

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 Three and Nine Months Ended September 30, 2016 and 2015

Including Financial Statements and Disclosures

Prescribed by OTC Pink Market for

Alternative Reporting Standards.

Filed on November 25, 2016



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: 600 Brickell Ave., Suite 1775
Miami, Florida 33131
Phone:
Email: investors@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: September 30, 2016
Total shares outstanding: 96,777,098* as of: September 30, 2016

* Includes 300,000 shares authorized to be issued but not yet physically issued at September 30, 2016. These shares are recorded as Stock Issuable in the attached financial statements

Preferred Stock:

Par or Stated Value: \$0.001
Total shares authorized: 50,000,000 as of: September 30, 2016
Total shares outstanding: Series A 0 as of: September 30, 2016
Total shares outstanding: Series B 0 as of: September 30, 2016
Total shares outstanding: Series C 0 as of: September 30, 2016

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 nine months ended September 30, 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, 2015, the Company issued a total of 12,487,005 new common shares, consisting of 2,050,000 shares of restricted common stock in exchange for consulting services rendered, 6,500,000 shares of restricted common stock for the acquisition of certain subsidiaries of Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd). (See Financial Footnote 7 below for more detail), 3,937,005 shares of restricted common stock to Anch Holdings Ltd. as part of the consideration paid on behalf of one of the Company's subsidiaries to purchase an equity interest in another company, and 800,000 shares of restricted common stock to three third party independent contractors as partial consideration for certain consulting services provided.

During the year ended December 31, 2014, the Company issued a total of 67,789,353 shares of common stock. Of this amount, 36,987,273 shares of restricted common stock were issued to World Payment Solutions, Ltd., an entity under common control with Fabio Galdi, in exchange for the conversion of 3,172,750 shares of Series A Convertible Preferred Stock and 320,000 shares of Series C Convertible Preferred Stock. 29,802,080 shares of restricted common stock were issued to World Payment Solutions, Ltd. in exchange for the conversion of 80 shares of Series B Convertible Preferred Stock, and 1,000,000 new shares of restricted common stock were issued for the acquisition of World Global Assets Pte. Ltd (See Financial Footnote 5 for more detail). 2,000,000 shares of restricted common stock were returned to the Company pursuant to a settlement agreement with Andrew Austin.

Also, on June 16, 2014 the Company effected a 1-for-50 reverse stock split of the Company's issued, outstanding and total authorized common stock.

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 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 unaudited financial statements are prepared by our Chief Financial Officer, with the assistance of expert consultants, for its three and nine months ended September 30, 2016, 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 has operational plants in Romania, a project under construction in Japan and has completed purchase contracts and letters-of-intent to acquire additional operating plants in Italy, which are subject to suitable financing being obtained. The company plans to expand to other worldwide locations in the future. Power Clouds has a core team of experts operating at the international level, with specific expertise in photovoltaic solar parks, and a proven ability to deliver the highest technical and cutting-edge solutions across multiple locations.

The Company currently has seven 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
Green Light GK	March 31, 2015	95%	Japan
PC_Italia_01 S.R.L. (formerly Power Clouds (Wind) Italia Srl)	Established June 2015	100% (via PCE)	Italy
Power Clouds Europe B.V. ("PCE")	Established August 2016	100%	Netherlands
PC_Italia_02 S.R.L.	Established August 2016	100% (via PCE)	Italy

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 is 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 is controlled by Mr. Galdi. As a result of this transaction, PCH is currently one of the majority shareholders of PWCL.

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. 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. Two plants are operational in Romania and one is currently under construction in Japan.

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 subleases office space for its operations from World Global Network Corp. (formerly named World Global Group, Inc.) on a month-to-month basis; its office is located at 600 Brickell Ave., Suite 1775, Miami, Florida 33131.

The Company's two Japanese subsidiaries, Power Clouds Japan GK, and Green Light GK lease office space for its operations on a month-to-month basis; its office is located at 6-16-50 Roppongi, Minato-ku, Japan 106-0032.

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. 60, Floor 4.

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 \$16,000 per annum.

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: Roberto Forlani
Chief Financial Officer, Secretary and Director: Vincent Browne

Control Persons:
Power Clouds Holdings Pte. Ltd. (controlled by Fabio Galdi)
Roberto Forlani
VestCo Corp. (controlled by Vincent Browne)

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.

Fabio Galdi

Ownership: Includes: 22,587,571 common shares and 30,000,000 shares of Series D Convertible Preferred Stock held indirectly through Power Clouds Holdings. Pte. Ltd., a Singapore company, of which Mr. Galdi holds dispositive voting and investment control over, and 1,000,000 shares of restricted common stock indirectly held through World Global Cash Ltd., a Singapore company owned and controlled by Mr. Galdi, which makes Mr. Galdi a 54% Beneficial Shareholder.

Address: c/o 600 Brickell Ave., Suite 1775, Miami, Florida 33131

Roberto Forlani

Ownership: Includes 21,701,784 shares of restricted common stock held directly by Mr. Roberto Forlani, our CEO, which makes Mr. Forlani a 23% Beneficial Shareholder.

Address: c/o 600 Brickell Ave., Suite 1775, Miami, Florida 33131

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 1: 16192 Coastal Highway
Address 2: Lewes, DE 19958
Email: tali@dart-services.com

10) I, Vincent Browne, certify that:

1. I have prepared and 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.

November 25, 2016

/s/ Vincent Browne
Vincent Browne
Chief Financial Officer



**POWER CLOUDS INC.
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

**AS OF AND FOR THE THREE AND NINE MONTHS
ENDED**

SEPTEMBER 30, 2016 AND 2015

**POWER CLOUDS INC.
AND SUBSIDIARIES
(Unaudited)**

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

	September 30, 2016	December 31, 2015 (restated)
<u>ASSETS</u>		
Current assets		
Total cash and cash equivalents	\$ 359,880	\$ 56,679
Deposits with suppliers	9,460	-
Accounts receivable	174,440	267,372
Energy incentives earned not invoiced	146,842	215,595
Taxes recoverable	261,536	73,165
Prepaid expenses	134,685	19,747
Total Current Assets	1,086,843	632,557
Fixed assets		
Plant and machinery - net	6,473,836	6,693,794
Plants under construction - cost	2,985,917	2,812,952
	9,459,753	9,506,746
Intangible assets		
Prepayments relating to acquisition of PV plants in Italy	1,251,819	-
Market value of shares held in WRMT	2,566,423	99,927
Total Assets	\$14,364,838	\$10,239,230
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and accrued liabilities	960,356	1,007,560
Loans from officer	275,000	275,000
Current portion - long term debt	326,820	-
Total Current Liabilities	1,562,176	1,282,560
Senior secured debt	1,125,015	-
Promissory notes - third parties	300,000	-
Convertible promissory notes - third parties	492,000	-
Long term debt - related parties	-	1,007,056
Total Long term debt	1,917,015	1,007,056
Total Liabilities	3,479,191	2,289,616
Stockholders' Equity		
Net Common stock, \$0.001 par value; 100,000,000 shares authorized, 96,477,098 and 84,427,098 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively.	96,477	84,427
Common stock issuable	300	300
Other comprehensive income	2,593,974	(278,771)
Additional paid in capital	13,402,092	12,284,300
Accumulated (deficit) surplus	(5,206,770)	(4,140,216)
Total Power Clouds Inc. stockholders equity	10,886,073	7,950,040
Non-controlling interests	(426)	(426)
Total Shareholders' Equity	10,885,647	7,949,614
Total Liabilities and Stockholders' Equity	\$14,364,837	\$10,239,230

See accompanying notes to the financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenues	\$351,347	\$372,668	\$969,045	\$372,668
Cost of revenues	(71,927)	-	(256,228)	-
Gross profit (loss)	279,420	372,668	712,818	372,668
Operating expenses				
Sales and general administrative	256,592	229,680	662,097	252,680
Plant operating costs	15,973	104,906	197,630	104,906
Costs relating to financing	89,981	-	127,181	-
One-time stock compensation costs	660,000	-	661,405	-
Earnings before interest, tax, depreciation and amortization (EBITDA) - continuing operations	(743,125)	38,082	(935,495)	15,082
Interest costs	(26,377)	-	(40,017)	-
Depreciation and amortization	(121,919)	(115,245)	(368,071)	(115,245)
Gain (Loss) on foreign exchange	(355)	-	(355)	-
Gain on debt forgiveness - related party	320,783	-	320,783	-
Loss on disposal of fixed assets	(43,400)	-	(43,400)	-
Operating Loss from continuing operations	(614,393)	(77,163)	(1,066,554)	(416,221)
Discontinued operations:				
(Loss) Income from discontinued operations	63	(558,809)	63	(1,275,275)
Net income (loss) before tax	\$(614,330)	\$(635,972)	\$(1,066,491)	\$(1,691,497)
Corporation tax payable	-	-	-	-
Net income (loss) after tax	\$(614,330)	\$(635,972)	\$(1,066,491)	\$(1,691,497)
Attributable to non-controlling interests - continuing	(63)	-	(63)	-
Attributable to non-controlling interests - discontinued		713,801		713,801
Net income (loss) attributable to common stockholders	\$(614,393)	\$77,829	\$(1,066,554)	\$(977,696)
Weighted average shares outstanding:				
Basic	91,083,620	83,801,011	86,882,007	79,808,853
Fully diluted	99,523,620	92,241,011	95,322,007	88,248,853
Earnings (loss) per share - fully diluted attributable to common stockholders				
From continuing operations	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)
From discontinued operations	-	(\$0.01)	-	(\$0.01)
Net Loss per share	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)

See accompanying notes to the financial statements.

