SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

POWERVERDE, INC. CIK:**933972**| IRS No.: **880271109** | State of Incorp.:**NV** | Fiscal Year End: **1231** Type: **10-K** | Act: **34** | File No.: **000-27866** | Film No.: **13852413** SIC: **3621** Motors & generators	Mailing Address *21615 N. 2ND AVENUE* *PHOENIX AZ 85027*	Business Address *21615 N. 2ND AVENUE* *PHOENIX AZ 85027* *623-780-3321*

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Commission File No. 000-27866

PowerVerde, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**88-0271109** **(I.R.S. Employer Identification No.)**
420 S. Dixie Highway Suite 4-B **Coral Gables, FL** **(Address of principal executive offices)**	**33146** **(Zip Code)**

(305) 666-0024
(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock equity, as of June 29 , 2012, the last business day of the issuer's most recently completed second fiscal quarter: $ 14,104,000 .

As of May 13, 2013, the number of outstanding shares of common stock, $0.0001 par value per share, of the registrant was 26,400,106 .

DOCUMENTS INCORPORATED BY REFERENCE

None.

PowerVerde, Inc.
Annual Report on Form 10-K
Year Ended December 31, 2012

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PART I

ITEM 1. BUSINESS.

General

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

On February 11, 2008, Vyrex, PowerVerde, Inc. ("PowerVerde") and Vyrex Acquisition Corporation ("VAC"), a wholly-owned subsidiary of Vyrex, all Delaware corporations, entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, on February 12, 2008, VAC merged with and into PowerVerde, with PowerVerde remaining as the surviving corporation and a wholly-owned subsidiary of Vyrex (the "Merger"). As consideration for the Merger, as of the closing of the Merger, each issued and outstanding share of common stock of PowerVerde was converted into the right to receive 1.2053301 shares of the common stock of Vyrex and each share of VAC was converted into one share of PowerVerde common stock. As a result of the Merger, the former shareholders of PowerVerde hold 95% of the common stock of Vyrex. Pursuant to the Merger Agreement, PowerVerde paid $233,000 in accounts payable and other liabilities owed by Vyrex.

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

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

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

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

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

Based on data learned from these earlier prototypes, PowerVerde has manufactured three 25/50kW motors and additional next generation motors or drivers as well. The Company has been testing these devices on a more powerful and advanced organic pressure-driven cycle (OPDC) referred to as the Liberator. During 2009, the Company also built and tested a 100kW pressure-driven motor at another machining and manufacturing facility, Global Machine Works, in Arlington, WA. These two related but distinct systems are designed for two different markets. The 25/50kW system uses low-grade heat (waste heat) as a fuel source, expanding a working fluid thereby driving the motor/generator, while the 100kW system (without organic rankine cycle ("ORC") or organic pressure driver cycle ("OPDC") systems), uses wasted energy (pressure) from natural gas pipeline and wellhead infrastructures to drive the motor/generator and create electric power. In early 2010, our Board of Directors created two separate product lines: waste heat/solar organic rankine cycle powered systems; and gas pipeline/wellhead waste energy recovery systems. Because the markets and customers for these two systems are entirely different and the design and manufacturing are geographically separate, we believe that this bifurcation will result in a more streamlined and efficient business structure. The development of the natural gas pipeline system has been suspended due to our decision to dedicate our limited human and financial resources to commercialize our waste heat/solar thermal system, which we believe has more near term potential.

In January 2011, we entered into a Binding Letter of Intent for European Distribution (the "BLOI") with Newton Investments BV, a Dutch corporation based in Leeuwarden, Netherlands ("Newton"). Pursuant to the BLOI, Newton purchased one Liberator system for a discounted price of $130,000, which was delivered in July 2011. In September 2011, we entered into a definitive License Agreement with Newton as contemplated by the BLOI. Under the Agreement, Newton will, for a period of 10 years, be the exclusive manufacturer and distributor of the our proprietary emissions-free electrical power generation systems (the "Systems") in the 27 countries which are currently members of the European Union, subject to Newton achieving minimum sales of at least 100 Systems per year, beginning in the second year of the Agreement. Pursuant to the Agreement, we are entitled to a royalty equal to 20% of the gross sale price of each System sold by Newton. We have authorized Newton to manufacture our Systems under a strict licensing agreement with a Dutch foundry and machine shop, Autonational BV, based in Ijlst, Netherlands, and capable of producing hundreds of units per year. Of the 27 European Union nations, we are initially focusing on the Netherlands, Belgium, Germany and the Scandinavian countries.

Despite our initial optimism, the PowerVerde driver (motor) failed to demonstrate sufficient capacity for the uninterrupted hours of operation required for commercial performance. PowerVerde has addressed this issue, and we believe that by the end of 2013 we will be able to deliver a commercial device capable of operation for 25,000 hours (approximately three years) without major mechanical failure. There can be no assurance, however, that these technical issues will be resolved. Due to the ongoing technical problems, Newton has yet to sell any of our Systems. Consequently, we have delayed the commencement of Newton's annual sales quotas until these problems are resolved.

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

As consideration for the Cornerstone acquisition, we issued (i) a total of 2,250,000 restricted shares of our common stock to Cornerstone's members, Bryce Johnson ("Johnson"), Paul Kelly ("Kelly") and Vincent Hils ("Hils") in the amounts of 1,575,000, 337,500 and 337,500 shares, respectively, (ii) 10,000 restricted shares to a Cornerstone employee, and (iii) three-year warrants to purchase 150,000 shares each to Johnson and Kelly at exercise prices of $2.00-$4.00 per share. In November 2011, Johnson joined our Board of Directors, and in January 2012 we moved our operations to a facility in Scottsdale, Arizona, owned by Johnson. See "Item 2 - Properties." Johnson also became our chief operating officer in January 2012. Johnson resigned from his officer and director positions in March 2013. As a result of Johnson's resignation, Management decided to impair the goodwill entirely as of December 31, 2012.

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

Our focus for the remainder of 2013 is to commercialize our waste heat power systems in our Phoenix facility for eventual deployment to Europe. We plan to complete our development and testing by the summer of 2013 and have a market-ready system by the end of 2013; however, there can be no assurance that we will meet this timetable or ever have a market-ready system. We and Newton continue discussions with certain manufacturers of integrated components and service providers in the oil and natural gas industries, methane plants, as well as with electric utility companies and government entities. There can be no assurance that any manufacturing, distribution or marketing agreements will be successfully consummated or executed or that we will ever achieve material sales in Europe or elsewhere.

Employees

We currently have two full-time employees: Messrs. Mark Prinz and Ellis Peterson, both based in Scottsdale, Arizona. Both of these employees were hired in 2011. Our chief engineer, Hank Leibowitz, was hired pursuant to a part-time consulting agreement in October 2012.

