquisitions

On March 30, 2017, the Company acquired two operating companies, Tre Valli Energia S.R.L. and Sant'Angelo Energia S.R.L. both based in Italy. Each company is a special purpose vehicle ("SPV") that either owns or operates Solar PV energy parks totalling 1.7MW in installed power. Details of each transaction are set out below.

In association with the acquisition of the Italian subsidiaries we also acquired identifiable intangible assets which are capitalized costs of the solar assets, licenses and permits, the future contracted income streams under governmental incentives fixed purchase rates (Feed-In-Tariffs) and guaranteed consumption of green energy produced by the parks for the next 16 and 14 years, respectively. The Company has made a preliminary valuation of these contracts using the current/expected weighted average cost of capital to acquire the Italian companies. (See Note 8: Intangible Assets).

Purchase allocation to net assets acquired is a preliminary estimate made by management. A preliminary allocation of the purchase price has been made to major categories of assets and liabilities based on available information. The estimate assumes that historical values of net assets acquired were approximately at their fair market value.

The actual allocation of purchase price and the resulting effect on income from operations may differ significantly from the pro-forma amounts included herein. These pro-forma adjustments represent PWCL's preliminary determination of purchase accounting adjustments and are based upon available information and certain assumptions that the Company believes to be reasonable. Consequently, the amount reflected in the pro forma financial statements are subject to change, and the final amounts may differ substantially.

The table below outlines the net assets acquired and consideration given in each transaction:

	Sant'Angelo Energia S.R.L.	Tre Valli Energia S.R.L.	Total
Leased assets - net	\$1,361,271	-	\$1,361,271
Intangible Assets - capitalized costs relating to PV parks (net)	\$33,251	\$1,916,845	1,950,097
Intangible Assets - discounted contracted future income	\$593,261	\$2,778,443	3,371,704
Accounts Receivable	\$3,617	\$12,086	15,703
Tax Receivables	\$0	\$178,949	178,949
Cash assumed	\$65,669	\$17,780	83,449
Govt Subsidy Receivables	\$79,906	\$89,363	169,270
Prepayments	\$0	\$5,298	5,298
Trade Payables and accruals	(\$13,872)	(\$135,879)	(149,752)
Tax payables	(\$714)	(\$76,795)	(77,509)
Lease ST	(\$127,196)	-	(127,196)
Lease LT	(\$1,023,317)	-	(1,023,317)
Net Assets Acquired	\$971,877	\$4,786,090	\$5,757,967
Consideration paid:			
Cash paid at Closing	891,357	-	891,357
Cash deposit payments made in 2016 capitalized	42,944	494,930	537,874
Loan notes issued	37,576	1,932,480	1,970,056
Contingent amounts payable under earn-out agreements	-	1,395,680	1,395,680
4,800,000 PWCL Common Shares issued 2016	-	441,000	441,000
5,200,000 PWCL Common shares issued at Closing	-	522,000	522,000
Total Consideration	\$971,877	\$4,786,090	\$5,757,967
Excess of purchase price over net assets acquired	-	-	-

Acquisition of Tre Valli Energia S.R.L.:

On March 30 2017, PC Italia 01 S.R.L., a wholly owned subsidiary of Power Clouds Europe B.V., which is, in turn, a wholly owned subsidiary of Power Clouds Inc. ("PWCL" or the "Company") acquired 80% of the share capital of Tre Valli Energia S.R.L., an Italian SPV that owns a 1MW Solar Park in Central Italy.

Tre Valli Energia SRL is a Special Purpose Vehicle ("SPV") that owns and operates a 989kW PV Solar Park in the

Abruzzo Region of Italy on municipal land pursuant to the relevant cadastral excerpts issued by the local Italian municipality. The plant has been fully operational for the past 4 years and is entitled to receive incentives from the Italian Government through the “Conto Energia II” that provides fixed purchase rates (Feed-In-Tariffs) and guaranteed consumption of green energy produced by the park for the next 16 years. In addition to the Feed in Tariffs, Tre Vallie has a Power Purchase Agreement (PPA) with a local electricity company that provides additional revenues to the business.

The shares were acquired from Gaia Energy S.R.L. pursuant to a Share Purchase Agreement entered into on July 26, 2016, as amended on March 30, 2017 (the SPA). The aggregate consideration provided by PWCL in exchange for the acquisition consisted of the following: (i) €400,000 (approximately \$430,000) in cash previously already paid to Gaia Energy on or about July 26, 2017 and 4,200,000 shares of PWCL restricted common stock previously issued to Gaia Energy on July 26, 2016, which had a market value of \$441,000 at time of issue, (ii) 5,800,000 shares of PWCL restricted common stock, issued in April of 2017 (the “Shares”) which had a market value of \$522,000 when issued, (iii) the issuance of a €1,300,000 (approximately \$1,395,000) unsecured promissory note, accruing no interest and having a maturity date of December 31, 2017 (the “Note”), (iv) €500,000 (approximately \$537,000) to be paid in cash by PWCL or its subsidiaries by no later than June 30, 2017, and (v) additional earn-out consideration of approximately €1,300,000 (approximately \$1,395,000) based on the net production generated by Tre Valli Energia and delivered into the power grid between April 1, 2017 and March 31 2018.

The full consideration, including the potential earn-out consideration, may all be available to compensate PWCL for certain damages or misrepresentations of Gaia Energy. PWCL paid no finders fees in connection with the acquisition and approximately €60,000 (approximately \$65,000) in legal and due diligence costs.

In determining the consideration to be paid for the purchase, PWCL placed a primary value of €4,497,982 (approximately \$4,786,090) on the acquired assets, based on the original costs of the assets used in the park and a discounted value of the future cash flows from the income to be generated from sale of green energy produced by the park over the next 16 years under the Feed-In-Tariffs. This acquisition should provide value to the Company in the expectation of a profitable ongoing business with meaningful revenues. Additional factors considered in the value determination included the strategic relationship that PWCL has with Gaia Energy in Italy in finding future potential acquisitions, that this is first operational PV acquisition operated by PWCL in Italy, a strategically important region for the Company, and that this also proves the Company’s new revenue model.

Under the terms of the shareholder agreement of Tre Valli Energia S.R.L., even though the Company only owns 80% of the issued share capital, it is entitled to receive 100% of the profits generated by the SPV. In addition, the minority interest parties are not entitled to participate in any dividends, or share in any future sale of the SPV. As such, the Company has not made any calculation for minority interest valuations in the consolidated balance sheet.

The following are the Balance Sheet and Income Statement for Tre Valli Energia S.R.L for the twelve months ended December 31, 2016 and 2015:

TRE VALLI ENERGIA S.R.L
BALANCE SHEET (Unaudited)

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 113,647	\$ 157,565
Cash at bank	248	26,080
Taxes recoverable	171,686	169,518
Prepayments	5,193	73,892
Total current assets	290,774	427,054
Intangible Assets - capitalized costs relating to PV parks (net)	1,935,153	2,085,286
TOTAL ASSETS	2,225,927	2,512,341
Trade payables	53,665	393,732
Tax payables	-	48,899
Total current liabilities	53,665	442,632
Shareholders loan	1,567,265	1,699,525

TOTAL LIABILITIES	1,620,930	2,142,156
Members equity	25,254	26,080
Other comprehensive income	(10,892)	-
Accumulated earnings	590,634	344,105
Total members' equity	604,997	370,184
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 2,225,927	\$ 2,512,340

TRE VALLI ENERGIA S.R.L
STATEMENT OF OPERATIONS

	December 31, 2016	December 31, 2015
Revenues	\$ 626,178	\$ 588,966
Plant operating costs	(108,891)	(131,485)
EBITDA	517,287	457,481
Depreciation	(103,174)	(106,546)
Other costs	(51,570)	(83,672)
Net income before tax	362,544	267,262
Income taxes	(116,014)	(48,899)
Increase in retained earnings	\$ 246,530	\$ 218,363

Acquisition of Sant'Angelo Energia S.R.L.

On March 30, 2017, PC Italia 02 S.R.L., a wholly owned subsidiary of Power Clouds Europe B.V., which is, in turn, a wholly owned subsidiary of Power Clouds Inc. ("PWCL" or the "Company") acquired 100% of the share capital of Sant'Angelo Energia S.R.L., an Italian Special Purpose Vehicle ("SPV") that owns a 708kW Solar Park in Central Italy. The shares were acquired from KIS - Keep It Simple S.R.L. pursuant to a Share Purchase Agreement entered into on December 21, 2016.

Sant'Angelo Energia S.R.L. owns and operates a 708,2kW PV Solar Park in the Marche Region of Italy on a 25 year land lease executed in 2010 and a 25 year surface and easement right agreement executed in 2011. The plant is entitled to receive public incentives from the Italian Government through the "Conto Energia IV" that provides fixed purchase rates (Feed-In-Tariffs) and guaranteed consumption of green energy produced by the park for 20 years. In addition to the Feed in Tariffs, Sant'Angelo has a Power Purchase Agreement (PPA) with a local electricity company that provides additional revenues to the business. The business also owns the land that the park is constructed on.

The aggregate consideration provided by PWCL in exchange for the acquisition consisted of the following: (i) €744,251 (approximately \$799,000) in cash paid at Closing of which €40,000 (approximately \$43,000) held in escrow for 12 months from Closing against certain tax open items and as a hold back for any unexpected costs not found in due diligence, and (ii) deferred consideration of €31,500 (approximately \$37,500) is due to be paid in two equal payments on March 30, 2018 and 2019.

The full consideration is available to compensate PWCL for certain damages or misrepresentations of the Seller. PWCL paid €16,000 (approximately \$124,500) in finders fees, due diligence and legal costs in connection with the acquisition.