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
AND OTHER COMPREHENSIVE LOSS
(Unaudited)

	Common stock issued		Common stock issuable		Additional paid-in Capital	Comprehen sive Income/ (Loss)	Accumulated Surplus / (Deficit)	Non- Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2014	72,240,093	\$72,240	-	\$ -	\$ 1,349,922	\$ -	\$552,908	\$ -	\$ 1,975,071
Shares issued for equity method investments	3,937,005	3,937	-	-	744,093	-	-	-	748,030
Acquisition of Power Clouds operating companies	6,500,000	6,500	-	-	8,043,986	-	-	(426)	8,050,060
Shares issued to consultants for services	1,750,000	1,750	300,000	300	236,700	-	-	-	238,750
Spinout of WRMT as dividend to shareholders	-	-	-	-	1,415,111	-	-	-	1,415,111
Contribution from sales of subsidiary	-	-	-	-	494,475	-	-	-	494,475
Mark-to-market of publicly quoted securities - WRMT	-	-	-	-	-	-	-	-	-
Exchange translation of foreign held assets	-	-	-	-	-	(278,769)	-	-	(278,769)
Net loss for the period	-	-	-	-	-	-	(4,693,122)	-	(4,693,122)
Balance at December 31, 2015	84,427,098	\$ 84,427	300,000	\$ 300	\$ 12,284,287	\$ (278,769)	\$ (4,140,214)	\$ (426)	\$ 7,949,606
Mark-to-market of publicly quoted securities - WRMT	-	-	-	-	-	2,853,064	-	-	2,853,064
Foreign exchange translation of foreign held assets	-	-	-	-	-	263,714	-	-	263,714
Restricted shares issued to consultants for services	50,000	50	-	-	1,355	-	-	-	1,405
Net loss for the period	-	-	-	-	-	-	(452,161)	-	(452,161)
Balance at June 30, 2016	84,477,098	\$ 84,477	300,000	\$ 300	\$ 12,285,642	\$ 2,838,009	\$ (4,592,375)	\$ (426)	\$ 10,615,626
Mark-to-market of publicly quoted securities - WRMT	-	-	-	-	-	(386,574)	-	-	(386,574)
Stock compensation costs - employees	1,500,000	1,500	-	-	178,500	-	-	-	180,000
Restricted shares issued to officers for services	6,000,000	6,000	-	-	474,000	-	-	-	480,000
Restricted shares issued for acquisition of PV plant	4,200,000	4,200	-	-	436,800	-	-	-	441,000
Restricted shares issued to consultants for services	300,000	300	-	-	27,150	-	-	-	27,450
Foreign exchange translation of foreign held assets	-	-	-	-	-	142,541	-	-	142,541
Net loss for the period	-	-	-	-	-	-	(614,393)	-	(614,393)
Balance at September 30, 2016	96,477,098	\$ 96,477	300,000	\$300	\$ 13,402,092	\$ 2,593,976	\$ (5,206,768)	\$ (426)	\$ 10,885,650

See accompanying notes to financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
(Unaudited)

	For the nine months ended	
	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)
Cash Flows from Operating Activities:		
Net (loss) income	\$(1,066,554)	\$(4,099,718)
Loss from discontinued operations	-	4,001,629
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Depreciation	368,071	328,315
Restricted common stock issued for services	28,855	146,750
Restricted common stock issued for acquisition of Italian PV Solar plant	441,000	-
Stock compensation costs	660,000	-
Loss on sale of fixed assets	43,400	-
Gain on debt forgiveness - related party	(320,783)	-
<i>Changes in assets and liabilities, net of acquisition and disposals:</i>		
Accounts receivable and other short term receivables	(95,439)	(259,231)
Supplier guarantees	(9,460)	-
Accounts payable & accrued liabilities	(47,205)	663,686
Energy incentives earned not yet invoiced	68,753	-
Prepaid expenses	(114,938)	(45,158)
Taxes Payable	-	27,226
Net cash used in operating activities - continuing operations	(44,300)	763,499
Net cash used in operating activities - discontinued operations	-	(5,877,522)
Net cash used in operating activities	(44,300)	(5,114,023)
Cash Flows from Investing Activities:		
Cash from acquisition of Power Clouds assets	-	195,529
Additions to operating plants	-	(42,052)
Proceeds from disposal of assets	48,601	-
Project acquisition costs capitalized	(1,251,819)	-
Additions to plants under construction	(172,965)	(2,740,867)
Net cash used in investing activities - continuing operations	(1,376,183)	(2,587,390)
Net cash used in investing activities - discontinued operations	-	-
Net cash used in operating activities	(1,376,183)	(2,587,390)
Cash Flows from financing activities:		
Proceeds of debt - related parties	140,375	16,000
Payments on debt - related parties	(34,648)	-
Proceeds from debt - third parties	1,596,400	-
Payments on debt	(80,997)	-
Net cash from financing activities - continuing operations	1,621,131	16,000
Net cash from financing activities - discontinued operations	-	5,001,000
Net cash provided by financing activities	1,621,131	5,017,000
Cash Flows from foreign currency activities:		
Gain (loss) on foreign exchange	(355)	-
Translation of foreign held assets	102,908	(151,270)
Net cash provided by (used in) foreign currency activities	102,553	(151,270)
Net increase (decrease) in cash and cash equivalents	303,201	(2,835,683)
Cash and cash equivalents, beginning of the period	56,679	3,088,186
Cash and cash equivalents, end of the period	\$359,880	\$252,502

SUPPLEMENTAL CASH FLOW DISCLOSURE:

Cash paid for interest	\$ 40,017	\$ -
Cash paid for taxes	\$ -	\$ -

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:

Mark-to-Market of equity investments	\$ 2,466,490	\$ -
Debt forgiven by related parties	\$ 320,783	\$ -

Acquisition of Power Cloud operating companies

Cash at Bank	-	195,529
Accounts receivable	-	296,268
Plant & Machinery	-	11,924,023
Accounts payable & accruals	-	(1,724,103)
Forgiveness of payable by Power Clouds pte on acquisition	-	1,191,000
Issuance of Note Payable	-	(100,000)
Issuance of 6,500,000 Common shares	-	(11,782,717)
	\$ -	\$ -

See accompanying notes to financial statements

POWER CLOUDS INC. AND SUBSIDIARIES
Notes to Consolidated 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 is controlled by Mr. Galdi. As a result of this transaction, PCH is currently one of the majority shareholders of PWCL.

Acquisition of World Global Assets Pte. Ltd

Effective March 27, 2014, PWCL acquired World Global Assets Pte. Ltd. (“WGA”), a Singapore private limited company, through a stock purchase agreement by and among PWCL, WGA and World Global Cash Pte. Ltd. (“WGC”), a Singapore company and the sole stockholder of WGA. WGA was sold on September 30, 2015 to Fabio Galdi. See Footnote 5 & 6 for more details.

Reverse Merger of PWCL’s Space Technology Business into World Media and Technology Corp. (“WRMT”) (formerly Halton Universal Brands Inc.) and WRMT Share Distribution

Effective October 29, 2014:

- 1) PWCL acquired 7,095,000 shares of World Media & Technology Corp. (formerly Halton Universal Brands Inc.) (“WRMT”), representing 98% of WRMT’s issued and outstanding share capital, for cash consideration of \$378,000,
- 2) WRMT discontinued its previously existing brokerage and brand consultancy business, and
- 3) WRMT acquired the SPACE technology business and related assets from PWCL for consideration of \$557,898 funded by way of debt from PWCL (collectively “the October 29, 2014 transactions”).

In May of 2015 PWCL’s Board approved a share dividend consisting of 13,812,850 of the 15,095,000 common shares PWCL held in WRMT. Shareholders of PWCL received one (1) share of WRMT common stock for every six (6) PWCL shares of common stock held as of the record date, which was October 1, 2015. PWCL maintains a 3.7% ownership position in WRMT following the share dividend distribution. For more information, please see WRMT’s SEC Form S-1/A filed on September 2, 2015 and the Company’s Prospectus, Form 424B3, filed on October 7, 2015. Also see Footnote 6 for more details.