Patents

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

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

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

We expect to file additional patent applications pertaining to our advanced organic pressure driven cycle later in 2013. There can be no assurances that we will be able to do so or that any patents will be issued based on these applications.

Product Description

The 2007 advanced generation PowerVerde motor, with its related organic rankine cycle (ORC) system, produced 10kW of net power. Our subsequent larger 25/50kW waste heat/solar design was a next generation system. This system was designed to be installed in single- or multiple-stacked units for businesses, factories, or any waste heat or solar application such as schools, hospitals, ships and other users of electric power. These non-combustion motors are fueled by heat (waste heat), via an ORC related system, and create a pressure source powering the PowerVerde motor/generator while emitting zero carbon emissions or waste stream byproducts. The other PowerVerde system was designed to operate on wellhead or natural gas pipeline infrastructure and lacks the ORC component, but uses wasted latent energy (pressure) inherent in "city gate" letdowns or wellheads as its pressure source. This project (well head or natural gas pipeline applications) has been suspended so that we can focus exclusively on waste heat applications. To this end we anticipate and have designed systems that will be scaled even larger in the future.

Our ORC system requires:

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

We have built and tested the 25/50kW ORC systems, and we believe that the overall design meets or exceeds performance metrics when compared to the industry at large. We have, however, remained challenged with our inability to thus far generate the continuous hours of operation that we believe necessary for commercial quality expectations. We continue to work toward our goal of a system capable of 25,000 hours (approximately three years) of continuous operation. Meanwhile, we believe that we have successfully enhanced the system's power capacity to as much as 50kW or more of gross electrical power.

Government Regulations and Incentives

We believe that the time may be right for the PowerVerde systems. Regulatory proposals to limit greenhouse gases are under consideration, particularly in Europe. One such measure would be a carbon tax placed on fuels in proportion to their carbon content. Another would be a tax on oil. Yet another would be a "cap and trade" system. All of these would drive up the price of electricity from fossil fuel sources, yet have no impact on carbon-free renewable sources such as those offered by us; however, due to the weak economy in the United States and Europe and strong political opposition, there can be no assurance that any of these measures will be implemented.

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

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

Competition

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

Impact of JOBS Act

On April 5, 2012, the Jumpstart Our Business Startup Act of 2012 (the "JOBS Act") was enacted into law. Under the JOBS Act, Congress established a new statutorily defined category of registrant referred to as an "emerging growth company" ("EGC") which, among other things, affords such registrants with relief from certain disclosure requirements under the Securities Exchange Act of 1934 (the "Exchange Act") for so long as they continue to qualify as an EGC.

A registrant qualifies as an EGC if it has total annual gross revenues of less than $1 billion as of the end of its most recent completed fiscal year and has not filed for its initial public offering of common equity securities under the Securities Act of 1933 (the "Securities Act") prior to December 9, 2011. Under this definition, we qualify as an EGC.

For so long as we qualify as an EGC:

- We will not be required to comply with the auditor attestation over internal control requirements under §404(b) of the Sarbanes-Oxley Act of 2002 ("SOX").
- We may elect to comply with the following scaled-back executive compensation disclosure requirements ("Reduced Executive Compensation Disclosures"): (a) EGCs are not required to comply with the annual "say on pay" and "say on golden parachute" advisory voting requirements and rules promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), (b) EGCs are not required to include the disclosures that will be required under future rules to be promulgated under the Dodd-Frank Act as to the relationship between executive compensation and company performance, and the ratio of CEO pay to median employee pay, and (c) EGCs may elect to provide the same level of executive compensation disclosures as required by Smaller Reporting Companies (as defined under Rule 12b-2 promulgated under the Exchange Act and referred to herein as "SRCs"), which includes, among other things, the omission of Compensation Disclosure and Analysis discussion, inclusion of fewer tables, and disclosure of compensation for only the CEO and the two next highest paid officers.
- We may elect on a one-time basis not to comply with new or revised accounting principles that apply to public companies, as long as we comply once the rules become applicable with private companies. We are required to make an irrevocable election which will continue for so long as we retain our status as an EGC status.
- We will not be required to comply with any Public Company Accounting Oversight Board rules regarding mandatory audit firm rotation and auditor discussion and analysis.

As an EGC, we are not required to take advantage of all of the benefits made available to us under the JOBS Act described above, but may instead opt-in to certain of those scaled-back disclosures and phased-in requirements as we so desire. However, as discussed above, we are not permitted to selectively opt-in with respect to compliance with new or revised accounting rules or pronouncements. Accordingly, we have irrevocably elected to opt out of compliance with any new or revised accounting principles until any such rules become applicable to private companies.

Under the JOBS Act, we will retain our status as an EGC until the earliest of: (1) the last day of the fiscal year during which we have total annual gross revenues of $1,000,000,000 (as may be adjusted under the JOBS Act) or more; (2) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act; (3) the date on which we have, during the previous 3-year period, issued more than $1,000,000,000 in non-convertible debt; or (4) the date on which we are deemed to be a "large accelerated filer" under Rule 12b-2 promulgated under the Exchange Act.

It should be noted that we also currently qualify as a SRC. As a result, in the event that we are no longer an EGC, we will continue to be exempt from the auditor attestation requirements of SOX and eligible to comply with the Reduced Executive Compensation Disclosures for so long as we qualify as a SRC. We also may elect to provide other scaled-back disclosures applicable to SRCs (not just those relating to Reduced Executive Compensation Disclosures).

Where You Can Find Additional Information

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

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

Risks Related to General Economic Conditions

The current general economic and market conditions and the volatility and disruption in the financial and capital markets has impacted us and could materially and adversely affect our business and financial results in future periods.

The United States economy continues to suffer from very unfavorable economic conditions, including a weak recovery from a severe recession in the general economy which continues to impair the banking system and the financial markets, all accompanied by huge federal and state budget deficits and a ballooning national debt. These negative conditions could persist or become even worse. General economic conditions have deteriorated due to reduced credit resulting from weak economic conditions, resulting in slower economic activity, concerns about inflation, deflation and government debt and deficits, volatility in energy prices, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions and liquidity concerns in our markets and other adverse effects on our potential customers and markets. These poor economic conditions continue to make it very difficult for us to raise the capital we need to complete the development and testing of our products so that we can begin sales. In the event that we are able to begin sales of our products, these poor economic conditions may adversely affect our business and our financial condition and results of operations by extending the length of the sales cycle and causing potential customers to delay, defer or decline to make purchases of our products due to limitations on their capital expenditures and the adverse effects of the economy and the credit markets on them.