In determining the amount of cash to be paid in the transaction, PWCL placed a primary value of €1,851,512 (\$1,954,932), including the assumption of existing leasing debt, on the acquired assets by assessing the original costs of the underlying physical assets present, net working capital and a discounted value of the future cash flows from the income to be generated from the sale of green energy produced by the park over the next 14 years under the Feed-In-Tariffs. This acquisition should provide value in the expectation of a profitable ongoing business with meaningful revenues.

The following are the Balance Sheet and Income Statement for Sant'Angelo Energia S.R.L for the twelve months ended December 31, 2016 and 2015:

SANT'ANGELO ENERGIA S.R.L
BALANCE SHEET
(Unaudited)

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 6,868	\$ 4,347
Cash at bank	28,934	15,213
Income earned not invoiced	57,354	67,372
Taxes recoverable	-	14,126
Prepayments	101,880	120,618
Total current assets	195,037	221,677
Leased assets - net	1,351,095	1,465,025
Intangible assets - capitalized costs relating to PV parks (net)	32,841	35,860
TOTAL ASSETS	\$ 1,546,132	\$ 1,686,702
Trade payables	13,637	58,679
Tax payables	3,802	6,520
Lease ST	124,667	128,742
Total current liabilities	142,107	193,941
Payments due on leases greater than 12 months	1,149,005	1,248,487
TOTAL LIABILITIES	1,291,112	1,442,428
Members equity	105,225	108,665
Other comprehensive income	(4,293)	-
Accumulated earnings	154,087	135,609
Total members' equity	255,020	244,274
TOTAL LIABILITIES & MEMBERS EQUITY	\$ 1,546,132	\$ 1,686,702

SANT'ANGELO ENERGIA S.R.L
STATEMENT OF OPERATIONS

	December 31, 2016	December 31, 2015
Revenues	\$ 276,916	\$ 303,176
Plant operating costs	(51,753)	(57,593)
EBITDA	225,163	245,583
Depreciation	(67,555)	(69,763)
Leasing interest	(56,966)	(61,243)
Net Income before tax	100,642	114,578
Income taxes	(27,522)	(33,686)
Net income after tax	73,120	80,891
Dividends declared	(54,641)	-
To retained earnings	\$ 18,479	\$ 80,891

POWER CLOUDS INC.
UNAUDITED PRO-FORMA CONDENSED COMBINED FINANCIAL INFORMATION
DECEMBER 31, 2016 AND DECEMBER 31, 2015

The following are condensed (unaudited) pro-forma financial information prepared as though the acquisition of the Italian operating companies had occurred as of the beginning of the years ended December 31, 2016 and 2015 and up to acquisition on March 30, 2017.

	Three Months Ended March 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues	\$ 464,370	\$ 2,329,593	\$ 1,770,172
t/o PWCL	279,251	1,426,499	878,030
t/o Italian operations	185,119	903,094	892,142
EBITDA	23,572	(282,326)	459,585
t/o PWCL	(124,524)	(1,024,776)	(243,480)
t/o Italian operations	148,096	742,450	703,064
Net Income	(282,613)	(1,004,682)	(287,818)
t/o PWCL	(347,232)	(1,440,347)	(635,972)
t/o Italian operations	64,619	435,664	348,154

These pro-forma adjustments represent PWCL's preliminary determination of purchase accounting adjustments and are based upon available information and certain assumptions that the Company believes to be reasonable. Consequently, the amount reflected in the pro-forma financial statements are subject to change, and the final amounts may differ substantially.

Definitive Agreement Executed for the Acquisition of Liquid Sun S.R.L.

On July 25, 2017, Power Clouds Europe B.V. a wholly owned subsidiary of Power Clouds Inc., and Liquid Sun Srl, an Italian company (the "Seller") entered into a Preliminary Business Cessation Agreement (the "APA"). Pursuant to the terms of the APA, the Seller agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Seller, certain assets, agreements and liabilities related to three photovoltaic installations located on three power plants with a total of 2,244.37 KW (2.24MW) of power located in the Budrio and Anagni regions of Italy in exchange for €3,650,000 (approximately \$4,250,000), to be paid on closing.

The closing is subject to Power Clouds closing a third party financing of a minimum sum of \$3,625,000 on acceptable terms. The APA is subject to certain closing conditions, including, among other things, the execution of definitive agreements related to the transfer of the ownership of the assets, agreements and liabilities, the payment of the sales price and the fulfillment of all obligations agreed to, including, but not limited to, any outstanding issues under the operations and maintenance contract having been fully and finally resolved. The APA contemplated that closing will take place by October 15, 2017, which was extended by the parties pursuant to an amendment to the APA to March 30, 2018 with an option to extend monthly for 5 additional months, or until August of 2018 in order to allow both parties to complete the transaction. However, the conditions precedent to closing are such that there can be no assurance that the acquisition will be completed in that time or at all. As at June 30, 2018, PWCL had paid a cumulative amount of €130,000 (\$156,916) as part of the consideration to extend the closing date under the amendment to the APA.

7. Germany Acquisition: PSM 20 GmbH & Co KG

Power Clouds Inc. (the “Company”) entered into a Purchase and Transfer Agreement, as Amended and Restated, dated on or about June 7, 2018 (the “SPA”) with Greenrock Energy GmbH, Greenrock Construction GmbH (together referred to as “Greenrock”), Salvatori Cammileri (the former limited partner) and PSM 20 GmbH & Co KG (“PSM”), pursuant to which the Company, through a newly acquired wholly owned German subsidiary, PCG_HoldCo UG (the “PCG”), shall purchase one hundred percent (100%) of PSM’s entire share capital in exchange for €100.00 in cash paid at Closing and the deposit of €61,187.92 (approx. \$1.3m) in cash deposited into an escrow account pursuant to an Escrow Agreement by and among the Company, Greenrock and a German Notary. The Escrow funds will be disbursed by the Notary on a park by park basis and upon certain acceptance dates related to EEG Commissioning and Grid Connection and acceptable due diligence, as further defined and set forth in more detail in the SPA and Escrow Agreement.

As part of the above transaction, the Seller is constructing 7 photovoltaic installations located on 7 power commercial and industrial rooftops (to be constructed as a closing condition) in Germany with a total of 3,084 KW (3.1MW) of power that PSM owns. The Agreement provides for certain additional rights and obligations of the Parties, and for standard reps and warranties to be given from the Seller to the Purchaser, including warranties on the full park and workmanship on the park’s PV modules (as defined in the Agreement). The closing is also still subject to certain closing conditions, including, among other things, the power plants being technically constructed and commissioned by the Seller in compliance with German laws and having passed all of Power Clouds’ legal and technical due diligence.

Financing of the Acquisition

In order to complete the above transaction with Greenrock, the Company entered into the following agreements with a third party accredited investor (the “Lender”), in connection with the Lender depositing €61,210 into the Escrow Account and PCG issuing a loan note in the aggregate principal amount of €61,210 (the “Note”). The Note accrues interest at 12% per annum and has a six-month term, and upon the other terms and subject to the limitations and conditions set forth in the Note. Commensurate with the Note, the Company also entered i) A Security Agreement whereby the Company grants a security interest to all of the Company’s property, unless related to assets located in Italy or Romania, which are expressly excluded, ii) a Guaranty whereby the Company guarantees the payment of the Note issued by PCG, iii) a Partnership Interest Pledge Agreement whereby PCG pledges its Partnership Interest in PSM, and iv) the Company issued warrants to purchase up to a total of 4,659,328 shares of the Company’s common stock at an exercise price of \$0.122 per share, subject to adjustment as described in the Warrants, having a three year term and no cashless exercise provisions. All above-referenced agreements and documents are subject to other terms and conditions as set forth in the exhibits to the Supplemental Report filed on June 21, 2018.

8. Fixed Assets

As of June 30, 2018, the Company had \$6,489,477 of net fixed assets as outlined in the table below. The assets have been valued based on actual cost of construction in local currency and subsequently adjusted for changes in currency in the respective periods. We currently depreciate the plants with a useful life of between 16 and 20 years.

	Plant & Machinery	Leased Assets	TOTAL
Cost			
January 1, 2018	\$ 6,853,240	\$ 1,925,778	\$ 8,779,018
Additions	-	-	-
Disposals	-	-	-
Foreign exchange translation adjustment	(162,360)	(51,972)	(214,332)
June 30, 2018	6,690,881	1,873,806	8,564,686
Accumulated depreciation			
January 1, 2018	(1,428,871)	(404,413)	(1,833,284)

Additions	-	-	-
Charge for period	(211,137)	(30,789)	(241,927)
June 30, 2018	(1,604,677)	(435,179)	(2,075,211)
Net Book Value			
January 1, 2018	\$ 5,424,370	\$ 1,521,364	\$ 6,945,734
June 30, 2018	\$ 5,050,873	\$ 1,438,603	\$ 6,489,476
t/o Romania	\$ 5,050,873	-	\$ 5,050,873
t/o Italy	-	\$ 1,438,603	\$ 1,438,603

On March 30, 2017, the Company acquired two operating companies, Tre Valli Energia S.R.L. and Sant'Angelo Energia S.R.L. both based in Italy. Each company is a special purpose vehicle ("SPV") that either owns or operates Solar PV energy parks totaling 1.7MW in installed power. (See Footnote 6).

8. Intangible Assets

As of June 30, 2018, the Company had \$5,781,746 of intangible fixed assets as outlined in the table below.