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), Parc Solar Moldoveni SRL (“SPM”) and F.R.A.N. Energy Investment SRL (“FRAN”), each a subsidiary of 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 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. (formerly Power Clouds Pte. Ltd.)’s CEO and shareholder, accruing no interest and payable in full on March 25, 2016, (ii) Mr. Galdi, PWCL’s Chairman and controlling shareholder, 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 Holdings

Pte. Ltd. (formerly Power Clouds Pte. Ltd.) See Footnote 7 for more details. In addition, all intercompany payables were set off against each other with any surplus due 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.

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.), of which it owns 90%. This company was incorporated as a special purpose vehicle (SPV) to acquire Italian companies, power plants and / or other assets located in Italy. As of September 30, 2016 no such acquisitions have closed. (See Subsequent Events Footnote for more information on a potential acquisition).

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.

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

Summary:

Power Clouds Inc. (PWCL) is a holding company that operated through seven operating subsidiaries as of September, 2016:

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
Green Light GK	March 31, 2015	95%	Japan
PC_Italia_01 S.R.L. (formerly Power Clouds (Wind) Italia Srl)	Established June 2015	100% (via PCE)	Italy
Power Clouds Europe B.V. ("PCE")	Established August 2016	100%	Netherlands
PC_Italia_02 S.R.L.	Established August 2016	100% (via PCE)	Italy

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

On June 16, 2014, the Company effected a 1-for-50 reverse stock split of the Company's issued, outstanding and total authorized common stock. All share numbers reflect this reverse stock split.

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 three and nine months ended September 30, 2016 and 2015 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, Green Light GK, PC_Italia_01 SRL, PC Italia_02 SRL and Power Clouds Europe B.V. 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 December 31, 2015 and 2014.

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.

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 nine months ended September 30, 2016 and 2015, there were no stock options granted or outstanding.

During the nine months ended September 30, 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.

As at September 30, 2016, warrants to purchase up to a total of 8,440,000 shares of restricted common stock were issued and outstanding, including warrants issued in July of 2015 to purchase up to 1,800,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 3 year term, warrants issued in January of 2016 to purchase up to 3,000,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 5 year term, warrants issued in July of 2016 to purchase up to 640,000 shares of our common stock, immediately exercisable at \$0.20 per share with a term of 3 years, and warrants issued in July of 2016 to purchase up to a total of 3,000,000 shares of restricted common stock at an exercise price of \$0.20 per share, with 1,000,000 vesting annually over a period of 3 years and having a 5 year term. As the exercise price of the warrants is above the market price at September 30, 2016, no beneficial conversion feature cost was recorded against either of these warrants in the current period.

Additionally, as at September 30, 2016, contingent warrants to purchase up to a total of 5,000,000 shares of restricted common stock were granted, to be issued at market price at the time of each issuance and only upon certain performance targets being met (See Related Party Transactions Footnote 14).

No charge has been taken for these Warrants in the income statement for the three and nine months ended September 30, 2016 and 2015.

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		For the Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net loss attributable to common stockholders	\$(614,393)	\$77,829	\$(1,066,554)	\$(977,696)
Net loss per share – fully diluted	(\$0.01)	\$0.00	(\$0.01)	(\$0.01)
Basic	91,083,620	83,801,011	86,882,007	79,808,853
Fully diluted	99,523,620	92,241,011	95,322,007	88,248,853

As at September 30, 2016, warrants to purchase up to a total of 8,440,000 shares of restricted common stock were issued and outstanding, including warrants issued in July of 2015 to purchase up to 1,800,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 3 year term, warrants issued in January of 2016 to purchase up to 3,000,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 5 year term, warrants issued in July of 2016 to purchase up to 640,000 shares of our common stock, immediately exercisable at \$0.20 per share with a term of 3 years, and warrants issued in July of 2016 to purchase up to a total of 3,000,000 shares of restricted common stock at an exercise price of \$0.20 per share, with 1,000,000 vesting annually over a period of 3 years and having a 5 year term. As the exercise price of the warrants is above the market price at issuance and at September 30, 2016, no charge was recorded for beneficial conversion features

There were no potentially dilutive shares issued or outstanding during the three or nine months ended September 30, 2015.

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 three and nine months ended September 30, 2016 and 2015 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 \$614,393 and \$635,972 for the three months ended September 30, 2016 and 2015, respectively and \$1,066,554 and \$1,691,497 for the nine months ended September 30, 2016 and 2015, respectively.

We had accumulated Power Clouds Inc. stockholder's equity of \$10,885,647 and \$7,949,614 as at September 30, 2016 and December 31, 2015, respectively, and a working capital deficit of \$475,333 and \$650,003 as of September 30, 2016 and December 31, 2015, respectively. As at September 30, 2016 we had \$359,880 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 indefinitely. The Board of Directors of PWCL feel 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.

The Company plans to seek additional funds to finance construction and acquisition of additional renewable energy plants and its long-term operations and business plan 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 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. Reverse Merger with Cellad, Inc.

Effective February 1, 2013, PWCL acquired, through its wholly owned subsidiary, World Acq, Inc., substantially all of the assets and liabilities of Cellad, Inc., a Delaware registered company, in exchange for a total of 80 shares of PWCL's Series B Convertible Preferred Stock (the "Shares") pursuant to a definitive Contribution Agreement dated January 31, 2013 by and among PWCL, World Acq, Inc. and Cellad, Inc. (the "Contribution Agreement"). Although PWCL is the legal acquirer, Cellad, Inc. is considered the accounting acquirer. World Acq, Inc., the wholly owned subsidiary of PWCL incorporated in Nevada that acquired the Cellad Delaware assets, subsequently changed its name to Cellad, Inc.

On September 30, 2015 PWCL sold Cellad, Inc. to Fabio Galdi as part of the spin out of WRMT; See Footnote 6 for more details.

5. Acquisition and Disposition of Entity Under Common Control: World Global Assets Pte. Ltd.

Effective March 27, 2014, PWCL consolidated the acquisition of World Global Assets Pte. Ltd. ("WGA"), a Singapore private limited company. The transaction was completed through a stock purchase agreement by and among PWCL, WGA and World Global Cash Pte. Ltd. ("WGC"), a Singapore company and the sole stockholder of WGA. WGA became a wholly owned subsidiary of PWCL in exchange 1,000,000 shares of restricted common stock of PWCL, issued to WGC. WGA owns various brands, trademarks, technology and intellectual property, including Power Clouds and AdKoin. Fabio Galdi, the Issuer's CEO at the time and a beneficial majority shareholder, also holds 100% of the voting and investment control of WGC.

On September 30, 2015, in line with our refocusing exclusively as a Renewable Energy provider and in conjunction with the spin out of WRMT, PWCL sold WGA and Cellad Inc. to Fabio Galdi, our majority shareholder. As part of that sale, PWCL retained certain intellectual property consisting of the Power Clouds logo, domain name and trademark, through an intellectual property assignment by WGA to PWCL. In addition, all intercompany payables were set off against each other with any surplus due to each party after such setoff written off, and WGA forgave all debt owed to them, with the exception of a convertible loan note for \$1,000,000 issued to WGA. The note has a three-year term, accrues no interest, and is 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 with no penalty.

As a result of this transaction, and as the companies are entities under common control, we booked a contribution to Additional Paid in Capital of \$494,488 to reflect the gain on the disposition of the WGA business.

During the quarter ended September 30, 2016 a portion of the convertible loan note (approximately \$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 (approximately \$492,000) was assigned to various third parties and 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 we booked a \$320,783 as gain on forgiveness of debt in the quarter ended September 30, 2016.

6. Reverse Merger of PWCL's Space Technology Business into World Media & Technology Corp. (formerly Halton Universal Brands, Inc.) and Subsequent Spin Out.

Effective October 29, 2014:

- 1) PWCL acquired 7,095,000 shares of World Media & Technology Corp. (formerly Halton Universal Brands Inc.) ("WRMT"), representing 98% of WRMT's issued and outstanding share capital, for cash consideration of \$378,000,
- 2) WRMT discontinued its previously existing brokerage and brand consultancy business, and
- 3) WRMT acquired the SPACE technology business and related assets from PWCL for consideration of \$557,898 funded by way of debt from PWCL (collectively "the October 29, 2014 transactions").

We have accounted for the October 29, 2014 transactions as a reverse merger of PWCL's SPACE technology business and related assets into WRMT. This reverse merger has been accounted for as a reverse capitalization with PWCL's SPACE technology business, the legally acquired business, being treated as the acquirer of WRMT for accounting and financial reporting purposes.

PWCL's SPACE technology business were originally formed in May 2014 ("Inception") as a business division of PWCL to undertake the design, manufacturing and marketing of wearable technology products and services and the provision of Mobile Virtual Network Operator ("MVNO") wireless services.

In March of 2015, Fabio Galdi, the Company's Chairman and majority stockholder, purchased 12,000,000 shares of WRMT for \$3,000,000 cash. As of March 31, 2015, PWCL owned 52.8% of WRMT and Fabio Galdi individually owned 42% of WRMT. As of March 31, 2016, PWCL owns 4.5% of WRMT and Fabio Galdi individually owns approximately 77% of WRMT.