The weak economy is projected by many economic experts to continue or deteriorate further throughout 2013 or longer. These conditions may make it extremely difficult for our customers, our vendors and us to accurately forecast and plan future business activities. We cannot predict the timing, strength or duration of this current weak economy or of a subsequent stronger economic recovery, or the effects thereof on our customers and our markets. Our results of operations may be negatively impacted in future periods and experience substantial fluctuations from period to period as a consequence of these factors, and such conditions and other factors affecting capital spending may affect the timing of orders from major customers. These factors could adversely affect our ability to meet our capital requirements, support our working capital requirements and growth objectives, maintain our existing or secure new financing arrangements, or otherwise materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

The market for electricity generation products is heavily influenced by foreign, federal, state and local government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In the United States and in a number of other countries, these regulations and policies have been modified in the past and may be modified again in the future. These regulations and policies could deter end-user purchases of our systems.

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

Risks Related to Our Business

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

We will need to raise promptly substantial additional funds. Without such additional funds, we may have to cease operations. We will require substantial additional funding for our contemplated research and development activities, commercialization of our products and ordinary operating expenses. Adequate funds for these purposes may not be available when needed or on terms acceptable to us, especially due to the ongoing weak economy. Insufficient funds may require us to delay or scale back our activities or to cease operations.

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

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

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

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

We have a limited operating history.

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

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

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

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

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

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

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

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

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

Our business plan relies to a significant extent on the availability of substantial federal, state and local governmental incentives for the development, production and purchase of energy-saving, environmentally-friendly products such as our systems. These incentives include, among others, tax deductions, tax credits, rebates, accelerated depreciation and government loans, grants and other subsidies. There can be no assurance that some or all of these incentives will not be substantially reduced or eliminated, nor can there be any assurance that any currently proposed incentives will actually take effect. Similarly, there can be no assurance that we will ever receive any government loans, grants or other subsidies.

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

Our products are energy-efficient electric generators which compete primarily with conventional fossil fuel-generated electricity produced and delivered by conventional utility companies. A significant decrease in the price of oil and/or natural gas could therefore materially adversely affect our competitive position. We were adversely affected by the substantial drop in oil and natural gas prices following the onset of the financial crisis in September 2008. While oil prices have remained at high levels in recent years due to increased global demand, Middle East tension and inflation fears, they remain well below their pre-crisis peaks, natural gas prices have decreased substantially in recent years due to increased supply resulting from the use of new drilling techniques. The substantially decreased cost of natural gas-generated electricity, if sustained, could materially adversely affect our business.

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

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

Our insurance may not provide adequate coverage.

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

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

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

Risks Related to Our Common Stock; Liquidity Risks

Our stock price is highly volatile.

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

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

For the near-term, we intend to retain remaining future earnings, if any, to finance our operations and do not anticipate paying any cash dividends with respect to our common stock or may be unable to sell at a fair price.

There has been limited trading in our stock.

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

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

ITEM 3. LEGAL PROCEEDINGS.

On November 2, 2012, Keith Johnson, our former Chief Technical Officer, filed suit against our operating subsidiary PowerVerde Systems, Inc., in Maricopa County, Arizona, Superior Court. The suit includes claims for breach of his employment agreement, for back pay and related claims. Mr. Johnson, whose salary was $12,500 per month, seeks back pay of $37,500, reimbursement of expenses totaling $5,012 and other unspecified damages. We believe that Mr. Johnson voluntarily terminated his employment in accordance with the agreement and that he has been paid in full. In an abundance of caution, we also gave Mr. Johnson 30 days’ notice of termination without cause pursuant to the employment agreement, with this notice to be effective only if the Court determines that his employment was not previously terminated by him. Mr. Johnson ceased working for the Company in early September 2012. Based on the foregoing, we believe that we have substantial defenses to Mr. Johnson’s claims, which we have denied in our answer. We intend to vigorously defend the case, which we believe will not have a material impact on the Company.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

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

Period Beginning	Period Ending	High	Low
January 1, 2012	March 31, 2012	$ 2.00	$ 1.01
April 1, 2012	June 30, 2012	$ 1.37	$ .71
July 1, 2012	September 30, 2012	$ 1.10	$ .70
October 1, 2012	December 31, 2012	$ .90	$ .26
January 1, 2013	March 31, 2013	$ .49	$ .20
April 1, 2013	May 15 , 2013	$ .30	$ .20

Dividends

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

Recent Sales of Unregistered Securities

All of PowerVerde's sales of unregistered securities since inception have been made pursuant to private offerings to accredited investors. These sales, which are set forth below, were made pursuant to an exemption from registration requirements under Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. Except as otherwise noted below, we paid a placement agent fee of 10% of the gross price of each offering to Martinez-Ayme Securities ("MAS"), and net proceeds were used for working capital.

In the first quarter of 2012, we raised $500,000 exclusively from accredited European investors (including $275,000 from a Newton affiliate) pursuant to a private placement of 500,000 shares of common stock at a price of $1.00 per share. There was no warrant issued pursuant to this round; however, simultaneously Newton affiliates received three year warrants to purchase 500,000 shares at $1.00 per share in connection with the settlement of certain claims by and between PowerVerde and Newton.

In connection with the Cornerstone acquisition, in March 2012 we issued (i) a total of 2,250,000 restricted shares of our common stock to Cornerstone's members, Bryce Johnson, Paul Kelly and Vincent Hils in the amounts of 1,575,000, 337,500 and 337,500 shares, respectively, (ii) 10,000 restricted shares to a Cornerstone employee, and (iii) three-year warrants to purchase 150,000 shares each to Mr. Johnson and Mr. Kelly at exercise prices of $2.00-$4.00 per share.

In the second quarter of 2012, we raised gross proceeds of $335,000 through the private placement of 335,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering.

In the third quarter of 2012, we raised gross proceeds of $71,000 through the private placement of 71,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering.

In the fourth quarter of 2012, we raised gross proceeds of $492,030 through the private placement of 396,000 unregistered shares of common stock to accredited investors at $.43 per share and 450,000 shares at $.715 per share. Each investor who purchased the common stock at $.715 per share received a three-year warrant to purchase additional shares of common stock at $1.00 per share for a number of shares equal to one-half of the number of shares purchased by the investor in this offering.

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

Each Note investor will receive simple interest at the rate of 10% per annum based on a 365-day year and actual days elapsed in the period for which such interest is payable. Accrued interest is payable semi-annually on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. The entire principal balance of the Notes, together with all unpaid interest accrued thereon, shall be due and payable on December 31, 2014, the Maturity Date. Upon payment in full of all principal and interest payable, the Note shall be surrendered to the Company for cancellation. The Notes are collateralized by our Biotech license fee revenues. Upon payment in full of the Notes, we must pay a $25,000 fee to the placement agent, Martinez-Ayme Securities, Inc.

In the first quarter of 2013, we sold an additional $75,000 principal amount of Series A Secured Promissory Notes. In connection with these Notes, we issued warrants to purchase 75,000 shares of common stock and will be obligated to issue warrants to purchase an additional 75,000 shares in December 2013.