	Prepayments relating to acquisition of PV solar plants	Capitalized costs relating to PV solar plants	Present value of future contracted income streams	Total
As at January 1, 2018	\$ 59,101	\$ 1,898,975	\$ 3,738,236	\$ 5,726,312
Increase in contingent amounts payable under acquisition contracts	-	229,480	-	229,480
Amortization charge for period	-	(30,593)	(120,958)	(151,552)
Prepayments relating to acquisition of PV plants	1,380,919	-	-	1,380,919
Foreign exchange translation adjustment	-	13,897	87,639	101,522
As at June 30, 2018	\$ 1,440,020	\$ 1,797,380	\$ 3,666,540	\$ 6,903,940

In association with the acquisition of the Italian subsidiaries we also acquired identifiable intangible assets which are capitalized costs of the solar assets, licenses and permits and the future contracted income streams under governmental incentives fixed purchase rates (Feed-In-Tariffs) with guaranteed consumption of green energy produced by the parks for the next 16 and 14 years, respectively. The Company has made a preliminary valuation of these contracts by discounting the future income streams using the actual and/or expected weighted average cost of capital for the acquisitions.

The Company amortizes the intangible assets over the remaining useful life of the assets.

9. Capital Leases

We have acquired equipment through capital lease obligations with an initial value of €1,605,000, primarily for the PV assets used to construct the Sant'Angelo park in Italy. As at June 30, 2018 there was approximately \$1,081,667 remaining on the lease. The lease commenced in 2011, has a term of 18 years and will expire in September 2029. Interest is calculated on the outstanding principal based on EURIBOR 3 months (EUR3M) plus an agreed margin for the lender. The average interest rate based on previous years is approximately 4.5% per annum. This interest amount may vary due to future changes in EUR3M index.

10. Convertible and Unconvertible Promissory Notes

The following table reflects the total debt balances of the Company as of June 30, 2018:

	Less than 1 year	Greater than 1 year	Total
Senior Secured Debt	325,065	550,110	875,175
Capital leases	85,294	996,373	1,081,667
Deferred consideration due for acquisitions – €17,500 due March 30, 2019	-	-	-
Promissory Notes – third parties	260,100	509,267	769,367
Amounts used under short term lines of credit	75,015	-	75,015
Notes payable – Greenrock escrow account (Footnote 7)	1,122,193	-	1,122,193
Notes payable	275,000	-	275,000
Total third-party debt	\$2,142,668	\$2,055,750	\$4,198,417
Convertible promissory note – related parties	502,097	-	502,097
Promissory note – related parties	1,508,968	-	1,508,968
Contingent amounts payable under earn out agreements	1,747,204	-	1,747,204
Total related party debt	\$3,758,269	-	\$3,758,269
Total notes payable	\$ 5,900,937	\$2,055,750	\$7,956,686
Accrued interest	\$ 101,047	-	\$ 101,047

During the six months ended June 30, 2018, the Company issued notes in the aggregate principal amount of \$275,000, offered with an original issue discount of \$25,000 for an aggregate purchase price of \$250,000, having a three-month term and a maturity date of August of 2018, which has been subsequently extended (See Subsequent Events Footnote).

Also during the six months ended June 30, 2018, in order to complete the above transaction with Greenrock, the Company entered into the following agreements with a third party accredited investor (the “Lender”), in connection with the Lender depositing €61,210.00 into an escrow account and the Company’s subsidiary, PCG_HoldCo issuing a loan note in the aggregate principal amount of €61,210 (the “Note”). The Note accrues interest at 12% per annum and has a 6 month term, and upon the other terms and subject to the limitations and conditions set forth in the Note. (See Footnote 7).

Also during the six months ended June 30, 2018, Power Clouds Holdings Pte. Ltd. (“PCH”) advanced \$207,753 to the Company and VestCo Corp. advanced \$84,000 to the Company, accruing interest at 10% per annum and payable on demand, which amounts have not yet been repaid.

During the year ended December 31, 2017, the Company issued a \$100,000 convertible promissory note to Vincent Browne, our CEO and Chairman, and a \$100,000 convertible promissory note to VestCo Corp., a company controlled by Mr. Browne, in exchange for \$200,000 cash provided to the Company as required for working capital purposes. The notes accrue 10% annual interest and are convertible into shares of restricted common stock at \$0.20 per share, at the noteholder’s option, and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest. None of these events have transpired at June 30, 2018. The notes are now payable on demand, however Mr. Browne has expressed his willingness to extend the term until either (ii) or (iii) above has occurred.

Senior Secured Note:

During the year ended December 31, 2016, the Company guaranteed a 6.5 million RON (equivalent to approximately US\$1,592,500) promissory note issued by one of its subsidiaries, Power Clouds S.R.L., a Romanian company (“Power Clouds Romania”) to OTP Bank in Romania, which is secured in first position against the Romanian solar parks and customer contracts held by Power Clouds Romania, accruing interest annually at a rate of ROBOR 3M + 3.3% and having a term of 60 months. 3.83 million RON (\$1 million at current exchange rates) is outstanding at June 30, 2018.

Line of Credit

During the year ended December 31, 2017, Power Clouds S.R.L entered into a 300,000 RON (\$75,000) line of credit with OTP Bank. The credit line is a revolving credit facility available for the payment of trade payables up to the agreed limit. The initial term is twelve months which can be renewed at agreement by both parties. Drawn funds accrue interest annually at a rate of ROBOR 3M + 3.3%. The Company had used \$75,015 of the facility at June 30, 2018.

Loans from Officer:

As at June 30, 2018, \$200,000 was due under loan notes issued to Mr. Browne, our CEO and Chairman of the Board, and Mr. Browne's company, VestCo Corp., and \$10,603 was due under loan notes issued to Mr. Forlani, our CTO and Board Member. Additionally, PCH has advanced \$207,753 to the Company and VestCo Corp. has advanced \$84,000 to the Company, accruing 10% interest per annum and payable on demand, which amounts have not yet been repaid.

On December 11, 2017, the Company issued a \$100,000 convertible promissory note to VestCo Corp., a company controlled by Mr. Browne, our CEO and Chairman, in exchange for \$100,000 cash to be provided to the Company, such notes accruing 10% annual interest, convertible into shares of restricted common stock, at the holder option, at \$0.20 per share and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest.

On November 7, 2017, the Company issued a \$100,000 convertible promissory note to Vincent Browne, our CEO and Chairman, in exchange for \$100,000 cash provided to the Company, such notes accruing 10% annual interest, convertible, at the holder option, into shares of restricted common stock at \$0.20 per share and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest.

On November 12, 2015, the Company issued to Mr. Forlani a \$75,000 convertible promissory note, accruing 10% annual interest, convertible into shares of restricted common stock at \$0.20 per share and having a 1 year term, which was extended to December 31, 2017 (unless the Professional Consulting Agreement, as described in the Related Parties Footnote 13 below, is terminated, in which case the note is due on such termination date). As of December 31, 2017, this note has been fully repaid by the Company.

On November 12, 2015 the Company entered into a First Amendment to a \$100,000 Promissory Note issued to Mr. Forlani, our CEO, on March 25, 2015, whereby the maturity date of the Note was extended to December 31, 2016 or the termination date of the Professional Consulting Agreement with Mr. Forlani, as described above; the Note shall accrue 10% interest annually commencing January 1, 2016, and the Note is now convertible at any time at the option of Mr. Forlani at \$0.20 per share. This note was extended again to December 31, 2017. As of December 31, 2017, this note has been repaid in full by the Company.

In December 2015, the Company received \$100,000 in cash from Roberto Forlani. As a result, the Company issued to Mr. Forlani a \$100,000 convertible promissory note, accruing 10% annual interest, convertible into shares of restricted common stock at \$0.20 per share and having a 1 year term, which was extended to December of 2017 (unless the Professional Consulting Agreement, as described in the Related Parties Footnote 13 below, is terminated, in which case the note is due on such termination date).

During the year ended December 31, 2017 the Company repaid \$203,031 to Mr. Forlani representing \$186,120 in principal and interest of \$16,911.

Promissory Notes:

On May 16, 2018, the Company entered into a Securities Purchase Agreement with three accredited investors (the "Agreement"), in connection with the issuance of notes of the Corporation, in the aggregate principal amount of \$275,000.00, offered with an original issue discount of \$25,000 for an aggregate purchase price of \$250,000.00 (the "Notes"), upon the other terms and subject to the limitations and conditions set forth in the Notes, (the "Notes"), and the issuance of warrants to purchase up to an aggregate of 625,000 shares of the Common Stock, exercisable at \$0.20 per share, subject to adjustment as described in the Warrants, having a four year term, and with other terms and

conditions (the “Warrants”), and entered into a Pledge Agreement whereby it pledged its ownership interest in one of its solar parks, Tre Valli Energia Srl, to be used as security for the Notes, and with such other terms and conditions (the “Pledge”). The Company paid Ardour Capital Investments, LLC a finder’s fee of \$25,000 and issued a warrant to purchase up to 312,500 shares of the Common Stock, exercisable at \$0.20 per share, having a four year term and with identical terms to the Warrants. All above referenced agreements and documents are subject to other terms and conditions as set forth in the exhibits to the Supplemental Report filed on June 7, 2018.