Share Dividend: Spin Out

In May of 2015, the Board approved a share dividend consisting of 13,812,850 of the 15,095,000 common shares it currently holds in WRMT. Shareholders of PWCL received one (1) share of WRMT common stock for every six (6) PWCL shares of common stock that they hold as of the record date, which was October 1, 2015. PWCL maintains a 4.5% ownership position in WRMT following the share dividend distribution. For more information, please see WRMT's SEC Form S-1/A filed on September 2, 2015 and the Company's Prospectus, Form 424B3, filed on October 7, 2015.

The Company booked a contribution to Additional Paid in Capital of \$722,818 to reflect the gain on the spinout of the WRMT Business.

7. Acquisition of certain subsidiaries from Power Clouds Holdings 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, 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.

The issuance of PWCL Common Stock was made pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), provided by Section 4(2) of the Securities Act. The foregoing description is a summary of certain of the terms of the Equity Acquisition and Contribution Agreement, the First Addendum and the Promissory Note. This summary does not purport to be complete and is qualified in its entirety by the complete text of the Agreement, the Addendum and the Note, which are filed as Exhibits to the Supplemental Information Statement filed on March 31, 2015.

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. (formerly Power Clouds Pte. Ltd.), which is owned and controlled by Fabio Galdi, our majority shareholder and former CEO and Chairman.

8. Definitive Agreement to Acquire Tre Valli Energia S.R.L.

During July of 2016, one of the Company's subsidiaries, Power Clouds Wind Italia S.r.l., an Italian company ("Power Clouds Italy"), entered into a Sale and Purchase Agreement with Gaia Energy S.r.l. ("Gaia"), an Italian company, pursuant to which Power Clouds subsidiary, PC_Italia_01 in Italy may purchase 80% of the share capital of Gaia's subsidiary, Tre Valli Energia, another Italian company, in exchange for i) 4,200,000 shares of PWCL restricted common stock issued upon execution of the Agreement, ii) cash payment of EURO 2,200,000 (of which, EURO 400,000 was paid upon execution of the Agreement (the "Advance Cash Payment") and the remaining balance paid on the earlier of December 31, 2016 and a drawdown on the entire loan made available under a loan facility agreement), and iii) an earn-out based upon energy production of the photovoltaic plants being purchased. The closing of this transaction is contingent upon the closing of a third party financing, as well as subject to standard closing conditions being met. The Closing must be on or before December 31, 2016, and if the Closing does not occur by that date, Gaia shall return the PWCL shares issued and the Advance Cash Payment.

9. Fixed Assets / Real Property

As of September 30, 2016, the Company had \$6,473,836 of Plant and Machinery assets representing the net book value of operational solar farms in Romania. The assets have been valued based on actual cost of construction. We currently depreciate the plants with a useful life of between 16 and 20 years.

As of September 30, 2016 the Company recorded \$2,985,917 representing the actual construction costs incurred to date for the Green Light GK solar project in Otaru, Japan. The project requires an estimated additional \$2.5 million to complete during H1 2017. Based on this and future committed spending to complete the project, the carrying value was deemed fair and no provisions are required. The company has received suitable finance terms to complete the plant. Final receipt of funds is subject to satisfactory ongoing due diligence by the funder at their sole discretion.

10. Convertible and Unconvertible Promissory Notes

No convertible promissory notes were issued during the nine months ended September 30, 2016 or 2015.

Senior Secured Note:

During the nine months ended September 30, 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. 6.2 million RON (\$1,451,835 at current exchange rates) is outstanding at September 30, 2016.

Loans from Officer:

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 (unless the Professional Consulting Agreement, as described in the Related Parties Footnote #14 below, is terminated, in which case the note is due on such termination date).

Also 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.

During 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 (unless the Professional Consulting Agreement, as described in the Related Parties Footnote #14 below, is terminated, in which case the note is due on such termination date).

Promissory Notes:

On September 30, 2015, the Company issued a convertible loan note for \$1,000,000 to WGA in conjunction with the spin out of WRMT. (See footnote 5 for details). The note has a three-year term, accrues no interest, and is 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 is above the market price at the time of issuance, no beneficial conversion costs are recorded.

During the quarter ended September 30, 2016 a portion of the convertible loan note (approximately \$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 (approximately \$492,000) was assigned to various third parties and is not convertible and includes a maturity date of December 31, 2020. The remainder of the note was forgiven by WGA.

The following table reflects the total debt balances of the Company as of September 30, 2016 and 2015:

	September 30, 2016	September 30, 2015
Senior Secured Debt	\$ 1,451,835	\$ -
Convertible promissory note – related parties	-	1,000,000
Loans from officer	275,000	100,000
Promissory Notes	492,000	-
Convertible Promissory Notes	300,000	-
	<u>\$ 2,518,815</u>	<u>\$ 1,100,000</u>

11. Commitments and Contingencies

Litigation

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. 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.

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.

12. Shareholder's Equity

Common Stock:

As of September 30, 2016 and December 31, 2015, 100,000,000 total shares of common stock, par value \$0.001 per share, were authorized, and 96,777,098 shares were issued and outstanding. 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 nine months ended September 30, 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 (see 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, 2015, the Company issued a total of 12,487,005 new common shares, consisting of 1,250,000 shares of restricted common stock to Debrun Capital Inc. (a company controlled by our CFO) in exchange for consulting services rendered, 6,500,000 shares of restricted common stock for the acquisition of certain subsidiaries of Power Clouds Holdings Pte. Ltd. (formerly Power Clouds Pte. Ltd.) (See Financial Footnote 7 for more detail), 3,937,005 shares of restricted common stock to Anch Holdings Ltd. as part of the consideration paid on behalf of one of the Company's subsidiaries, WRMT, to purchase an equity interest in another company, and 800,000 shares of restricted common stock to three third party independent contractors as partial consideration for certain consulting services provided.

Preferred Stock:

As of September 30, 2016 and December 31, 2015, 50,000,000 total shares of preferred stock, par value \$0.001, were authorized, and zero shares were issued and outstanding. Series A, B and C Preferred Stock have been retired.

Warrants:

As at September 30, 2015, warrants to purchase up to a total up to 1,800,000 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.

During the nine months ended September 30, 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.

As at September 30, 2016, warrants to purchase up to a total of 8,440,000 shares of restricted common stock were issued and outstanding, including warrants issued in July of 2015 to purchase up to 1,800,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 3 year term, warrants issued in January of 2016 to purchase up to 3,000,000 shares of restricted common stock with an exercise price of Twenty Cents (\$0.20) per share, vesting over 3 years and having a 5 year term, warrants issued in July of 2016 to purchase up to 640,000 shares of our common stock, immediately exercisable at \$0.20 per share with a term of 3 years, and warrants issued in July of 2016 to purchase up to a total of 3,000,000 shares of restricted common stock at an exercise price of \$0.20 per share, with 1,000,000 vesting annually over a period of 3 years and having a 5 year term. As the exercise price of the warrants is above the market price at September 30, 2016, no beneficial conversion feature cost was recorded against either of these warrants in the current period.

As at September 30, 2016, 600,000 warrants have vested.

Additionally, as at September 30, 2016, contingent warrants to purchase up to a total of 5,000,000 shares of restricted common stock were granted, to be issued at market price at the time of each issuance and only upon certain performance targets being met (See Related Party Transactions Footnote 14).

No charge has been taken for these warrants in the income statement for the three and nine months ended September 30, 2016 and 2015.

2014 Stock Incentive Plan:

The Board of Directors of Power Clouds Inc. (the "Company") believes that the attraction and retention of high quality personnel are essential to the Company's continued growth and success and that a stock plan such as the 2014 Stock Incentive Plan (the "Plan") is necessary for the Company to be competitive in its compensation practices. Therefore, on

April 3, 2014, the Company's Board of Directors and the shareholders, through the written consent of the holders of a majority of our issued and outstanding voting securities, voted in favor of the Plan. A total of three million (3,000,000) shares of the Company's common stock has been initially reserved for issuance under the 2014 Stock Incentive Plan, subject to adjustment in the event of a stock split, stock or other extraordinary dividend, or other similar change in the common stock or capital structure of the Company.

Also on April 3, 2014, the Board approved the grant and issuance of a total of 2,073,294 restricted stock units under this 2014 Stock Incentive Plan to 7,114 consultants. As at September 30, 2016 and December 31, 2015, no shares have yet been issued under this plan as they have not yet vested.

13. 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.

In May of 2015, the Board approved a share dividend consisting of 13,812,850 of the 15,095,000 common shares it held in WRMT. Shareholders of PWCL received one (1) share of WRMT common stock for every six (6) PWCL shares of common stock that they hold as of the record date, which was October 1, 2015. PWCL maintains a 3.7% ownership position in WRMT following the share dividend distribution. (See Footnote 6 of this report for more details). For more information, please see WRMT's SEC Form S-1/A filed on September 2, 2015 and its Prospectus, Form 424B3, filed on October 7, 2015.