Issuer Purchases of Equity Securities

In April 2012, we purchased 100,000 shares of common stock from our Director and founder Fred Barker for $25,000 ($.25 per share), and in May 2012 we purchased 450,000 shares from Mr. Barker for $90,000 ($.20 per share). See Item 13 “Certain Relationships and Related Transactions, and Director Independence.” In October 2012, we purchased from our founder and former President and Director George Konrad 3,000,000 shares of common stock for $530,000 ($.18 per share) in connection with his resignation from PowerVerde. See Item 11 “Executive Compensation.”

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

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

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

Critical Accounting Policies

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

Accounting for Uncertainty in Income Taxes

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

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2009, 2010 and 2011, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2012.

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

Revenue Recognition

Sales revenues and associated cost of sales are recognized when title of the goods sold pass to the buyer, when shipped and when accounts receivable are determined to be reasonable collectable. Certain sales agreements also require installation and training by PowerVerde once goods are received and accepted by the customer. The Company does not consider these agreements multiple elements arrangements as defined by ASC 605-25 "Revenue Recognition", as the Company does not offer installation or training as services separate from the sale of its products at this time. Therefore, a "best estimate of selling price" or individual pricing in accordance with ASC 605-25 is undeterminable. The Company defers all revenues and costs of sales until the agreement is 100% complete.

Licensing and royalty revenue from royalty agreements is recognized in accordance with the terms of the specific agreement.

Common Stock Purchase Warrants

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

Intellectual Property and Goodwill

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

Goodwill is evaluated for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment analysis involves a two step process. Step one involves the comparison of the fair value of the reporting unit to which goodwill relates (the Company's enterprise value) to the carrying value of the reporting unit. If the fair value exceeds the carrying value, there is no impairment. If the carrying value exceeds the fair value of the reporting unit, the Company determines the implied fair value of goodwill and records an impairment charge for any excess of the carrying value of goodwill over its implied fair value.

For those reporting units with zero or negative carrying amounts, an entity must evaluate whether it is more likely than not that a goodwill impairment exists, regardless of the mathematical results of the Step 1 test. In making that determination, the entity should consider whether there are any adverse qualitative factors that could impact the amount of goodwill.

Stock-based compensation.

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

Derivative instruments—Fair value of financial assets and liabilities.

We measure the fair value of financial assets and liabilities in accordance with GAAP, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

We generally do not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, we and our consolidated subsidiaries have entered into certain other financial instruments and contracts, such as debt financing arrangements and freestanding common stock purchase warrants with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

We estimate fair values of all derivative instruments, such as free-standing common stock purchase warrants, and embedded conversion features utilizing Level 2 inputs. We use the Black-Scholes option valuation technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to fair value these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in our trading market price and the trading market price of various peer companies, which have historically had high volatility. Since derivative financial instruments are initially and subsequently carried at fair value, our income will reflect the volatility in these estimate and assumption changes.

We report our derivative liabilities at fair value on the accompanying consolidated balance sheets as of December 31, 2012. There were no derivative liabilities at December 31, 2011.

Overview

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

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

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

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

Results of Operations

Year ended December 31, 2012 and 2011

During 2012, as compared with 2011, we focused less on Europe and Newton and more on upgrading the durability and continued operations capability of our Liberator Waste Heat System. We had no revenues in 2012 other than $193,692 in Biotech IP licensing fees, a 345% increase from $56,170 in royalty income for 2011. The total revenues for 2011 were $193,391. In both 2012 and 2011, we had substantial expenses due to our ongoing research and development activities, as well as substantial administrative expenses associated with our status as a public company. Our research and development expenses increased by $326,595 (33%) in 2012 as compared to 2011, and our general and administrative expenses decreased by $649,921 (40%). The research and development increase was due to our increased efforts to develop, test and improve our systems. The substantial reduction in our general and administrative expenses in 2012 compared to 2011 is due to our reduced European activity in 2012 as well as our general cost control efforts. Our net loss for 2012 was impacted significantly by the recognition of a one-time expense of $2,637,760 for the impairment of the goodwill recorded in the acquisition of Cornerstone. Substantial net losses will continue until we are able to successfully commercialize and market our products, as to which there can be no assurance.

Liquidity and Capital Resources

We have financed our operations since inception principally through the sale of debt and equity securities. Also, in 2011 and 2012, we began to receive material amounts of Biotech IP licensing fees. As of December 31, 2012 and 2011, we had a working capital deficit of $72,721 and $128,598, respectively.

During 2012, we received $193,692 in Biotech IP licensing fees and raised gross proceeds of $1,723,031 from private placements of securities.

By the end of 2012, we had spent all of our $7,530 opening cash balance plus almost all of the $1,723,031 raised during 2012, so that our year-end cash balance was only $45,283, while our accounts payable and accrued expenses were $109,568. As of the date of this Report, after spending all of the funds raised during the year 2012, as well as most of the $75,000 in gross private placement proceeds and Biotech IP licensing fees received in the first quarter of 2013, we do not have sufficient cash to finance our continued operations.

We expect 2013 Biotech IP revenues to exceed the 2012 level; however, there can be no assurance that this revenue level will be achieved.

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

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

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and President, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Our chief executive officer and chief financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In connection with this assessment, we identified the following material weaknesses in internal control over financial reporting as of December 31, 2012. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—An Integrated Framework (September 1992). Because of the material weaknesses described below, management concluded that, as of December 31, 2012, our internal control over financial reporting was not effective.

We did not maintain an effective control environment. The control environment, which is the responsibility of senior management, sets the tone of the organization, influences the control consciousness of its people, and is the foundation for all other components of internal control over financial reporting. Each of the following control environment material weaknesses also contributed to the material weaknesses discussed below. Our control environment was ineffective because of the following material weaknesses:

(a) Monitoring of internal control over financial reporting—we did not maintain effective monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures because of the following material weakness:

(i) Our policies and procedures with respect to the review, supervision and monitoring of our accounting operations throughout the organization were either not designed, in place or operating effectively.

No Attestation Report

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

Changes in Internal Control Over Financial Reporting

There were no significant changes in internal control over financial reporting during the fourth quarter of 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as set forth above regarding the material weaknesses discovered.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

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

Name	Age	Position(s)	Held Since
Fred Barker	78	Vice President, Secretary, Director	2007
Richard H. Davis	56	Chief Executive Officer, Director	2008
John Hofmann	54	Chief Financial Officer	2011

Fred Barker. Mr. Barker, our other co-founder, has served since inception as a Director and Vice President, focusing on our engineering activities. He is a graduate of the University of Washington, with a degree in mechanical engineering, and has done advanced studies at the University of Puget Sound and the University of Arizona. He was awarded two National Defense Education Act (NDEA) scholarships for science and math and was a Fulbright Scholar. From 1958 to 1972, Mr. Barker worked as an engineer for The Boeing Company, focusing on the structures, wing groups and instrumentation of the 737, 747, 757 and 767 aircraft. From 1987 to 2002, Mr. Barker owned and operated VertiFan, Inc., which designed and developed vertical take-off and landing aircraft under a U.S. Department of Defense contract. Mr. Barker has been honored for outstanding contributions by the Seattle chapters of the American Societies of Manufacturing Engineers and Automotive Engineers.