During the year ended December 31, 2017 the Company issued to Gaia Energy S.R.L. (“Gaia”) a €1,300,000 (approximately \$1,395,680) unsecured promissory note, accruing no interest and having a maturity date of December 31, 2017 (the “Note”), and a promissory note for €500,000 (approximately \$536,800) to be paid in cash by PWCL or its subsidiaries by no later than June 30, 2017, as part of the consideration for the acquisition of Tre Valli Energia S.R.L. During the year ended December 31, 2017 the Company paid €400,000 to GAIA. During the quarter ended March 31, 2018 the Company paid €125,000 to GAIA. As at March 31, 2018 €1,275,000 is due under the notes. On April 3, 2018 Gaia filed an Arbitration Application with the Arbitration Chamber of Milan, Italy, against PC-Italia-01, requesting the appointment of an arbitrator and demanding the unwinding of the above transaction due to the delay in payment of the remaining amounts due to Gaia. PC-Italia-01 has responded to the claim and does not expect any damages to result as there is no basis for damages. On agreement of both parties the arbitration has been suspended until September 15, 2018 to allow for (i) the closing of a third party funding/financing/investment in the Company, or (ii) the sale of Tre Valli Energia S.R.L. by the Company, whichever is the earliest. PWCL has agreed to settle the Note and the additional earn-out consideration under the acquisition contract (See Footnote 6) totaling €2,771,560 (\$3,415,815) from the proceeds of either (i) or (ii) whichever is the earliest.

On September 30, 2015, the Company issued a convertible loan note for \$1,000,000 to World Global Assets Pte. Ltd. (WGA), in conjunction with the spin out of WRMT. The note had a three-year term, accrued no interest, and was convertible at a fixed price of \$0.20 per share, subject to certain triggers and restrictions. The Company can repay the note at any time without penalty. As the conversion price was above the market price at the time of issuance, no beneficial conversion cost was recorded. In 2016 a portion of the convertible loan note (\$300,000) was assigned to various third parties and is now convertible at market price, with a floor price of \$0.20 per share and a maturity date of December 31, 2018. Another portion of this note (\$492,000) was assigned to various third parties, is not convertible and includes a maturity date of December 31, 2020. The remainder of the note was forgiven by WGA. As a result of the above assignments and the forgiveness of the remainder of the note by WGA, a related party at the time of the transaction, we booked a contribution to Additional Paid in Capital of \$173,352 as gain on forgiveness of debt in the year ended December 31, 2016. As at June 30, 2018 \$228,700 and \$509,267 was due under the assigned notes plus \$51,907 in accrued unpaid interest.

11. Commitments and Contingencies

Litigation

Other than as set forth below, the Company is not currently involved in any litigation that it believes could have a material adverse effect on its financial condition or results of operations. Other than as set forth below, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or any of its subsidiaries, threatened against or affecting the Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries’ officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect. On April 3, 2018 Gaia filed an Arbitration Application with the Arbitration Chamber of Milan, Italy, against PC-Italia-01, requesting the appointment of an arbitrator and demanding the unwinding of the above transaction due to the delay in payment of the remaining amounts due to Gaia and seeking damages in the amount of no less than €1,200,000 in addition to the amount due under the original contract which the parties have agreed is €2,771,560. PC-Italia-01 has responded to the claim and does not expect any damages to result as there is no basis for damages. The parties have mutually agreed to suspend all arbitration proceedings until September 15, 2018 to allow for (i) the closing of a third party funding/financing/investment in the Company, or (ii) the sale of Tre Valli Energia S.R.L. by the Company, whichever is the earliest. PWCL has agreed to settle the Note and the additional earn-out consideration under the acquisition contract (See Footnote 6) totaling €2,771,560 (\$3,415,815) from the proceeds of either (i) or (ii), whichever is the earliest.

In the ordinary course of business, we are from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, other than as set forth herein, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

Leases

Our Romanian companies lease the land for the solar parks at a combined annual cost of \$18,000. The leases commenced in 2013 and run for 25 years.

Our Italian SPVs hold surface rights for the land that the parks are constructed on and pay an annual fee of €1,000 (\$53,400) to one of the municipalities for those surface rights. In the other case, the surface right has been paid in full for the duration of the term. Each of the surface rights are for a minimum of 20 years with a 5 year extension option.

12. Shareholder's Equity

Common Stock:

As of June 30, 2018 and 2017, 100,000,000 total shares of common stock, par value \$0.001 per share, were authorized, 71,726,725 and 71,351,725 shares were issued and outstanding, respectively. There are no special voting or economic rights or privileges. Dividends may be paid on the outstanding shares as declared by our board of directors. Each share of common stock is entitled to one vote.

During the six months ended June 30, 2018, the Company issued 250,000 shares of restricted common stock to a consultant for services rendered.

During the twelve months ended December 31, 2017, the Company issued 5,800,000 shares to Gaia Energy as a portion of the consideration for the acquisition of certain third party PV solar assets (See Financial Footnote 6 below for more detail) and 199,627 shares of restricted common stock to two consultants for services rendered. Additionally, 1,000,000 shares of restricted common stock were returned to, and cancelled by, the Company from World Global Cash Ltd. as part of a stock exchange agreement. (See Footnote 13 for more details). In addition, the Company also cancelled 300,000 shares of common stock issuable for non-performance of contractual commitments.

During the twelve months ended December 31, 2016, the Company issued a total of 12,050,000 shares of restricted common stock in exchange for services rendered, consisting of 4,200,000 shares to Gaia Energy in exchange for the acquisition of certain third party assets and 7,850,000 shares to 5 third parties in exchange for services rendered. During the year ended December 31, 2016, the Company also issued 30,000,000 shares of Series D Convertible Preferred Stock in exchange for the return and cancellation of 30,000,000 shares of restricted common stock from Power Clouds Holdings Pte. Ltd.

Preferred Stock:

As of June 30, 2018 and 2017, 50,000,000 total shares of preferred stock, par value \$0.001, were authorized, and 30,000,000 shares of Series D Convertible Preferred Stock were issued and outstanding. Series A, B and C Preferred Stock have been retired.

On October 4, 2016 the Company authorized and issued 30,000,000 shares of Series D Convertible Preferred Stock, \$0.001 par value per share. The Series D Preferred rank pari passu with the common shares and convert into a total of 30,000,000 common shares. The Series D Preferred vote on an as-converted basis with the common stock. Each share of Series D Preferred shall automatically convert to Common Stock on the earlier of (i) the date on which the Company's Articles of Incorporation shall have been amended to increase the number of total authorized shares of common stock to 150,000,000 or greater, or (ii) the date on which the Company completes a reverse stock split of its common stock, into that number of fully paid and non-assessable shares of Common Stock as is determined by a factor of at least 3, for a full conversion of all issued and outstanding shares of Series D Preferred into a maximum potential total of thirty million (30,000,000) shares of common stock. The Series D are not redeemable.

During the six months ended June 30, 2018, no additional preferred stock was issued.

Warrants:

During the six months ended June 30, 2018, warrants to purchase up to an aggregate of 937,500 shares of the Common Stock, exercisable at \$0.20 per share, subject to adjustment as described in the Warrants, having a four year term, and warrant to purchase up to an aggregate of 4,659,328 shares of Common Stock, exercisable at \$0.122 per share, subject to adjustment as described in the Warrants, having a three year term. During the twelve months ended December 31, 2016, warrants to purchase up to a total of 6,640,000 shares of restricted common stock were issued with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 3 year term. Effective December 31, 2016, Vincent Browne, our CFO, and Roberto Forlani, our CEO, each agreed to cancel, effective immediately, all unvested warrants issued to them pursuant to their consulting agreements: See Related Party Transactions FN 15. This resulted in 7,200,000 warrants being cancelled and 600,000 vested warrants remaining issued and outstanding to Mr. Browne, and 5,400,000 warrants being cancelled by Mr. Forlani.

As at June 30, 2018, warrants to purchase up to a total of 6,836,828 shares of restricted common stock were issued and outstanding and vested, 4,659,328 of which terminate in June of 2021, 600,000 of which terminate in July of 2018, 640,000 of which terminate in July of 2019 and the remaining 937,500 terminate in May of 2022. As at June 30, 2017, warrants to purchase up to a total of 1,240,000 shares of restricted common stock were issued and outstanding and vested with an exercise price of Twenty Cents (\$0.20) per share, having a term of three years, 600,000 of which terminate in July of 2018 and the remaining 640,000 of which terminate in July of 2019. As the exercise price of the warrants is above the market price at the issuance dates, no beneficial conversion feature cost was recorded against either of these warrants in the current period. No charge has been taken for these warrants in the income statement for the six months ended June 30, 2018 or 2017.

Dividend

The Company's Board of Directors will evaluate on a quarterly basis the amount and timing of future dividends based on the Company's operating results, financial condition, capital requirements and general business conditions. The amount and timing of dividends may vary, and the payment of any dividend does not assure that the Company will be able to pay or will declare dividends in the future.

13. Related Party Transactions

On December 11, 2017, the Company issued a \$100,000 convertible promissory note to VestCo Corp., a company controlled by Mr. Browne, our CEO and Chairman, in exchange for \$100,000 cash lent to the Company, such notes accruing 10% annual interest, convertible into shares of restricted common stock at \$0.20 per share and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest

On November 7, 2017, the Company issued a \$100,000 convertible promissory note to Vincent Browne, our CEO and Chairman, in exchange for \$100,000 cash lent to the Company, such notes accruing 10% annual interest, convertible into shares of restricted common stock at \$0.20 per share and having a repayment date of the earlier of (i) March 31, 2018, or (ii) the closing date of a third party funding/financing/investment in the Company, or (iii) the date upon which Tre Valli Energia S.R.L. may sold by the Company, whichever is the earliest.

Additionally, PCH has advanced \$207,753 to the Company and VestCo Corp. has advanced \$84,000 to the Company, accruing 10% interest per annum and payable on demand, which amounts have not yet been repaid.

Effective December 31, 2016, Vincent Browne, our CEO, and Roberto Forlani, our CTO, each agreed to cancel, effective immediately, all unvested warrants issued to them pursuant to their consulting agreements described below. This resulted in 7,200,000 warrants being cancelled and 600,000 vested warrants remaining issued and outstanding to Mr. Browne, and 5,400,000 warrants being cancelled by Mr. Forlani.