14. Related Party Transactions

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, and the extension of the term of his existing warrants to purchase up to a total of 1,800,000 shares of restricted common stock, with 600,000 vested as of July of 2016 and the remaining portion vesting over the next 2 years, exercisable at \$0.20 per share and having a 5 year term from July of 2016. Additionally, as of July of 2016, the Company issued to VestCo warrants to purchase up to a total of 3,000,000 shares of restricted common stock of the Company at an exercise price of \$0.20 per share, with 1,000,000 vesting annually over a period of 3 years and having a 5 year exercise term from issuance. The Company also issued to VestCo additional warrants to purchase up to 1,000,000 shares of restricted common stock of the Company at an exercise price of \$0.20 per share and having a three year term, but which shall only vest at the time that third party financing/investment into the Company reaches a certain target amount. VestCo will also be entitled to receive up to 2,000,000 additional warrants, at a purchase price equal to the market price of the Common Stock at time of each issuance, based on the successful acquisition by the Company, of productive Solar projects over and above those built by the Company, such amount to be calculated based on the amount of actual productivity of such projects.

On November 12, 2015, the Company entered into a Settlement Agreement with Roberto Forlani, our CEO, for past compensation due to Mr. Forlani, whereby the Company agreed to issue to Mr. Forlani a \$75,000 convertible promissory note, accruing 10% interest, convertible into shares of restricted common stock at \$0.20 per share and having a 1 year term (unless the Professional Consulting Agreement as described below is terminated, in which case the note is due on such termination date).

Also as of November 12, 2015, the Company entered into a Professional Consulting Agreement with Mr. Forlani, to be 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 Mr. Forlani will continue to be the Company's Chief Executive Officer, as well as Chairman 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, and warrants to purchase up to a total of 3,000,000 shares of restricted common stock, vesting over 3 years, exercisable at \$0.20 per share and having a 5 year term. Additionally, Mr. Forlani will be entitled to receive warrants to purchase up to 2,000,000 additional shares of common stock, at an exercise price equal to the market price of the common stock at time of each issuance, based on the successful acquisition by the

Company, of Solar projects over and above those built by the Company; warrants to purchase up to 400,000 shares of common stock shall be issued for every 50 Mw acquired by the Company.

Also 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.

On September 30, 2015, PWCL sold two of its wholly owned subsidiaries, WGA and Cellad, to Fabio Galdi, our former executive officer and director and a current 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 5 and 10 for details).

PWCL subleases facilities from World Global Network Corp. (WGN) (formerly World Global Group, Inc.), a company indirectly controlled by Fabio Galdi, our former officer and director and a current majority shareholder of PWCL, through another company, World Capital Holdings (FZC).

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 by Roberto Forlani, our CEO at the time. In July of 2015, the Company acquired a 95% interest in another subsidiary of Power Clouds Pte. Ltd. (See Footnote 7 for more details.)

15. Management and Board of Directors Changes

As of October 6, 2015, Roberto Forlani, Power Clouds' CEO, resigned as Corporate Secretary, and Vincent Browne, Power Clouds' CFO, was appointed as Corporate Secretary.

As of October 12, 2015, Fabio Galdi, Alfonso Galdi and Alessandro Senatore resigned from Power Clouds' Board of Directors. None of the resignations were as a result of any disagreements with Power Clouds Inc. Also as of October 12, 2015, Roberto Forlani, Power Clouds' CEO and a member of the Board of Directors, was appointed as Chairman of the Board of Power Clouds Inc.

As of July 24, 2015, Roberto Forlani resigned as the Company's Chief Financial Officer. Simultaneously with Mr. Forlani's resignation, the Company and VestCo Corp. executed a Professional Consulting Agreement, pursuant to which Mr. Vincent Browne was named the Company's Chief Financial Officer, as well as appointed as a Member of the Company's Board of Directors.

As of June 1, 2015, Alfonso Galdi resigned as the Registrant's Chief Financial Officer and Alessandro Senatore resigned as the Registrant's Chief Operating Officer. However, both Mr. Alfonso Galdi and Mr. Alessandro Senatore remained as Members of the Registrant's Board of Directors until October 12, 2015. Neither resignation was as a result of any disagreements with the Registrant.

As of June 1, 2015 and simultaneously with Mr. Alfonso Galdi's resignation, Mr. Roberto Forlani was named the Registrant's interim Chief Financial Officer, as well as remaining the Registrant's Chief Executive Officer, President and Corporate Secretary, and a Member of the Board of Directors.

On April 1, 2015, Fabio Galdi resigned as the Registrant's President, Chief Executive Officer and Corporate Secretary, but remained as Chairman of the Board of Directors. His resignation was not as a result of any disagreements with the Registrant. As of April 1, 2015 and simultaneously with Mr. Galdi's resignation, Mr. Roberto Forlani was named the Chief Executive Officer, President and Corporate Secretary, and appointed as a Member of the Board of Directors.

16. Subsequent Events

In accordance with ASC 855, Subsequent Events, we have evaluated subsequent events through November 22, 2016, the date of available issuance of these unaudited financial statements. During this period, we had the following materially recognizable subsequent events.

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 hereto as an exhibit to this Quarterly Report.

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.

Also on October 4, 2016, the Company entered into a Lock-Up Agreement with its CEO, Roberto Forlani, and one of its majority shareholders, Power Clouds Holdings Pte. Ltd. ("PCH"), whereby Mr. Forlani and PCH each agreed not to sell any of their shares held in the Company until the earlier of January 1, 2018 or the date the Max Price of the Company's common stock is at or above \$1.75 per share for a period of ten (10) consecutive trading days, and as further defined in the Lock-Up Agreement attached hereto as an Exhibit to this Quarterly Report.

Also on October 4, 2016, the Company and PCH entered into a Proxy Agreement, whereby PCH authorized PWCL's Board of Directors to vote PCH's 30 million Series D Convertible Preferred until the earlier of: (i) the disposition of PCH's Shares to either a PCH Trust or to certain third party optionees, or (ii) January 1, 2018, and with such other terms and conditions as set forth in the Proxy Agreement, attached as an exhibit to this Quarterly Report.

CERTIFICATE OF DESIGNATION OF
SERIES D CONVERTIBLE PREFERRED STOCK
OF POWER CLOUDS INC.

1. **Designation, Amount, Par Value and Rank.**

a. The Preferred Stock authorized under this Certificate of Designation shall be designated as the Series D Convertible Preferred Stock (the “Series D Preferred”), and the number of shares so designated shall be 30,000,000 and have a par value of \$0.001 per share, and the Series D Preferred shall be subject to adjustment for any stock splits, stock dividends or similar transactions affecting the Series D Preferred, and which shall not be subject to increase without the consent of each holder of the Series D Preferred (each, a “Holder”, and collectively, the “Holders”).

b. The Series D Preferred shall, with respect to dividends and distributions upon liquidation, dissolution or winding up of the Company, rank *pari passu* with the Common Stock and any other series of Preferred Stock that is not, expressly by its terms, made junior to the Series D Preferred (the “Parity Securities”).

2. **Dividends.** The Holders of the Series D Preferred shall not be entitled to receive any dividend payment.

3. **Voting Rights.** On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Series D Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series D Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. (For avoidance of doubt, voting rights are on an ‘**as-converted**’ basis.) Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Series D Preferred Stock shall vote together with the holders of Common Stock as a single class.

4. **Liquidation.**

a. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (“Liquidation”), the holders of record of the shares of the Series D Preferred Stock shall be entitled to receive assets and funds on parity with the Parity Securities. If, upon such Liquidation, the assets of the Corporation available for distribution to the holders of Series D Preferred Stock and any Parity Securities shall be insufficient to permit payment in full to the holders of the Series D Preferred Stock and Parity Securities, then the entire assets and funds of the Corporation legally available for distribution to such holders and the holders of the Parity Securities then outstanding shall be distributed ratably among the holders of the Series D Preferred Stock and Parity Securities based upon the proportion the total amount distributable on each share upon Liquidation bears to the aggregate amount required to be distributed, but for the provisions of this sentence, on all shares of the Series D Preferred Stock and of such Parity Securities, if any.

b. After setting apart or paying in full the amounts described in Section (4)(a) hereof, the holders of record of Common Stock and any Preferred Stock junior in rank to the Series D Preferred shall be entitled to participate in any distribution of any remaining assets of the Company, and the Holders of the Series D Preferred shall not be entitled to participate in such distribution.

c. The Company shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each Holder.

5. **Automatic Conversion.**

a. 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 Company shall effect the automatic conversion by issuing 30,000,000 shares of common stock to the Holder(s). The Conversion Date shall be the date that the Company's Articles of Incorporation are amended with the Secretary of State of Nevada.