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

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

Election of Directors

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

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

Committees

Our Board of Directors does not yet have any committees; however, we intend to establish an audit committee and a compensation/stock option committee in the near future. Additional board members are anticipated to be added in 2013.

Advisory Board Members

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

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

All of the Advisory Board Members are PowerVerde shareholders.

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

Under the securities laws of the United States, our directors, executive officers and any persons holding more than 10% of the Company's common stock are required to report their initial ownership of the Company's common stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to identify in this Report those persons who failed to timely file these reports. All of the filing requirements were satisfied in 2012, except with respect to (i) a Form 4 reflecting a private sale of stock by our former officer and director George Konrad to PowerVerde in April 2011, which was filed in April 2013; (ii) a Form 4 reflecting a private sale of stock by our former officer and director George Konrad to PowerVerde in October 2012, which was filed in April 2013; (iii) a Form 4 for an April 2012 private sale of shares to PowerVerde by Mr. Barker, which Form 4 was filed in May 2012; and (iv) a Form 4 for a July 2012 private sale of shares to a third party and a private gift of shares by Mr. Barker, which Form 4 was filed in September 2012. In making this disclosure, we have relied solely on written representations of our directors and executive officers and copies of the reports that have been filed with the Commission.

Code of Ethics

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

ITEM 11. EXECUTIVE COMPENSATION.

Through May 2013, we have not paid any compensation to officers or directors in such capacity; however, we have periodically engaged the services of Messrs. Konrad (through ARD) and Barker to perform certain services at a rate of $60 per hour. On February 1, 2011, we entered into a Contracted Consulting Services Agreement with PowerVerde Consulting Services, Inc., which is wholly-owned by Mr. Barker, whereby his company received a $5,000 relocation fee and received $6,000 per month for his services beginning February 15, 2011, subject to termination at any time by either party upon written notice to the other. Mr. Barker's services were terminated effective August 2011. In 2011, ARD and Mr. Barker received payments for services of $60,000 and $24,000, respectively. Mr. Konrad also has received $10,000 per month since April 2011 pursuant to his employment agreement described below. Since becoming PowerVerde officers, Messrs Davis and Hofmann have not received any salary or other cash compensation for services in that capacity except that, in June 2011, Messrs. Davis and Hofmann received three-year warrants to purchase 600,000 and 200,000 shares, respectively, of our common stock, at a price of $1.05 per share (the market price on the date of grant). In addition, in March 2013, Messrs' Davis and Hofmann received five-year warrants to purchase 1,000,000 and 500,000 shares, respectively, of our common stock, at a price of $.30 per share (the market price on the date of grant). In March 2012, in exchange for his interest in Cornerstone, our then officer and director Bryce Johnson received 1,575,000 shares of our restricted common stock and three-year warrants to purchase 150,000 shares of our common stock at exercise prices of $2.00, $3.00 and $4.00 as to 50,000 shares each. Mr. Johnson resigned from his positions with PowerVerde in March 2013.

Employment Agreements

Effective January 1, 2011, we entered into an employment agreement with Keith Johnson, pursuant to which Mr. Johnson served as our Chief Technical Officer. The agreement was amended as of June 15, 2011. Pursuant to this agreement, we paid Mr. Johnson a salary of $12,500 per month (which was increased from $10,000 effective June 15, 2011). We also paid Mr. Johnson a $5,000 signing bonus. This agreement was terminable by either party without cause upon 30 days' prior written notice. In connection with the initial employment agreement, we granted Mr. Johnson, in January 2011, a 10-year option to purchase 1,350,000 shares of our common stock at a price of $.59 per share (the market price on the date of grant). One fourth of this option, *i.e.*, 337,500, shares vested as of the date of the employment agreement and the balance vested in equal installments every six months thereafter until fully vested, provided that he is still employed by us at this time. In connection with the June 2011 amendment, we granted Mr. Johnson a 10-year option to purchase 100,000 shares of our common stock at a price of $1.23 per share (the market price on the date of grant) and a 10-year option to purchase 100,000 shares of our common stock at an exercise price of $2.00 per share. One-fourth of these option shares, i.e., 50,000 shares, vested as of the date of the amended employment agreement and the balance vests in equal installments every six months thereafter until fully vested, provided that he is still employed by us at the time and subject to PowerVerde achieving certain operational targets. Additionally, in connection with his employment agreement, Mr. Johnson assigned certain intellectual property rights to the Company, including rights under U.S. Patent Application 61/424,249 filed on December 17, 2010. The employment agreement contains standard confidentiality provisions, as well as standard non-competition and non-solicitation provisions which survive for two years following termination of employment.

In September, 2012, Mr. Johnson resigned from his position with PowerVerde. See Item 3 "Legal Proceedings."

On April 7, 2011, in order to enhance our ability to raise capital and limit dilution of our stockholders, we entered into an agreement with our co-founder George Konrad, pursuant to which Mr. Konrad agreed to surrender to our treasury 4,500,000 shares of our common stock owned by him since inception in exchange for our (i) entering into an employment agreement with him; and (ii) agreeing to pay to his company, ARD, $200,000, representing the cost of certain equipment owned by ARD which was principally used by us.

Consequently, on April 7, 2011, we entered into a two-year employment agreement with Mr. Konrad, pursuant to which Mr. Konrad serves as our President. Pursuant to this employment agreement, we paid Mr. Konrad a salary of $10,000 per month. The employment agreement contained standard confidentiality provisions, as well as standard non-competition and non-solicitation provisions which survive for two years following termination of employment.

On August 19, 2011, we amended our agreement with Mr. Konrad dated as of April 7, 2011, relating to his surrender to the Company's treasury of 4,500,000 shares of common stock (the "Original Agreement"). Pursuant to this amendment, we extended the due date for payment of $200,000 to be made to Mr. Konrad's company, ARD, under the Original Agreement to on or before April 7, 2013, except that the payment was required to be made within 30 days following the earlier of (i) a closing of a financing transaction by PowerVerde which involves gross proceeds equal to or greater than $2 million; (ii) a closing of a Sale Transaction (as defined below); or (iii) a determination by our Board of Directors, in its sole and absolute discretion, that PowerVerde has sufficient cash available for operations and appropriate reserves after making such payment to ARD. The term "Sale Transaction" as used in the amended agreement means (i) a sale of all or substantially all of our assets; or (ii) any merger or consolidation of PowerVerde with or into another entity or any other transaction or series of transactions, the result of which is that the holders of PowerVerde's voting stock immediately prior to such transaction or series of transactions continue to hold less than 50% of such stock following such transaction or series of transactions.