On October 4, 2016 a Stock Exchange Agreement was entered into by and among the Company and its majority shareholder, Power Clouds Holdings Pte. Ltd. ("PCH") whereby PCH returned 30,000,000 shares of PWCL common stock, which were cancelled and returned to the total authorized but unissued shares of common stock, in exchange for 30,000,000 shares of Series D Convertible Preferred Stock. At the time of this transaction, PCH was owned and

controlled by Fabio Galdi, our former CEO and Director. As of December 31, 2016, PCH is owned and controlled by Vincent Browne, our CFO and Director, through his ownership and control of Growthcap Investments Inc. PCH is currently our largest stockholder, holding 50% of PWCL's total outstanding stock; PCH and its affiliates, Vincent Browne, Growthcap Investments, VestCo I Corp. and VestCo Corp. collectively own 57% of PWCL's outstanding stock.

In July of 2016, the Company entered into a new Professional Consulting Agreement with VestCo Corp., a company owned and controlled by Mr. Vincent Browne, our CFO and a member of the Company's Board of Directors, which supersedes and replaces the previous Professional Consulting Agreement entered into a year ago with VestCo. The initial term of the Consulting Agreement is three years with automatic renewal for additional three year terms. As consideration for the continuation of Mr. Browne's services, the Company agreed to pay a quarterly base fee of \$45,000, a potential cash bonus of 2% of adjusted annual income. On November 7, 2017, VestCo executed an amendment whereby the fees were reduced to \$120,000 per year.

On November 12, 2015, the Company entered into a Professional Consulting Agreement with Mr. Forlani, subsequently assigned to Telenergia Europe S.r.l., a company controlled by Mr. Forlani, effective as of January 1, 2016, having an initial term of 3 years with automatic renewal for additional 3 year terms thereafter, pursuant to which, as amended, Mr. Forlani is appointed as the Company's Chief Technology Officer, as well as a member of the Company's Board of Directors. As consideration for such services, commencing January 1, 2016 the Company agreed to pay a quarterly base fee of \$45,000 to Mr. Forlani, a potential cash bonus of 2% of adjusted annual earnings, to be applied at December 31, 2016 and each year thereafter. On November 7, 2017, Roberto Forlani, executed an amendment whereby the fees were reduced to \$120,000 per year. In May of 2018, Mr. Forlani gave notice that he will resign as CTO effective August 19, 2018.

On September 30, 2015, PWCL sold two of its wholly owned subsidiaries, World Global Assets Pte. Ltd. (WGA) and Cellad, to Fabio Galdi, our former executive officer and director and former majority shareholder of PWCL. The Company issued a convertible loan note for \$1,000,000 to WGA as part of the disposition of the space technology business to Fabio Galdi. (See Footnote 10 for more details on this loan note.)

In March of 2015, the Company acquired a controlling interest in three companies: Power Clouds Japan GK (PCGK), Parc Solar Moldoveni SRL ("SPM") (now called Power Clouds S.R.L.) and F.R.A.N. Energy Investment SRL ("FRAN"), each a subsidiary of Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd.) a Singapore company owned and controlled at the time of the transaction by Roberto Forlani, our CEO at the time and current CTO. In July of 2015, the Company acquired a 95% interest in another subsidiary of Power Clouds Pte. Ltd., Green Light GK.

There are no family relationships among the Company's officers and directors.

Other than as set forth above, the Company has not entered into any transactions with our officers, directors, persons nominated for these positions, beneficial owners of 5% or more of its common stock, or family members of these persons wherein the amount involved in the transaction or a series of similar transactions exceeded \$100,000.

The Company's management is involved in other business activities and may, in the future become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between our business and their other business interests. In the event that a conflict of interest arises at a meeting of our directors, a director who has such a conflict will disclose his interest in a proposed transaction and will abstain from voting for or against the approval of such transaction.

14. Resignation and Appointment Of Certain Officers.

Resignation of Officer:

During the six months ended June 30, 2018, Mr. Roberto Forlani gave notice to the Company that effective as of August 19, 2018, he is resigning as Power Clouds' Chief Technology Officer. Mr. Forlani will remain a member of the Company's Board of Directors.

Appointment of Director:

As of February 6, 2018, John Thomas was elected as a member of the Company's Board of Directors. Mr. Thomas has served in senior operating and management roles in a variety of corporate and public enterprises for over 35 years. Currently, he is Managing Partner of the Doonbeg Group, which he co-founded in 2013. Doonbeg Group is a merchant bank offering advisory services across a wide spectrum of interests. Prior to co-founding the Doonbeg Group, he was a founding partner of Pfi Hudson Group, a boutique investment bank. Prior to that, Mr. Thomas spent 12 years at the Grundstad Maritime Group, a Norwegian holding company with various maritime assets including product tankers and a cruise line, culminating as CEO and President of the Group. He joined Grundstad from Northrop Corporation, where for 5 years he was responsible for Northrop's corporate counter trade and offset operations worldwide. Before joining Northrop, Mr. Thomas was Owners Representative for West Africa and Resident Managing Director in Nigeria for Farrell Lines, a US Flag shipping company. He began his African experience as a U.S. Peace Corps Volunteer in The Gambia, West Africa and later transferred to Micronesia. Mr. Thomas graduated with a BS in Business Administration from Manhattan College.

15. Subsequent Events

In accordance with ASC 855, Subsequent Events, we have evaluated subsequent events through September 25, 2018, the date of available issuance of these unaudited financial statements. During this period, we had the following materially recognizable subsequent events.

Financing:

In July of 2018, the Corporation issued to a third party accredited investor a convertible promissory note in the principal amount of up to a maximum total of \$200,000, convertible at \$0.20 per share, accruing compounded interest at 15% and having a term of 1.5 years, and with such other terms and conditions as set forth in the Promissory Note attached hereto as an exhibit in exchange for the cash investment into the Corporation of up to \$200,000. To date \$80,000 in cash has been received by the Company on foot of this note,

Also in July of 2018, the Corporation entered into a settlement agreement with a contractor, pursuant to which the Corporation issued a convertible promissory note in the amount of €80,000, convertible at \$0.20 per share, accruing compounded interest at 15% and having a term of 1.5 years, to settle certain commission fees owed to the independent contractor pursuant to a consulting agreement.

In August of 2018 the Corporation entered into a First Amendment to certain outstanding promissory notes with the three current lenders (together referred to as the "Lenders"), in connection with the i) extension of the Maturity Date of the Notes to October 31, 2018 and ii) the increase of the points on the Notes from 10 to 15, as set forth in the attached exhibit (the "Notes"), and modification of the warrant coverage from 50% to 75% and the term of the warrants from 4 years to 5 years, as set forth in the attached exhibit (the "Warrants"), and to issue two new notes in the aggregate principal total amount of \$57,500, offered with an original issue discount of \$50,000, in exchange for the cash investment amount of \$25,000 each from two of those Lenders with identical terms and conditions to the current Notes, as amended herein, as set forth in Exhibit D (the "New Notes"), and new warrants to purchase up to 93,750 shares each to the two Lenders, with identical terms and conditions to the current Warrants, as amended. As part of the finders fees and consideration paid by the Corporation in order to close the above transaction, the Corporation amended the current warrant issued to Jean-Marc E. O'Brien with Ardour Capital to purchase up to 468,750 shares of Common Stock and having a term of 5 years, and to issue additional warrants to purchase up to an aggregate of 93,750 shares of the Common Stock, containing the same terms and conditions of the warrants as described above.

The description of the agreements above are qualified in its entirety by reference to the full text (partially redacted due to confidentiality) of the agreements filed as an Exhibit hereto, which is incorporated herein by reference. The agreements have been included as exhibits to this Supplemental Report to provide investors and security holders with information regarding its terms and conditions. It is not intended to provide any financial or other information about the parties to the agreements or their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the agreements are made only for purposes of that agreement and as of specific dates, are solely for the benefit of the parties to the agreements, may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties

instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of the parties to the agreements or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the agreements, and such subsequent information may not be fully reflected in public disclosures by the parties to the agreements.

The following exhibits are filed with this Report:

Description:

Forms of:

Convertible Promissory Note

First Amendment to Note

Note

Warrant

EXHIBIT A

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT.

POWER CLOUDS INC. CONVERTIBLE PROMISSORY NOTE

Up to \$200,000

Issuance Date: July __, 2018
Maturity Date: January __, 2020

This Note has been entered into pursuant to the terms of a subscription agreement between the Borrower and Power Clouds Inc. dated at or about the date hereof (the "Subscription Agreement"), and shall be governed by the terms of such Subscription Agreement as well as the terms herein. Unless otherwise separately defined herein, all capitalized terms used in this Note shall have the same meaning as is set forth in the Subscription Agreement.

FOR VALUE RECEIVED, Power Clouds Inc., a Nevada corporation whose principal office is located at One World Trade Center, Suite 8500, New York, NY 10007 (the "Company"), promises to pay to the order of [*], with principal address of [*] (the "Payee"), at the office of the Payee or at such other place as Payee may designate in writing, the principal sum of the total amounts deposited from time to time until December 31, 2018 into the Company's bank account(s) from Payee (such amounts proven by documentation of Payee's receipts of wire transfers and/or Company bank account transfer records) up to a maximum total amount of Two Hundred Thousand Dollars (\$200,000) (the "Principal Amount") on the terms set forth below. Commencing on the Issuance Date, fifteen percent (15%) compounded interest shall accrue and be payable as set forth below. All payments hereunder shall be made in U.S. currency and without setoff, deduction or counterclaim.