6. **Reservation of Shares.** The Company covenants that it will use its best efforts to receive majority shareholder approval to either (i) increase the total authorized common stock to at least 150,000,000 shares by no later than December 31, 2017, or (ii) complete a reverse stock split of the Company's common stock, and at all times thereafter reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of issuance upon conversion of the Series D Preferred and free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of Series D Preferred, not less than 100% of such number of shares of Common Stock as shall be issuable upon the conversion of all outstanding shares of Series D Preferred. The Company shall, from time to time in accordance with Nevada law, take all steps necessary to increase the authorized amount of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the shares of the Series D Preferred. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued and fully paid, non-assessable and, subsequent to the effectiveness of a registration statement, freely tradable.

7. **Change of Control; Compulsory Share Exchange.** In case of (A) any Change of Control Transaction or (B) any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property (each, an "Event"), lawful provision shall be made so that the Holders shall have the right thereafter to convert the shares of Series D Preferred for shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such Event, and the Holders shall be entitled upon such Event to receive such amount of shares of stock and other securities, cash or property as the shares of the Common Stock of the Company into which the shares of Series D Preferred could have been converted immediately prior to such Event (without taking into account any limitations or restrictions on the convertibility of the Securities) would have been entitled. The provisions of this Section 7 shall similarly apply to successive Events.

8. **Notice of Certain Events.** If:

- (i) the Company shall declare a dividend (or any other distribution) on its Common Stock;
- (ii) the Company shall declare a special non-recurring cash dividend on or a redemption of its Common Stock;

- (ii) the Company shall authorize the granting to the holders of its Common Stock rights, options or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights;
- (iv) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Common Stock, 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 Stock is converted into other securities, cash or property; or
- (v) the Company shall authorize the Liquidation of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of the conversion of the Series D Preferred, and shall cause to be delivered to the Holders at the address specified herein, at least 30 (thirty) calendar days prior to the applicable record or effective date hereinafter specified, a notice (provided such notice shall not include any material non-public information) stating (a) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, or granting of options, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights, options or warrants are to be determined or (b) 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 record of Common Stock shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, 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. Nothing herein shall prohibit the Holders from converting shares of Series D Preferred held by such Holder during the 30-day period commencing on the date of such notice to the effective date of the event triggering such notice.

9. **Transferability.** The holders of the Series D Convertible Preferred shall be entitled, at their option and at any time, to transfer the Series D Convertible Preferred to a third party, provided that such third party is an accredited investor and shall accept all terms and conditions set forth in this Designation of Series D Convertible Preferred Stock.

10. **Redemption.** Neither the Corporation nor the holders of the Series D Preferred Stock shall have any right at any time to require the redemption of any of the shares of Series A Preferred Stock, except upon and by reason of any liquidation, dissolution or winding-up of the Corporation, as and to the extent herein provided.

11. **Definitions.** For the purposes hereof, the following terms shall have the following meanings:

“Change of Control” means the sale, conveyance or disposition of all or substantially all of the assets of the Company, the effectuation by the Company of a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of, or the consolidation, merger or other business combination of the Company with or into any other Person (as defined below) or Persons when the Company is not the survivor.

“Common Stock” means the Company’s common stock, \$.001 par value per share, and stock of any other class into which such shares may hereafter have been reclassified or changed.

“Conversion Price” has the meaning set forth in Section 5(a).

“Person” means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

“Preferred Stock” means the preferred stock of the Company, having \$0.001 par value per share.

12. **Notices.** Except as otherwise provided in the event of conversion of shares of Series D Preferred, all notices or other communications required hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received) telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 6:00 p.m. EST where such notice is to be received), or the first business day following such delivery (if received after 6:00 p.m. EST 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; and shall be regarded as properly addressed if sent to (i) the Company, to Flint Telecom Group, Inc., 7500 College Blvd., Suite 500, Overland Park, KS 66210, Attn: Chief Executive Officer, facsimile (702) 446-0360, and (ii) if the Holders, at their respective addresses set forth in the books and records of the Company, or such other address as any of the above may have furnished to the other parties in writing by registered mail, return receipt requested.

13. **Lost or Stolen Certificates.** Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any stock certificates representing the shares of Series D Preferred, and, in the case of loss, theft or destruction, of any indemnification undertaken by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of such Series D Preferred stock certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, the Company shall not be obligated to re-issue preferred stock certificates if the Holder contemporaneously requests the Company to convert such Series E Preferred into Common Stock.

14. **Remedies Characterized; Other Obligations, Breaches and Injunctive Relief.** The remedies provided in this Certificate of Designation shall be cumulative and in addition to all other remedies available under this Certificate of Designation, at law or in equity (including a decree of specific performance and/or other injunctive relief), no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a Holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Certificate of Designation. The Company covenants to each Holder of Series D Preferred that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holders of the Series D Preferred and that the remedy at law in the event of any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holders of the Series D Preferred shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

15. **Specific Shall Not Limit General; Construction.** No specific provision contained in this Certificate of Designation shall limit or modify any more general provision contained herein. This

Certificate of Designation shall be deemed to be jointly drafted by the Company and all Purchasers (as defined in this Purchase Agreement) and shall not be construed against any Person as the drafter hereof.

16. **Failure or Indulgence Not Waiver.** No failure or delay on the part of a Holder of Series D Preferred in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

17. **Fractional Shares.** Upon a conversion hereunder, the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the Holder of a share of Series D Preferred shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

18. **Payment of Tax Upon Issue of Transfer.** The issuance of certificates for shares of the Common Stock upon conversion of the Series D Preferred Shares shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holders so converted, and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

19. **Communications.** The holders of the Series D Preferred shall be entitled to receive, and the Company shall deliver pursuant to Section 11 hereof, all communications sent by the Company to the holders of the Common Stock.

20. **Reacquired Shares.** Any shares of Series D Preferred redeemed, purchased, converted or otherwise acquired by the Company in any manner whatsoever shall not be reissued as part of the Company's Series D Preferred and shall be retired promptly after the acquisition thereof. All such shares shall become, upon their retirement (and the filing of any certificate required in connection therewith pursuant to the General Corporation Law of the state of Nevada), authorized but unissued shares of Preferred Stock.

21. **Effect of Headings.** The section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, Power Clouds Inc. has caused this Certificate of Designation to be signed by its Chief Executive Officer on this 4th day of October, 2016.

By: /s/ Vincent Browne
Name: Vincent Browne
Title: Chief Financial Officer

Proxy Agreement

by and among
Power Clouds Inc.,
The Board of Directors of Power Clouds Inc.,
and
Power Clouds Holdings Pte. Ltd.
October 4, 2016

Proxy Agreement

THIS PROXY AGREEMENT (this “**Agreement**”) is entered into as of October 4, 2016 by and among Power Clouds Inc. (“**PWCL**”), a Nevada corporation with corporate headquarters located at 600 Brickell Ave., Suite 1775, Miami, FL 33131, the Board of Directors of Power Clouds Inc., currently consisting of Roberto Forlani and Vincent Browne (the “**Authorized Party**”), designated by PWCL to carry out this Agreement, and Power Clouds Holdings Pte. Ltd., a limited exempt private company incorporated in Singapore with registered corporate address located at 21 Bukit Batok Crescent, #03-76, WCEGA Tower, Singapore 658065 (“**Shareholder**”).

RECITALS

1. Shareholder holds 54,789,355 shares of restricted common stock of PWCL, Thirty Million (30,000,000) of which is simultaneously with the date hereof being converted into 30,000,000 shares of Series D Convertible Preferred Stock and held in reserve for the Optionees pursuant to the Release & Option Agreements described in Section 2 below (the “**Shares**”) for the term of this Proxy Agreement.
2. The parties hereby desire to enter into this Agreement simultaneously with the Release & Option Agreement by and among the Shareholder and Optionees the Stock Exchange Agreement by and among the Shareholder and PWCL, and the Lock Up Agreement by and among the Shareholder, Roberto Forlani and PWCL. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Release & Option Agreements and the Lock Up Agreement.
3. PWCL wishes to designate the Board of Directors of PWCL, currently consisting of Vincent Browne and Roberto Forlani, as the Authorized Party, and the Authorized Party wishes to accept such designation.
4. The Shareholder wishes to authorize the Authorized Party, and the Authorized Party wishes to be authorized by the Shareholder, to exercise at every shareholders’ meeting of PWCL, and at every adjournment or postponement thereof, and every action or approval by written consent or otherwise of the shareholders of PWCL (collectively, a “**Shareholder Vote**”), for and on behalf of the Shareholder, all the voting rights that the Shareholder has in its capacity as a shareholder of PWCL.