On October 16, 2012, in order to enhance our ability to raise capital and limit dilution of our stockholders, as well as to satisfy our obligations to ARD for past services and Mr. Konrad under the agreement dated April 7, 2011 as amended August 19, 2012 (the "Initial Agreement") and the employment agreement between Mr. Konrad and the Company dated April 7, 2011 (the "Employment Agreement"), we entered into an agreement (the "Settlement Agreement") with Mr. Konrad and ARD, pursuant to which Mr. Konrad agreed to surrender to our treasury 3,000,000 shares of our common stock owned by him in exchange for payment of $530,000. Of this amount, $130,000 was paid to ARD and $300,000 was paid to Mr. Konrad upon execution of the Settlement Agreement, and we agreed to pay $100,000 to Mr. Konrad in six consecutive monthly installments of $16,666.67 each due on the 16th day of each month beginning November 16, 2012. In the event any part of the $100,000 balance remains unpaid six months after the date of the Settlement Agreement, Mr. Konrad has an option to convert some or all of the unpaid balance into shares of the Company's common stock at a price of .0667 per share, subject to appropriate adjustment for any future stick splits, stock dividends, etc. The execution of the Settlement Agreement terminated both the Initial Agreement and the Employment Agreement, and neither party has any further obligations or liabilities under those agreements. Due to our limited cash resources, as of the date of this report we have paid to Mr. Konrad only $ 16,667 of the $100,000 balance owed under the Settlement Agreement.

Pursuant to the Settlement Agreement, Mr. Konrad resigned from his positions as President and Director of PowerVerde. He was not replaced in either position.

Effective June 15, 2011, we entered into an employment agreement with Mark P. Prinz, pursuant to which Mr. Prinz serves as a Project Engineer. Pursuant to this agreement, we pay Mr. Prinz a salary of $11,250 per month, and we paid him a one-time signing bonus of $5,000. This agreement is terminable by either party without cause upon 30 days' prior written notice. In connection with this employment agreement, we agreed to issue to Mr. Prinz 100,000 shares of restricted common stock and granted Mr. Prinz (i) a 10-year option to purchase 100,000 shares of our common stock at a price of $1.23 per share (the market price on the date of grant); and (ii) a 10-year option to purchase 100,000 shares of our common stock at a price of $2.00 per share. In each case, one-fourth of the option shares, *i.e.*, 25,000 shares, vested as of the date of the employment agreement, and the balance vests in equal installments every six months thereafter until fully vested, provided that Mr. Prinz is still employed by us at the time and subject to PowerVerde achieving certain operational targets. Additionally, in connection with this employment agreement, Mr. Prinz assigned certain intellectual property rights to the Company. The employment agreement contains standard confidentiality provisions, as well as standard non-competition and non-solicitation provisions which survive for two years following termination of employment. In March 2013, we issued to Mr. Prinz the intial 100,000 shares and 100,000 additional shares of restricted stock, increased his $2.00 options to 200,000 shares and vested all of his options.

On October 25, 2012, we entered into a consulting agreement with Hank Leibowitz, the principal of Waste Heat Solutions, LLC and an expert with 39 years experience in the field of advanced energy systems. Pursuant to this consulting agreement, which is terminable by either party on 30 days' notice, we pay to Mr. Leibowitz's company, Waste Heat Solutions, $5,000 per month through February 2013 and $7,500 per month thereafter. In connection with this consulting agreement, we issued to Waste Heat Solutions (i) a fully vested 10-year option to purchase 500,000 shares of common stock at $.56 per share and (ii) a 10-year option, vesting six months from the contract date, i.e., on April 25, 2013, to purchase an additional 500,000 shares at $.56 per share. This consulting agreement contains standard confidentiality provisions, as well as standard non-competition and non-soliciting provisions which survive for two years following termination of the consultancy.

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

In March 2013, we issued to our Chief Executive Officer, Richard H. Davis, and our Chief Financial Officer, John L. Hofmann, warrants to purchase common stock at an exercise price of $.30 per share (the market price on the date of the grant) in the amounts of 1,000,000 and 500,000 shares, respectively.

Compensation of Directors

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

Indemnification of Directors and Officers

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

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

The following table sets forth certain information as of May 13, 2013, regarding the beneficial ownership of our common stock by (i) each of our directors and "named executive officers"; and (ii) all of our executive officers and directors as a group. To our knowledge, no other person beneficially owns more than 5% of our common stock. As of May 13, 2013 we had 26,400,106 shares outstanding.

Name and Address of Beneficial Owner	Shares Owned	Percent of Class
George Konrad[1] 21615 N Second Avenue Phoenix, AZ 85027	4,054,074	15.59%
Bryce Johnson[2] 7595 E. Gray Road Scottsdale, Arizona 85266	1,725,000	6.59%
Officers and Directors		
Fred Barker[3] 21615 N Second Avenue Phoenix, AZ 85027	1, 695,990	6.52%
Richard H. Davis[4] 8365 SW 168 Terrace Palmetto Bay, FL 33157	2,003,033	7.25%
John L. Hofmann[5] 420 S. Dixie Highway, Suite 4B Coral Gables, Florida 33146	700,000	2.62%
All Directors and Executive Officers as a group (3 persons)[6]	4,399,023	15.54%

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

[2] Mr. Johnson resigned as an officer and director in March 2013. Includes 150,000 shares represented by currently exercisable warrants.

[3] Mr. Barker's shares are owned by Mr. Barker and his wife as joint tenants.

[4] Mr. Davis' shares include: 1,600,000 shares represented by currently exercisable warrants, 114,033 shares owned by Mr. Davis' wife, as to which he disclaims beneficial ownership, and 10,000 shares owned by Darby Shore Management, Inc., a Florida corporation ("Darby"), for which Mr. Davis is an officer, director and 25% shareholder. Mr. Davis may be deemed to have voting and investment power over these shares held by Darby.

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

[6] Includes 2,300,000 shares represented by currently exercisable warrants.

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

See Item 2. "Properties" and Item 11. "Executive Compensation."

In April 2012, Mr. Barker sold 100,000 shares of common stock held by him through PowerVerde Consulting Services Inc., to PowerVerde for a price of $25,000 ($.25 per share). The 100,000 shares of common stock were surrendered to our treasury.

In May 2012, Mr. Barker sold 450,000 shares of common stock to PowerVerde for a price of $90,000 ($.20 per share). The 450,000 shares of common stock were surrendered to our treasury. The purchase price was payable $10,000 at closing and $10,000 per month through January 2013. As of the date of this Report, $33,000 of the purchase price remains due.

Since July 2010, Mr. Hofmann's accounting firm, J.L. Hofmann & Associates, P.A. ("JLHPA") has provided financial consulting and accounting services to PowerVerde. We paid a total of $89,555 to JLHPA in 2012.