1. Definitions.

The following terms shall have the meanings herein specified:

"Holder" means the Payee, and each endorsee, pledgee, assignee, owner and holder of this Note, as such; and any consent, waiver or agreement in writing by the then Holder with respect to any matter or thing in connection with this Note, whether altering any provision hereof or otherwise, shall bind all subsequent Holders. Notwithstanding the foregoing, the Company may treat the registered holder of this Note as the Holder for all purposes.

"Person" means an individual, trust, partnership, firm, association, corporation or other organization or a government or governmental authority.

Words of one gender include the other gender; the singular includes the plural; and the plural includes the singular, unless the context otherwise requires.

2. Payment of this Note - Principal and Interest.

(a) **Interest.** The outstanding principal amount of this Note shall bear interest at a rate of fifteen percent (15%) per annum commencing on the Issuance Date until the Maturity Date. Such interest will be based on a 365-day year and calculated with interest computed daily based on the actual number of days elapsed and the actual total principal outstanding balance. All accrued interest shall be due and payable on the Maturity Date. If the Maturity Date is extended by Holder in accordance with Section 2.b. below, then all accrued interest to the extension date shall be compounded and included in the outstanding principal amount which shall continue to accrue interest at a rate of fifteen percent (15%) per annum during the 18 month extension period. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of one half of one percent (0.5%) per day from the due date thereof until the same is paid ("Default Interest").

(b) **Payment after Milestone Deadline.** All principal and all accrued, compounded (if applicable), but unpaid interest shall be due and payable on the Maturity Date, and at any time thereafter, the Holder may proceed to collect such principal and accrued interest. The Maturity Date may be extended by an additional eighteen (18) months at the election of the Holder.

(c) **Prepayment.** The Company may not prepay this Note at any time unless with the agreement of both parties.

(d) **Conversion Privilege.** The Holder shall have the right at any time until this Note is fully paid, to convert any or all of the outstanding and unpaid portion of this Note, including the Principal Amount and all accrued interest, at the election of the Holder (the date of giving of such notice of conversion being a "**Conversion Date**") into fully paid and non-assessable shares of restricted common stock as such stock exists on the date of issuance of this Note (such shares, the "**Conversion Shares**"), or any shares of capital stock of Borrower into which such Common Stock shall hereafter be changed or reclassified, at the conversion price per share equal to twenty cents (\$0.20) (the "**Conversion Price**"). Upon delivery to the Company of a completed Notice of Conversion, a form of which is attached hereto as **Exhibit A**, Borrower shall issue and deliver to the Holder that number of Conversion Shares for the portion of the Note converted in accordance with the foregoing.

Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

3. Events of Default.

The existence of any of the following conditions shall constitute an Event of Default:

(a) Nonpayment of the Note in accordance with Section 2 above, if such breach remains unpaid and uncured for a period of thirty (30) business days.

(b) Commencement of proceedings under any bankruptcy or insolvency law or other law for the reorganization, arrangement, composition or similar relief or aid of debtors or creditors if such proceeding remains undismissed and unstayed for a period of 60 days following notice to the Company by the Holder.

(c) If the Company shall dissolve, liquidate or wind up its affairs or sell substantially all of its assets, unless the provisions of Section 4 of this Note are met, in which case there is no Event of Default.

In an Event of Default, the Company does hereby guaranty to the Holder the due payment of all principal and interest evidenced by the Note and all extensions or renewals thereof, whenever due and payable; the Company does hereby guaranty to the Holder that any and all such payments shall be made, if necessary, out of the cash flows generated from the Company's assets located in Romania.

4. Reorganization, Reclassification, Consolidation, Merger or Sale. If any reorganization of the capital stock of the Company, or any consolidation or merger of the Company with another corporation, or the sale of all or

substantially all of its assets to another corporation shall be effected, appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof shall thereafter be applicable to the surviving corporation. The Company will not effect any such consolidation, merger or sale unless, prior to the consummation thereof, the surviving corporation (if other than the Company) resulting from such consolidation or the corporation purchasing such assets shall assume by written instrument, executed and mailed or delivered to the registered Holder hereof at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such assets as, in accordance with the foregoing provisions, such Holder may be entitled to receive.

5. Transfer. Transfer of this Note shall be subject to prior delivery by the proposed transferee to the Company of an opinion of counsel that such transfer is in compliance with all federal and all other applicable laws. In order to transfer this Note, the Holder, or its duly authorized attorney, shall surrender this Note at the office of the Company pursuant to Section 10 herein, accompanied by an assignment duly executed by the Holder hereof.

6. Loss or Mutilation of Note. Upon receipt by the Company of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, together with an indemnity reasonably satisfactory to the Company, in the case of loss, theft, or destruction, or the surrender and cancellation of this Note, in the case of mutilation, the Company shall execute and deliver to the Holder a new Note of like tenor and denomination as this Note.

7. Holder not Shareholder. This Note does not confer upon the Holder any right to vote or to consent or to receive notice as a shareholder of the Company, as such, in respect of any matters whatsoever, or any other rights or liabilities as a shareholder, prior to the conversion hereof.

8. Waivers. The failure of Holder to enforce at any time any of the provisions of this Note shall not, absent an express written waiver signed by Holder specifying the provision being waived, be construed to be a waiver of any such provision, nor in any way to affect the validity of this Note or any part hereof or the right of Holder thereafter to enforce each and every such provision. No waiver of any breach of this Note shall be held to be a waiver of any other or subsequent breach. The Company waives presentment, demand, notice of dishonor, protest and notice of nonpayment and protest.

9. Taxes. The Company agrees that it will pay, when due and payable, any and all stamp, original issue or similar taxes which may be payable in respect of the issue of this Note. The Company shall not be required to pay any stamp, original issue or similar tax which may be payable in respect of any transfer involved in the transfer and delivery of this Note to a person other than of the Payee.

10. Notices. All notices or other communications to a party required or permitted hereunder shall be in writing and shall be delivered personally or by facsimile or electronic transmission (receipt confirmed electronically) to such party (or, in the case of an entity, to an executive officer of such party) or shall be sent by a reputable express delivery service or by certified mail, postage prepaid with return receipt requested, addressed as follows:

if to Payee to:

[*]

if to the Company to:

Vincent Browne, CEO

Power Clouds Inc.

One World Trade Center, Suite 8500

New York, NY 10007

Email: Vincent.browne@powercloudsinc.com

Any party may change the above specified recipient and/or mailing address by notice to all other parties given in the manner herein prescribed. All notices shall be deemed given on the day when actually delivered as provided above (if delivered personally or by facsimile or email, provided that any such facsimile or email is received during regular business hours at the recipient's location) or on the day shown on the return receipt (if delivered by mail or delivery service).

11. Headings. The titles and headings to the Sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Note. This Note shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Note to be drafted.

12. Applicable Law and Jurisdiction. Any dispute arising out of or in connection with this Note, including the relationship of the parties hereunder, shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce, which Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be one. The seat, or legal place, of arbitration shall be Bucharest, Romania. The language to be used in the arbitration shall be English.

13. Survival Of Representations And Warranties; Attorneys Fee. This Note shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto. If this Note is not paid when due or if the Company breaches any provisions of this Note, in addition to all other amounts due herein, the Company promises to pay all costs of collection and all reasonable attorney fees and court costs incurred by Holder.

14. Assignment. This Note may not be assigned by either party hereto without the prior written consent of the other (except that the Company may without the prior written consent of the Holder assign this Note in the event of a merger, acquisition, reorganization or the sale of all or substantially all of its assets to another corporation to the surviving entity of such merger, acquisition, reorganization or sale).

***** *Signature Page Follows* *****

IN WITNESS WHEREOF, Power Clouds Inc. has caused this Convertible Promissory Note to be signed in its name by the signature of its duly authorized representative.

Power Clouds Inc.

By: Vincent Browne
Its: Chief Executive Officer

NOTICE OF CONVERSION

TO:

The undersigned hereby irrevocably elects to convert \$_____ of the principal amount and \$_____ of accrued interest of the Note dated _____, 2018 into Shares of Common Stock of Power Clouds Inc., according to the conditions stated therein, as of the Conversion Date written below.

Conversion Date: _____

Signature: _____

Name: _____

Address: _____

Amount to be converted: \$_____

Amount of Note unconverted: \$_____

Conversion Price per share: \$_____

Number of shares to be issued: _____

Please issue the shares to: _____

Address to: _____

Authorized Signature: _____

Name: _____

Title: _____

Phone Number: _____

**FIRST AMENDMENT TO THE
PROMISSORY NOTE AND WARRANT
ISSUED FROM
POWER CLOUDS INC.**

This FIRST AMENDMENT is to modify certain terms and conditions to that certain Promissory Note and Warrant issued from Power Clouds Inc., a Nevada corporation (“Borrower”) to [*] (“Holder”) dated May 16, 2018 (the “Note”).

Unless otherwise indicated, terms used herein that are defined in the Note and Warrant shall have the same meanings herein as in the Note and the Warrant, respectively.

Effective as of August 10, 2018, the Parties hereto agree to modify the following terms of the Note:

The Parties agree to extend the Maturity Date of the Note from August 16, 2018 to the earlier of i) October 31, 2018 or ii) within five (5) business days of receipt of the proceeds by the Borrower from the sale of Tre Valli Energia.

The Parties agree to increase the points on the Note from ten to fifteen, or to [*], so that the Principal Amount due on the Maturity Date shall be a total of [*].

Effective as of August 10, 2018, the Parties hereto agree to modify the following terms of the Warrant:

The Parties agree to extend the term of the Warrant from four (4) years to five (5) years, so that the Termination Date shall be May 16, 2023.

The Parties agree to increase the Warrant Shares to seventy five percent (75%) warrant coverage, so that the total number of Warrant Shares is [*].