NOW, THEREFORE, in consideration of the representations, warranties and covenants set forth herein, the Authorized Party, PWCL and the Shareholders (each a “**Party**,” and collectively, the “**Parties**”) hereby agree as follows:

Article 1 Proxy

- 1.1 PWCL hereby designates the Board of Directors of PWCL as the Authorized Party, and the Board of Directors of PWCL hereby accepts such designation for purposes of this Agreement. PWCL shall have the right to replace the Authorized Party hereunder with a third party without the prior consent of the Shareholder or the Authorized Party, provided that PWCL shall send written notice to the Shareholder after such replacement. Upon any such replacement, the new Authorized Party shall become the “**Authorized Party**” as such term is used in this Agreement.
- 1.2 Subject to the terms and conditions of this Agreement, the Shareholder hereby irrevocably authorize, during the proxy term hereunder, the Authorized Party to exercise at every Shareholder Vote of PWCL, for and on

behalf of the Shareholder, all the voting rights that the Shareholder has in its capacity as a shareholder of PWCL under applicable laws and the articles of association of PWCL (the “**Voting Rights**”). The Voting Rights shall include, but are not limited to, the following rights with respect to PWCL:

- 1.2.1 to decide on any operational, policies and investment plans;
 - 1.2.2 to elect and replace any director and to decide on the remuneration thereof;
 - 1.2.3 to elect and replace any supervisor and to decide on the remuneration thereof;
 - 1.2.4 to review and approve any report prepared by the board of directors;
 - 1.2.5 to review and approve any report prepared by the board of supervisors;
 - 1.2.6 to review and approve any annual financial budgets and final accounts;
 - 1.2.7 to review and approve any profit distribution plans and loss make-up plans;
 - 1.2.8 to resolve on any increase or decrease of registered capital;
 - 1.2.9 to resolve on any issuance of corporate bonds;
 - 1.2.10 to resolve on any transfer of the Equity Interest;
 - 1.2.11 to resolve on any merger, division, change of form, termination and liquidation;
 - 1.2.12 to resolve on any change of business scope;
 - 1.2.13 to amend the articles of association;
 - 1.2.14 to decide on any change regarding the content or nature of business operation;
 - 1.2.15 to decide on any dividend and other distribution policies;
 - 1.2.16 to decide on any loan borrowed from or any liability assumed against any third party;
 - 1.2.17 to decide on any sale or exclusive license of any asset or right to any third party, including but not limited to, intellectual property rights;
 - 1.2.18 to decide on any creation of any security interest on any company asset (either tangible or intangible), regardless of the purpose of such security;
 - 1.2.19 to decide on any assignment to any third party of any agreement or contract;
 - 1.2.20 to decide on any loan or the extension of any loan to any party; and
 - 1.2.21 to decide on any other issue which may substantially affect any right, obligation, asset or business operation.
- 1.3 The Authorized Party agrees to be authorized by the Shareholder as set forth above in Section 1.2 and to exercise the aforesaid Voting Rights for and on behalf of the Shareholder according to the terms and conditions hereof.
- 1.4 The Shareholder hereby irrevocably authorize the Authorized Party to sign and/or stamp, for and on behalf of the Shareholder, all related legal documents pertinent to the exercise of any of their rights in their capacity as a shareholder of PWCL.

Article 2 Exercise of Voting Rights

- 2.1 During the proxy term hereunder, any and all Voting Rights of the Shareholder in its capacity as a shareholder of PWCL shall be exercised by and only by the Authorized Party for and on their behalf, and, without prior written consent of PWCL, during the proxy term hereunder the Shareholder shall not make any decision, approve any plan or take any action which in each case might substantially affect any right, obligation, asset or business operation of PWCL, nor shall the Shareholder exercise in any other way any of their Voting Rights in their capacity as a shareholder of PWCL.
- 2.2 During the proxy term hereunder, should PWCL request the Shareholder to issue a special written proxy to the Authorized Party or its designee for any specific matter, then the Shareholder must, regardless of whether such request is given prior to or after the occurrence of such matter, issue a written proxy according to the request of PWCL prior to or after the matter, as applicable.
- 2.3 With respect to any matter approved by the Authorized Party by exercising the Voting Rights authorized hereunder, PWCL may, as it deems necessary, request the Shareholder to sign the relevant resolution of the Shareholder Vote of PWCL or any other similar written documents.

- 2.4 The Shareholder hereby acknowledges that, at PWCL's written request, the Authorized Party shall have the right to authorize any third party to exercise for and on its behalf any right authorized to the Authorized Party hereunder without the Shareholder's consent, provided that PWCL shall give the Shareholder prior notice thereof.
- 2.5 PWCL shall, at any time it deems appropriate, report to the Shareholder the status regarding the Authorized Party's exercise of the Voting Rights authorized hereunder. Upon termination hereof, PWCL shall report to the Shareholder the result regarding the Authorized Party's exercise of the Voting Rights authorized hereunder.
- 2.6 The Authorized Party shall have the right, at PWCL's written request, to transfer or assign any of the Voting Rights hereunder to a third party without the prior consent of the Shareholder, provided that PWCL shall send written notice to the Shareholder after such transfer or assignment.

Article 3 Proxy Term

- 3.1 With respect to PWCL, the proxy term under this Agreement shall commence from the effective date hereof and end upon the earlier of: (i) the disposition of all of the Shares to either the PCH Trust or the Optionees, or (ii) January 1, 2018.
- 3.2 The Parties may adjust the proxy term hereunder at any time, subject to the mutual agreement reached by all the Parties through negotiations; provided that, any such adjustment must be made expressly by written agreement among the Shareholder and PWCL.

Article 4 Remuneration for Proxy

- 4.1 The Authorized Party hereby agrees that the Shareholder shall have no obligation to pay any remuneration to the Authorized Party for its exercise for and on behalf of the Shareholder of any right authorized hereunder. The parties enter into this Agreement as part of the terms and conditions of the Release & Option Agreements by and among the Shareholder and Optionees, the Stock Exchange Agreement by and among the Shareholder and PWCL and the Lock Up Agreement by and among the Shareholder, Roberto Forlani and PWCL.

Article 5 Representations and Warranties

- 5.1 Each Party hereby represents, undertakes and warrants to all the other Parties that:
 - 5.1.1 it has the proper qualification and power to enter into this Agreement;
 - 5.1.2 it has the capacity to perform its obligations hereunder; and
 - 5.1.3 its performance of any of its obligations hereunder will not constitute a material breach or violation of any limitation imposed under any material legal document by which it is bound.
- 5.2 The Authorized Party further represents, undertakes and warrants that it shall act with reasonable care, prudence and diligence, and as required under applicable law and according to the by-laws and articles of incorporation of PWCL.
- 5.3 Upon the execution hereof, this Agreement shall constitute the legally valid obligation of, and shall be enforceable according to its terms and conditions against, each Party.

Article 6 Liability for Breach of Contract

- 6.1 In the event of any breach of this Agreement, the other Party/Parties (the "**Non-breaching Party**") may request by written notice to such Party/Parties (the "**Breaching Party**") that the Breaching Party (i) correct its breach or failure, and (ii) take adequate, effective and timely measures to eliminate the consequences of such breach or failure.
- 6.2 Upon the occurrence of breach, if such breach, at the Non-breaching Party's reasonable and objective discretion, has caused the Non-breaching Party's performance of any of its obligations hereunder to be unfeasible, then the Non-breaching Party may notify the Breaching Party in writing that the Non-breaching Party will suspend its performance of its obligations hereunder on a temporary basis until and unless the Breaching Party shall have ceased its breach and taken effective measures in a timely manner to eliminate the consequences of such breach and shall have compensated the Non-breaching Party for the loss suffered thereby due to such breach.
- 6.3 The loss suffered from the Breaching Party's breach and recoverable from the Breaching Party by the Non-breaching Party shall include compensation for all direct economic loss of the Non-breaching Party, any

expected indirect loss suffered and other additional expenses incurred in connection with such breach.

Article 7 Force Majeure

- 7.1 A “force majeure event” shall refer to any event beyond the reasonable control of the Parties which is unforeseeable or, if foreseeable, unavoidable and which has prevented, affected or delayed any Party’s performance of all or any part of its obligations hereunder, including without limitation, government actions or inactions, acts of God, strikes or labor disputes, war, hacker attack or any other similar event.
- 7.2 The Party affected by a force majeure event may suspend on a temporary basis its performance of its obligation(s) without incurring any liability to the other Parties due to such force majeure event, until the effect of such force majeure event has been eliminated; provided that, such Party shall exert its best efforts to minimize the adverse effect of such force majeure event.
- 7.3 The Party claiming suspension of performance by reason of force majeure event (the “**Claiming Party**”) shall have the obligation to provide as soon as possible to the other Party or Parties to whom the affected performance should have been rendered (the “**Affected Party**”) written notice of such force majeure event. Should the Claiming Party fail to provide the said notice, the Affected Party may claim against it for the liability for breach of contract as set forth herein, and the Claiming Party agrees and acknowledges that it shall have the burden to prove the occurrence and ongoing obstacle to performance of the claimed force majeure event.