We do not have any independent directors, as Mr. Barker is an officer and principal shareholder, and Mr. Davis is an officer and works for our investment banking firm. We intend to seek qualified independent directors to serve on our Board of Directors by the end of 2013.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The firm of Cherry Bekaert LLP, Certified Public Accountants ("CB") was designated by our Board of Directors to audit the consolidated financial statements of our company for the fiscal years ended December 31, 2012 and 2011. The following table summarizes the aggregate fees billed and expected to be billed to us by CB for the fiscal years ended December 31, 2012 and 2011, respectively:

Principal Accountant Fees and Service

	2012	2011
Audit Fees	$ 43,000	$ 40,500
Total	**$ 43,000**	**$ 40,500**

Audit Fees

The aggregate fees billed and expected to be billed by CB for professional services rendered for the fiscal years ended 2012 and 2011, respectively, including fees associated with the annual audit, the reviews of the consolidated financial statements included in our Forms 10-K, the reviews of the quarterly reports on Form 10-Q, fees related to filings with the Securities and Exchange Commission and consultations on accounting issues and the application on new accounting pronouncements were approximately $43,000 and $40,500, respectively.

Tax Fees

The aggregate fees billed or expected to be billed by John L. Hofmann & Associates P.A. for tax compliance, tax advice and tax planning rendered to the Company for each of the fiscal years ended December 31, 2012 and 2011 were approximately $2,000.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

See Exhibit Index and Financial Statements Index, below.

PowerVerde, Inc.
Annual Report on Form 10-K
Year Ended December 31, 2012

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of Vyrex Corporation as filed with the Delaware Secretary of State on September 8, 2005. [1]
3.2	Bylaws of Vyrex Corporation, dated as of September 9, 2005. [1]
3.3	Amended and Restated Certificate of Incorporation of Vyrex Corporation as filed with the Delaware Secretary of State on August 14, 2008. [2]
10.1	Agreement and Plan of Merger, dated as of February 11, 2008 by and among Vyrex Corporation, Vyrex Acquisition Corporation and PowerVerde, Inc. [1,3]
10.2	Services Agreement dated as of February 11, 2008, between PowerVerde, Inc., and Fred Barker d/b/a Barker Engineering. [1]
10.3	Services Agreement dated as of February 11, 2008, between PowerVerde, Inc. and Arizona Research and Development, Inc. [1]
10.4	Intellectual Property Transfer Agreement dated as of March 4, 2009, between PowerVerde, Inc. and Edward C. Gomez. [6]
10.6	Contracted Consulting Services Agreement dated February 1, 2011, between PowerVerde, Inc., and PowerVerde Consulting Services, Inc. [7]
10.8	Employment Agreement dated January 1, 2011, between PowerVerde, Inc., and Keith Johnson. [7]
10.9	Agreement dated April 7, 2011, between PowerVerde, Inc. and George Konrad. [7]
10.10	Employment Agreement dated April 7, 2011, between PowerVerde, Inc. and George Konrad. [7]
10.11	Employment Agreement dated as of June 15, 2011, between PowerVerde, Inc. and Mark P. Prinz [8]

10.13	Amended and Restated Employment Agreement dated as of June 15, 2011, between PowerVerde, Inc. and Keith Johnson.[8]
10.14	Amendment to Agreement dated August 19, 2011, between PowerVerde, Inc. and George Konrad.[8]
10.15	License Agreement dated as of September 29, 2011, between PowerVerde, Inc. and Newton Investments BV. [9]
10.16	Binding Letter of Intent for Acquisition dated November 1, 2011, between PowerVerde, Inc., Bryce Johnson, Paul Kelly and Vince Hils. [10,]
10.17	Agreement dated February 9, 2012, by and between PowerVerde, Inc. and Newton Investments B.V.[11]
10.18	Membership Interest Purchase Agreement between PowerVerde, Inc., Bryce Johnson, Paul Kelly and Vince Hils dated March 30, 2012. [12]
10.19	Agreement dated October 16, 2012, among PowerVerde, Inc., George Konrad and Arizona Research and Development Inc. [13]
10.20	Consulting Agreement between the Company and Waste Heat Solutions LLC dated October 25, 2012. *
10.21	Form of Series A Secured Promissory Note dated December 2012. *
10.22	Security Agreement between PowerVerde Inc. and Series A Note holders dated December 31, 2012. *
21.1	Subsidiaries of the Company. [1]
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document**
101 SCH	XBRL Schema Document**
101 CAL	XBRL Calculation Linkbase Document**
101 DEF	XBRL Definition Linkbase Document**
101 LAB	XBRL Labels Linkbase Document**
101 PRE	XBRL Presentation Linkbase Document**

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* Filed herewith.

** The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

[1] Previously filed on Form 8-K filed with the SEC on February 11, 2008.

[2] Previously filed on Schedule 14A filed with the SEC on July 21, 2008.

[3] Nonmaterial schedules and exhibits identified in the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-B. The Company agrees to furnish supplementally to the SEC upon request by the SEC a copy of any omitted schedule(s) or exhibit(s).

[4] Previously filed on Form 10-K for the year ended December 31, 2008 filed with the SEC on April 15, 2009.

[5] Previously filed on Form 10-Q for the quarter ended September 30, 2009 as filed with the SEC on November 17, 2009.

[6] Previously filed on Form 10-K for the year ended December 31, 2009 filed with the SEC on April 14, 2010.

[7] Previously filed on Form 10-K for the year ended December 31, 2010 as filed with the SEC on April 7, 2011.

[8] Previously filed on Form 10-Q/A for the quarter ended June 30, 2011 filed with the SEC on September 8, 2011.

[9] Previously filed on Form 8-K filed with the SEC on September 30, 2011

[10] Previously filed on Form 8-K filed with the SEC on November 7, 2011

[11] Previously filed on Form 8-K filed with the SEC on February 9, 2012.

[12] Previously filed on Form 8-K filed with the SEC on April 5, 2012.

[13] Previously filed on Form 8-K filed with the SEC on October 22, 2012.

SIGNATURES

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

POWERVERDE, INC.