Except as herein modified, all the terms and conditions of the above referenced Note and Warrant shall remain in full force and effect. In the event of any conflict between the Amendment and the Note or Warrant, as applicable, the provisions of this Amendment shall prevail.

The Parties hereby agree that signatures transmitted and received via facsimile or other electronic means shall be treated for all purposes of this Amendment as original signatures and shall be deemed valid, binding and enforceable by and against both parties.

BOTH PARTIES HERETO REPRESENT THAT THEY HAVE READ THIS AMENDMENT, UNDERSTAND IT, AGREE TO BE BOUND BY ALL TERMS AND CONDITIONS STATED HEREIN, AND ACKNOWLEDGE RECEIPT OF A SIGNED, TRUE AND EXACT COPY OF THIS AMENDMENT.

IN WITNESS WHEREOF, the parties hereto have agreed to amend the terms and conditions of the First Amendment to the Note and Warrant.

POWER CLOUDS INC.	[*]

By: Vincent Browne	By:
Its: Chief Executive Officer	
Date: August 10, 2018	Date: _____

Original Issue Date: August 14, 2018

Principal Amount:

Purchase Price:

**PROMISSORY NOTE
DUE OCTOBER 31, 2018**

THIS PROMISSORY NOTE is one of a series of duly authorized and validly issued Notes of POWER CLOUDS INC., a Nevada corporation, (the "Borrower"), having its principal place of business at One World Trade Center, Suite 8500, New York, NY 10007, email: info@powercloudsinc.com, due October 31, 2018 (this note, the "Note" and, collectively with the other notes of such series, the "Notes").

FOR VALUE RECEIVED, Borrower promises to pay to [*] or its registered assigns (the "Holder"), with an address at: [*], or shall have paid pursuant to the terms hereunder, the principal sum of [*] on the earlier of i) October 31, 2018 or ii) within five (5) business days of receipt of the proceeds by the Borrower from the sale of Tre Valli Energia (the "Maturity Date") or such earlier date as this Note is required or permitted to be repaid or such later date if extended by the Holder as provided hereunder, and to pay interest, if any, to the Holder on the aggregate and then outstanding principal amount of this Note in accordance with the provisions hereof.

This Note is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Note, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement and (b) the following terms shall have the following meanings:

"Alternate Consideration" shall have the meaning set forth in Section 5(b).

"Bankruptcy Event" means any of the following events: (a) Borrower or any Subsidiary thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to Borrower or any Subsidiary thereof, (b) there is commenced against Borrower or any Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) Borrower or any Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) Borrower or any Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) Borrower or any Subsidiary thereof makes a general assignment for the benefit of creditors, (f) Borrower or any Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) Borrower or any Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are required by law or other governmental action to close.

"Change of Control Transaction" means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of Borrower, by contract or otherwise) of in excess of 50% of the voting securities of Borrower, (b) Borrower merges into or consolidates with any other Person, or any Person merges into or consolidates with Borrower and, after giving effect to such transaction, the stockholders of Borrower immediately prior to such transaction own less than 50% of the aggregate voting power of Borrower or the successor entity of such transaction, (c) Borrower sells or transfers all or substantially all of its assets to another Person and the stockholders of Borrower immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a

replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by Borrower of an agreement to which Borrower is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Event of Default” shall have the meaning set forth in Section 7(a).

“Fundamental Transaction” shall have the meaning set forth in Section 5(c).

“New York Courts” shall have the meaning set forth in Section 8(d).

“Note Register” shall have the meaning set forth in Section 3(c).

“Original Issue Date” means the date of the first issuance of the Notes, regardless of any transfers of any Note and regardless of the number of instruments which may be issued to evidence such Notes.

“Other Holder” means a holder of one or more Other Notes (collectively, “Other Holders”).

“Other Notes” means Notes nearly identical to this Note issued to other Holders pursuant to the Purchase Agreement.

“Purchase Agreement” means the Securities Purchase Agreement, dated as of May 16, 2018 among Borrower and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

“Successor Entity” shall have the meaning set forth in Section 5(c).

Section 2. Interest.

(a) Interest. Except as set forth in Section 7(b) of this Note, interest shall not accrue on this Note.

(b) Payment Grace Period. Except as set forth herein, the Borrower shall not have any grace period to pay any monetary amounts due under this Note.

(c) Application of Payments. Interest on this Note, if any, shall be calculated on the basis of a 360-day year and the actual number of days elapsed. Payments made in connection with this Note shall be applied first to amounts due hereunder other than principal and interest, thereafter to interest and finally to principal.

(d) Pari Passu. Except as otherwise set forth herein, all payments made on this Note and the Other Notes and all actions taken by the Borrower with respect to this Note and the Other Notes shall be made and taken pari passu with respect to this Note and the Other Notes.

(e) Manner and Place of Payment. Principal and interest on this Note and other payments in connection with this Note shall be payable at the Holder’s offices as designated above in lawful money of the United States of America in immediately available funds without set-off, deduction or counterclaim. Upon assignment of the interest of Holder in this Note, Borrower shall instead make its payment pursuant to the assignee’s instructions upon receipt of written notice thereof. Except as set forth herein, this Note may not be prepaid without the consent of the Holder.

(f) Extension of Term. At its sole election, the Holder may extend this Note for up to six additional months, and during the pendency of an Event of Default on a day by day basis until thirty (30) Trading

Days after such Event of Default is cured, by providing written notice to the Borrower at least ten days prior to the Maturity Date of the initial term or any extension thereof or periodically in connection with an Event of Default.

Section 3. Registration of Transfers and Exchanges.

(a) Different Denominations. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

(b) Investment Representations. This Note has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

(c) Reliance on Note Register. Prior to due presentment for transfer to Borrower of this Note, Borrower and any agent of Borrower may treat the Person in whose name this Note is duly registered on the Note Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note is overdue, and neither Borrower nor any such agent shall be affected by notice to the contrary.

(d) Redemption Restrictions. Borrower shall have no right to require the Holder to surrender the Note for redemption without the consent of the Holder.

(e) Optional Exchange. For so long as this Note remains outstanding, except in connection with an Exempt Issuance, the Holder shall have the right to participate in any offering of the Borrower's Common Shares or Common Shares Equivalents, including the Qualified Offering, on the same terms and conditions as any other subscriber, investor or participant in such offering and apply all or some of the amounts outstanding on this Note as payment for the securities to be acquired pursuant to such other offering.

Section 4. Negative Covenants.

(a) Regarding Tre Valli Energia. As long as at least twenty percent (20%) of the principal amount of this Note remains outstanding, unless the holders of a Majority in Interest shall have otherwise given prior written consent, Borrower shall not, and shall not permit Tre Valli Energia to, directly or indirectly,:

(i) encumber Tre Valli Energia that would result in undermining the Pledge Agreement;

(ii) other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(iii) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(iv) redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness, except for Indebtedness identified on Schedule 3.1(z) to the Purchase Agreement as permitted to be paid, whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness, the foregoing restriction shall also apply to Permitted Indebtedness from and after the occurrence of an Event of Default; or

(v) enter into any agreement with respect to any of the foregoing.

(b) Regarding Borrower. As long as at least twenty percent (20%) of the principal amount of this Note remains outstanding, unless the holders of a Majority in Interest shall have otherwise given prior written consent, such consent not to be unreasonably withheld, Borrower shall not directly or indirectly allow to occur any of the matters described in Section 6(a), nor:

(i) other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(ii) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

(iii) redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than the Notes on a pro-rata basis pursuant to the Transaction Documents), except for Indebtedness identified on Schedule 3.1(z) to the Purchase Agreement as permitted to be paid, whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness, the foregoing restriction shall also apply to Permitted Indebtedness from and after the occurrence of an Event of Default;

(iv) declare or make any dividend or other distribution of its assets or rights to acquire its assets to holders of Common Shares, preferred stock, or any other equity security by way of return of capital or otherwise including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction;

(v) enter into any transaction with any Affiliate of Borrower which would be required to be disclosed in any public filing with the Commission, buy a company subject to the reporting obligations of Section 13 or 15(d) of the Exchange Act, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of Borrower (even if less than a quorum otherwise required for board approval); or

(vi) enter into any agreement with respect to any of the foregoing.

Section 5. Events of Default.