Article 8 Effectiveness and Termination

- 8.1 This Agreement shall come into force and effect upon being executed by all the Parties and shall expire upon the termination of all proxy terms hereunder.
- 8.2 The Shareholder hereby irrevocably and permanently waives its right to terminate this Agreement, unless (i) the subject matter of the Agreement and the purpose hereof have become illegal or impractical under applicable law, (ii) so required under applicable laws and court orders, or (iii) by mutual agreement of PWCL and the Shareholder.
- 8.3 Any termination hereof shall not affect any right or obligation granted to or assumed by any Party according to the terms hereof prior to the date of such termination.

Article 9 Applicable Law

- 9.1 The execution, validity, performance and interpretation of this Agreement shall be governed by New York law.

Article 10 Settlement of Disputes

- 10.1 If any dispute arises out of the interpretation and performance of this Agreement, the Parties shall first attempt to settle such dispute through friendly negotiations.
- 10.2 Should such dispute fail to be settled through negotiations, any dispute arising out of or in connection with this contract, including any question regarding its existence, validity or termination, 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 New York, United States. The language to be used in the arbitration shall be English.
- 10.3 In case of any dispute arising out of the interpretation and performance hereof or if any such dispute is under negotiation, each Party shall exercise its other rights and perform its other obligations under this Agreement other than those in question.

Article 11 Miscellaneous

- 11.1 PWCL shall have the right to assign this Agreement to any third party of its choosing without the prior consent of the Shareholder; provided, however, that PWCL shall send a written notice to the Shareholder after such assignment. The Shareholder shall have the right to assign the Shares and this Agreement only with the prior written consent of PWCL.
- 11.2 Failure by any Party to timely exercise any of its right hereunder shall not be deemed as waiver of such right, nor shall such failure affect in any way such Party’s future exercise of such right.

- 11.3 If all or any part of any provision hereof is held invalid or unenforceable for any reason, all other provisions hereof shall remain valid and binding. Should any of the Parties breach any provisions of this Agreement, such breach shall not affect the rights and obligations of other Parties to this Agreement and any other relevant agreements as well as the performance and the enforcement of this Agreement and such other agreements.
- 11.4 This Agreement shall inure to and be binding upon the Parties and their respective successors and assigns.
- 11.5 This Agreement shall supersede any previous or concurrent agreement, understanding or communication among the Parties with respect to the same, either in oral or writing. Except as expressly set forth herein and in the agreements referenced herein, none of the Parties has made any other express or implied obligation or undertaking.
- 11.6 This Agreement may be amended or supplemented by a written agreement among all the Parties. Any amendment or supplement (if any) to this Agreement shall, upon being signed by all the Parties, constitute an integral part hereof and be equally authentic with this Agreement.
- 11.7 This Agreement may be executed via facsimile or e-mail in counterparts, and each facsimile or e-mail counterpart shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.
- 11.8 Each of the Parties agrees not to discuss, disclose or otherwise transmit this Agreement, including without limitation the identity and personal information of the other Party, to anyone other than (i) to (as applicable) its affiliates, officers, shareholders, members, counsel and advisors, (ii) as required by any law, regulation, court order, or the like, or in connection with any filing with any governmental authority, and (iii) to comply with its obligations contained in this Agreement.
- 11.9 Each party has been informed of his/her/its right to consult independent legal counsel concerning this Agreement, and each party hereby acknowledges that he/she/it has had the opportunity to do so.
- 11.10 This Agreement shall be construed as if drafted jointly by the parties hereto. In the event an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS THEREOF, the Parties have executed or caused their respective duly authorized representatives to execute this Agreement on the date first written above.

Authorized Party

Board of Directors of Power Clouds Inc.

Roberto Forlani

Vincent Browne

Power Clouds Inc.

By:

Name: Vincent Browne

Title: Chief Financial Officer

Shareholder: Power Clouds Holdings Pte. Ltd.

By:

Name:

Title:

LOCKUP AGREEMENT

This AGREEMENT (the “Agreement”) is made as of the 4th day of October, 2016 (the “Effective Date”), by Power Clouds Holdings Pte. Ltd., a Singapore company (“PCH”), Roberto Forlani (“RF”) (PCH and RF each a “Holder” and together the “Holders”), and Power Clouds Inc. in connection with ownership of shares of Power Clouds Inc., a Nevada corporation (the “Company”).

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Release & Option Agreements dated of even date herewith by and among PCH and Optionee (the “ROAs”).

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which consideration are hereby acknowledged, Holder agrees as follows:

1. Background.

a. Each Holder is the beneficial owner of the amount of shares of Common Stock, \$0.001 par value, and Series D Convertible Preferred Stock of the Company (the “Shares”) designated on the signature page hereto.

b. Each Holder acknowledges that PCH has entered into, or will enter into at or about the date hereof, ROAs with Optionees (the “Optionee”) for the future transfer and issuance of a certain number of the Company’s shares from PCH to the Optionee (the “Option”). Each Holder understands that, as a condition to proceeding with the Option, the parties have required, and the Company has agreed to obtain on behalf of the parties an agreement from the Holders to refrain from selling or transferring any shares of Series D Convertible Preferred Stock from the Effective Date until January 1, 2018 and any other securities of the Company from the Effective Date until the earlier of January 1, 2018 or the date the Max Price of the Company’s common stock is at or above \$1.75 per share for a period of ten (10) consecutive Trading Days (the “Restriction Period”).

2. Restrictions.

a. **Sale Restriction.** Each Holder hereby agrees that during the Restriction Period, he or she shall be prevented from selling any Shares. Each Holder will not sell, transfer or otherwise dispose of any shares of the Company’s common or preferred stock. Each Holder further agrees that the Company is authorized to and the Company agrees to place “stop orders” on its books to prevent any transfer of shares of common stock or other securities of the Company held by Holder in violation of this Agreement. The Company and each Holder agrees not to allow to occur any transaction inconsistent with this Agreement.

b. **Other Restrictions.** Each Holder further agrees that it will not transfer the Shares in any way, pledge or place a lien, mortgage, security interest, encumbrance or charge of any kind or description on the Shares.

c. Notwithstanding the foregoing restrictions on transfer, each Holder shall, at any time and from time to time during the Restriction Period, should it be necessary to effect the correct number of Shares to be issued for the benefit of all of the Optionees under the Release & Option Agreements, absolutely, irrevocably and unconditionally assign, convey, contribute and transfer to the Optionees the rights and interests to that number of Shares owned by the Holder as is necessary to effect the Release & Option Agreement, and all of his rights and benefits thereunder and conferred therein to the PCH Trust, or directly to the Optionees should an Optionee so instruct, for the direct or indirect benefit of the Optionees. The number of Shares each Holder shall assign shall be determined as follows: First, all of the Series D Convertible Preferred Stock shall be assigned; Second, Common Stock held by PCH and RF

in the ratio of 51/49 respectively. Each Holder shall deliver to the Company, the certificates for the Shares duly endorsed for transfer or with executed stock powers medallion guaranteed attached to be released and delivered to PCH Trust or the Optionee, as applicable, immediately upon receipt of written notice from the Company .

3. Miscellaneous.

a. At any time, and from time to time, after the signing of this Agreement, each Holder will execute such additional instruments and take such action as may be reasonably requested by the Optionees or the Company to carry out the intent and purposes of this Agreement.

b. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. **The parties executing this Agreement and other agreements referred to herein or delivered in connection herewith agree to submit to the in personam jurisdiction of such courts and hereby irrevocably waive trial by jury.** The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Notices hereunder shall be given in the same manner as set forth in the Subscription Agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document 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 the Subscription Agreement 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 law.

c. The restrictions on transfer described in this Agreement are in addition to and cumulative with any other restrictions on transfer otherwise agreed to by each Holder, as applicable, or to which the Holder is subject to by applicable law.

d. This Agreement shall be binding upon Holder, its legal representatives, successors and assigns.

e. This Agreement may be signed in counterparts and delivered by facsimile signature and delivered electronically.

f. The Company agrees not to take any action or allow any act to be taken which would be inconsistent with this Agreement.

g. The Holder acknowledges that this Lockup Agreement is being entered into for the benefit of the Optionee identified in the Release & Option Agreement dated of even date herewith among PCH and the Optionee, may be enforced by the Optionee or the Company and may not be amended without the consent of the Optionee or the Company, which may be withheld for any reason.

IN WITNESS WHEREOF, and intending to be legally bound hereby, Holder has executed this Agreement as of the day and year first above written.

HOLDER: ROBERTO FORLANI


(Signature of Holder)
Roberto Forlani

21,701,784
Number of Shares of Common Stock
Beneficially Owned and under this Agreement

HOLDER: POWER CLOUDS HOLDINGS PTE LTD


By: 

Print Name and Title

22,587,571
Number of Shares of Common Stock
Beneficially Owned and under this Agreement

30,000,000
Number of Shares of Series D Convertible
Preferred Stock Beneficially Owned and under
this Agreement

COMPANY:
POWER CLOUDS INC.

By: 

Vincent Browne, CFO