(a) “Event of Default” means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

(i) any default in the payment of (A) the principal or interest amount of this Note or (B) liquidated damages and other amounts owing to a Holder on any Note, as and when the same shall become due and payable (whether on the Maturity Date or by acceleration or otherwise) which default, solely in the case of a default under clause (B) above, is not cured within 10 Trading Days after Borrower has become or should have become aware of such default;

(ii) Borrower shall fail to observe or perform any other covenant or agreement contained in the Notes which failure is not cured, if possible to cure, within the earlier to occur of (A) five (5) Trading Days after written notice of such failure sent by the Holder or by any Other Holder to Borrower and (B) ten (10) Trading Days after Borrower has become or should have become aware of such failure;

(iii) a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents, including but not limited to failure to strictly comply with the provisions of the Transaction Documents, or (B) any other material agreement, lease, document or instrument to which Borrower or any Subsidiary is obligated (and not covered by clause (vi) below), which, in the case of subsection (B), would reasonably be expected to have a Material Adverse Effect;

(iv) any representation or warranty made in this Note, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any Other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

(v) Borrower or Tre Valli Energia shall be subject to a Bankruptcy Event;

(vi) Borrower or Tre Valli Energia shall materially default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$50,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

(vii) Borrower shall be a party to any Change of Control Transaction or Fundamental Transaction not approved by a Majority in Interest;

(viii) Borrower does not meet the current public information requirements under Rule 144 including but not limited to pursuant to Rule 144(c)(2) for ten (10) or more consecutive Trading Days or twenty (20) Trading Days in the aggregate;

(ix) any monetary judgment, writ or similar final process shall be entered or filed against Borrower or Tre Valli Energia, or any of their respective property or other assets for more than \$50,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of sixty (60) calendar days;

(x) any dissolution, liquidation or winding up by Borrower or a Tre Valli Energia of a substantial portion of their business;

(xi) cessation of operations by Borrower or Tre Valli Energia;

(xii) an event resulting in the Common Shares no longer being listed or quoted on a Trading Market, or notification from a Trading Market that the Borrower is not in compliance with the conditions for such continued quotation and such non-compliance continues for twenty (20) days following such notification;

(xiii) a Commission or judicial stop trade order or suspension from the Borrower's Principal Trading Market;

(xiv) a failure by Borrower to notify Holder of any material event of which Borrower is obligated to notify Holder pursuant to the terms of this Note or any other Transaction Document;

(xv) a default by the Borrower of a material term, covenant, warranty or undertaking of any other agreement to which the Borrower and Holder are parties, or the occurrence of an

event of default under any such other agreement to which Borrower and Holder are parties which is not cured after any required notice and/or cure period or waived;

(xvi) the occurrence of an Event of Default under any Other Note;

(xvii) any material provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the Borrower, or the validity or enforceability thereof shall be contested by Borrower, or a proceeding shall be commenced by Borrower or any governmental authority having jurisdiction over Borrower or Holder, seeking to establish the invalidity or unenforceability thereof, or Borrower shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document;

(xviii) the failure by Borrower or Tre Valli Energia to maintain any material intellectual property rights, personal, real property, equipment, leases or other assets which are necessary to conduct its business (whether now or in the future) and such breach is not cured with twenty (20) days after the first day of such occurrence; or

(xix) the restatement after the date hereof of any financial statements filed by the Borrower with the OTC Pink Marketplace or the Commission for any date or period from and after the Original Issue Date and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statements, have constituted a Material Adverse Effect. For the avoidance of doubt, any restatement related to new accounting pronouncements shall not constitute a default under this Section.

In the event more than one grace, cure or notice period is applicable to an Event of Default, then the shortest grace, cure or notice period shall be applicable thereto.

(b) Remedies Upon Event of Default, Fundamental Transaction and Change of Control Transaction. If any Event of Default or a Fundamental Transaction or a Change of Control Transaction occurs, the outstanding principal amount of this Note, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing on the Maturity Date and also thirty (30) days after the occurrence of any Event of Default interest on this Note shall accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Note to or as directed by Borrower. In connection with such acceleration described herein, the Holder need not provide, and Borrower hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Note until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 6. Miscellaneous.

(a) Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day

following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to Borrower, to: Power Clouds Inc., Inc., One World Trade Center, Suite 8500, New York, NY 10007, Attn: Vincent Browne, CEO, fax:, email: Vincent.browne@powercloudsinc.com, with an additional copy by fax only to (which shall not constitute notice): DART Business Services, LLC, 16192 Coastal Highway, Lewes, DE 19958, Attn: Taliesin Durant, Esq., fax: (910) 401-1634, email: tali@dart-services.com, and (ii) if to the Holder, to: the address and fax number indicated on the front page of this Note, with an additional copy by fax only to (which shall not constitute notice).

(b) Absolute Obligation. Except as expressly provided herein, no provision of this Note shall alter or impair the obligation of Borrower, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Note at the time, place, and rate, and in the coin or currency, herein prescribed. This Note is a direct debt obligation of Borrower. This Note ranks pari passu with all Other Notes now or hereafter issued under the terms set forth herein.

(c) Lost or Mutilated Note. If this Note shall be mutilated, lost, stolen or destroyed, Borrower shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Note, or in lieu of or in substitution for a lost, stolen or destroyed Note, a new Note for the principal amount of this Note so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Note, and of the ownership hereof, reasonably satisfactory to Borrower.

(d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Note shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Note and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Note or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Note, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding. **This Note shall be deemed an unconditional obligation of Borrower for the payment of money and, without limitation to any other remedies of Holder, may be enforced against Borrower by summary proceeding pursuant to New York Civil Procedure Law and Rules Section 3213 or any similar rule or statute in the jurisdiction where enforcement is sought. For purposes of such rule or statute, any other document or agreement to which Holder and Borrower are parties or which Borrower delivered to Holder, which may be convenient or necessary to determine Holder's rights hereunder or Borrower's obligations to Holder are deemed a part of this Note, whether or not such other document or agreement was delivered together herewith or was executed apart from this Note.**

(e) Waiver. Any waiver by Borrower or the Holder of a breach of any provision of this Note shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Note. The failure of Borrower or the Holder to insist upon strict adherence to any term of this Note on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist

upon strict adherence to that term or any other term of this Note on any other occasion. Any waiver by Borrower or the Holder must be in writing.

(f) Severability. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances.

(g) Usury. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. Borrower covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive Borrower from paying all or any portion of the principal of or interest on this Note as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Note, and Borrower (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

(h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Note and shall not be deemed to limit or affect any of the provisions hereof.

(j) Amendment. Unless otherwise provided for in the Purchase Agreement or hereunder, this Note may not be modified or amended or the provisions hereof waived without the written consent of Borrower and the Holder.

(k) Facsimile Signature. In the event that the Borrower's signature is delivered by facsimile transmission, PDF, electronic signature or other similar electronic means, such signature shall create a valid and binding obligation of the Borrower with the same force and effect as if such signature page were an original thereof.

(l) Currency. All monetary amounts referred to in this Note are in United States currency.

(Signature Pages Follow)

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by an authorized officer as of the 14th day of August, 2018.

POWER CLOUDS INC.

By: 
Name: Vincent Browne
Title: Chief Executive Officer

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

POWER CLOUDS INC.

Warrant Shares:

Issuance Date: August 14, 2018

Warrant No:

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [*] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five (5) year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from **POWER CLOUDS INC.**, a Nevada corporation (the "Company"), up to [*] shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Shares. The purchase price of one Common Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated May 16, 2018, among the Company and the purchasers signatory thereto and the Note issued to the Holder contemporaneously with this Warrant.

Exercise.

Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after three months after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise Form annexed hereto. Within two (2) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. Notwithstanding anything herein to the contrary (although the Holder may surrender the Warrant to, and receive a replacement Warrant from, the Company), the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within one (1) Trading Day of delivery of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that,**

by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

Exercise Price. The exercise price per share of the Common Shares under this Warrant shall be **US\$0.20**, subject to adjustment as described herein ("Exercise Price").

Mechanics of Exercise.

Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) Rule 144 is available, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant (if required) and (C) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.

Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

In addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect delivery of the Warrant Shares by the Warrant Share Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant.

No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise.

Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Common Shares beneficially owned by the Holder and its Affiliates shall include the number of Common Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Common Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding Common Shares, a Holder may rely on the number of outstanding Common Shares as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of Common Shares outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of Common Shares then outstanding. In any case, the number of outstanding Common Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding Common Shares was reported. The "Beneficial Ownership Limitation" shall be 9.99% of the number of shares of the Common Shares outstanding immediately after giving effect to the issuance of Common Shares issuable upon exercise of this Warrant. The Holder may decrease the Beneficial Ownership Limitation at any time and the Holder, upon not less than 61 days' prior notice to the Company, may increase the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Shares outstanding immediately after giving effect to the issuance of Common Shares upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Certain Adjustments.

Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Shares or any other equity or equity equivalent securities payable in Common Shares (which, for avoidance of doubt, shall not include any Common Shares issued by the Company upon exercise of this Warrant or pursuant to any of the other Transaction Documents), (ii) subdivides outstanding Common Shares into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares, or (iv) issues by reclassification of shares of the Common Shares any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Shares (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Common Shares acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Shares are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such Common Shares as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Shares (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Shares, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Shares as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one Common Share. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Shares are permitted to sell, tender or exchange their shares for other securities, cash or property and has been

accepted by the holders of 50% or more of the outstanding Common Shares, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Shares or any compulsory share exchange pursuant to which the Common Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Shares (not including any Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of Common Shares (or successor security) of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of Common Shares for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one Common Share in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder’s option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. “Black Scholes Value” means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the “OV” function on Bloomberg, L.P. (“Bloomberg”) determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Common Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such

Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein._

Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Shares (excluding treasury shares, if any) issued and outstanding.

Notice to Holder.

Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Shares, (C) the Company shall authorize the granting to all holders of the Common Shares rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Shares, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Shares are converted into other securities, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, to the extent that such information constitutes material non-public information (as determined in good faith by the Company) the Company shall follow the procedure described in Section 13 of the Subscription Agreement and shall deliver to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Shares of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Shares of record shall be entitled to exchange their shares of the Common Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Transfer of Warrant.

Transferability. Subject to compliance with any applicable securities laws and the provisions of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds

sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the initial issuance date of this Warrant and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “Warrant Register”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Miscellaneous.

No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then, such action may be taken or such right may be exercised on the next succeeding Trading Day.

Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Shares a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and non-assessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending

its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant. Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

Jurisdiction. All questions concerning governing law, jurisdiction, venue and the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, or unless Rule 144 is available, will have restrictions upon resale imposed by state and federal securities laws.

Non-waiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Shares or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holders of not less than a majority of the outstanding Warrants issued pursuant to the Purchase Agreement.

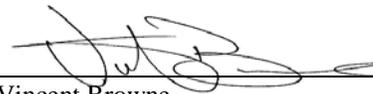
Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

POWER CLOUDS INC.

By: 
Name: Vincent Browne
Title: CEO