Dated: May 16 , 2013

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

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

Signature	**Title**	**Date**
/S/ Fred Barker	Vice President, Secretary and Director	May 16 , 2013
/S/ Richard H. Davis.	Chief Executive Officer, Director	May 16 , 2013
/S/ John L. Hofmann	Chief Financial Officer	May 16 , 2013

PowerVerde, Inc. and Subsidiary

Annual Report on Form 10-K
Year Ended December 31, 2012

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated balance sheets of PowerVerde, Inc. and Subsidiary (a Development Stage Company), as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended and the period from March 9, 2007 (Date of Inception) to December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PowerVerde, Inc. and Subsidiary as of December 31, 2012 and 2011, and the consolidated results of its operations and its consolidated cash flows for the years then ended and the period from March 9, 2007 (Date of Inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred a net loss of $4,755,050 and $2,553,465 for 2012 and 2011, respectively. At December 31, 2012, current liabilities exceed current assets by $72,721. These factors, and others discussed in Note 2, raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amount and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Cherry Bekaert LLP
Coral Gables, FL
May 16 , 2013

PowerVerde, Inc. and Subsidiary
(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	**2011**
Assets		
Current Assets:		
Cash and cash equivalents	$ 45,283	$ 7,530
Accounts receivable	115,687	18,909
Prepaid expenses	46,641	24,267
Total Current Assets	207,611	50,706
Property and Equipment		
Property and equipment, net of accumulated depreciation of $26,771 and $20,521, respectively	9,559	15,809
Other Assets		
Intellectual Property, net of accumulated amortization of $164,860	494,580	—
Total Assets	$ 711,750	$ 66,515
Liabilities and Stockholders' Equity (Deficiency)		
Current Liabilities		
Accounts payable and accrued expenses	$ 109,568	$ 179,304
Payable to related parties	170,764	—
Total Current Liabilities	280,332	179,304
Long-Term Liabilities		
Derivative Liability	68,250	—
Notes payable to related parties	184,367	180,988
Total Long-Term Liabilities	252,617	180,988
Total Liabilities	532,949	360,292
Stockholders' Equity (Deficiency)		
Common stock:		
100,000,000 common shares authorized, par value $0.0001 per share, 26,011,565 common shares issued and outstanding at December 31, 2012 and 25,624,565 common shares issued and outstanding at December 31, 2011	3,414	3,012
Additional paid-in capital	10,278,331	4,730,724
Treasury stock, 8,550,000 shares at cost	(491,139)	(170,758)
Deficit accumulated in the development stage	(9,611,805)	(4,856,755)
Total Stockholders' Equity (Deficiency)	178,801	(293,777)
Total Liabilities and Stockholders' Equity (Deficiency)	$ 711,750	$ 66,515

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

PowerVerde, Inc. and Subsidiary
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2012 and 2011, and the
period from March 9, 2007 (Date of Inception) to December 31, 2012

	2012	**2011**	**Cumulative from inception through December 31, 2012**
Revenue, Net	$ 193,692	$ 193,391	$ 478,449
Cost of Goods Sold	—	136,925	136,925
Gross Profit	193,692	56,466	341,524
Operating Expenses			
Research and development	1,321,214	994,619	3,328,894
General and administrative	978,818	1,628,739	3,650,430
Goodwill impairment	2,637,760	—	2,637,760
Total Operating Expenses	4,937,792	2,623,358	9,617,084
Loss from Operations	(4,744,100)	(2,566,892)	(9,275,560)
Other Income (Expenses)			
Interest income	—	—	2,401
Interest expense	(14,200)	(10,230)	(357,907)
Other income (expenses)	3,250	23,657	19,261
Total Other Income (Expenses)	(10,950)	13,427	(336,245)
Loss before Income Taxes	**(4,755,050)**	**(2,553,465)**	**(9,611,805)**
Provision for Income Taxes	—	—	—
Net Loss	**$ (4,755,050)**	**$ (2,553,465)**	**$ (9,611,805)**
Net Loss per Share - Basic and Diluted	**$ (0.18)**	**$ (0.10)**	
Weighted Average Common Shares Outstanding - Basic and Diluted	**27,134,392**	**26,338,637**	

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

PowerVerde, Inc. and Subsidiary
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011, and the
period from March 9, 2007 (Date of Inception) to December 31, 2012

	Common Shares	Common Stock	Additional Paid in Capital	Treasury Stock	Deficit Accumulated during the Development Stage	Total Stockholders' Equity
Balance at March 9, 2007 (date of inception)	—	$ —	$ —	$ —	$ —	$ —
Common Stock issued for cash, net of stock issuance costs of $45,398	20,350,000	20,350	659,252	—	—	679,602
Net Loss	—	—	—	—	(274,402)	(274,402)
Balances, December 31, 2007	**20,350,000**	**$ 20,350**	**$ 659,252**	**$ —**	**$ (274,402)**	**$ 405,200**
Sale of common stock at $.50 per share	50,000	50	24,950	—	—	25,000
Stockholder Equity of Vyrex Corporation at merger	1,019,144	102	(479,771)	—	—	(479,669)
Recapitalization of PowerVerde stockholders' equity	(20,400,000)	(20,400)	20,400	—	—	—
Shares issued related to forgiveness of debt and issued for services	275,000	28	249,972	—	—	250,000
Shares issued in exchange for PowerVerde shares	24,588,734	2,459	(2,459)	—	—	—
Warrants issued with debt	—	—	299,984	—	—	299,984
Net loss	—	—	—	—	(829,556)	(829,556)
Balances, December 31, 2008	**25,882,878**	**$ 2,589**	**$ 772,328**	**$ —**	**$ (1,103,958)**	**$ (329,041)**
Sale of common stock at $.75 per share, net of stock issuance costs of $85,000	1,266,667	126	864,874	—	—	865,000
Common stock issued on conversion of debt	378,521	38	189,223	—	—	189,261
Common stock issued for services	75,000	8	56,242			56,242
Net loss	—	—	—	—	(890,980)	(890,980)
Balances, December 31, 2009	**27,603,066**	**$ 2,761**	**$ 1,882,667**	**$ —**	**$ (1,994,938)**	**$ (109,510)**
Sale of common stock at $.75 per share, net of stock issuance costs of $85,000	439,999	43	296,958	—	—	297,001
Net loss	—	—	—	—	(308,352)	(308,352)
Balances, December 31, 2010	**28,043,065**	**$ 2,804**	**$ 2,179,625**	**$ —**	**$ (2,303,290)**	**$ (120,861)**

Sale of common stock at $.75 per share, net of stock issuance costs of $150,000	2,000,000	200	1,349,800	—	—	1,350,000
Stock-based compensation	—	—	466,907	—	—	466,907
Warrants issued for services	—	—	612,150	—	—	612,150
Warrants exercised	81,500	8	122,242	—	—	122,250
Treasury stock	(4,500,000)	—	—	(170,758)	—	(170,758)
Net loss	—	—	—	—	(2,553,465)	(2,553,465)
Balances, December 31, 2011	**25,624,565**	**$ 3,012**	**$ 4,730,724**	**$ (170,758)**	**$ (4,856,755)**	**$ (293,777)**
Sale of 906,000 shares of common stock at $1.00 per share, 450,000 at $.715 per share and 396,000 shares at $.43 per share, net of stock issuance costs of $139,803	1,752,000	176	1,258,052	—	—	1,258,228
Issuance of warrants for settlement with Newton	—	—	262,700	—	—	262,700
Stock-based compensation	—	—	658,381	—	—	658,381
Issuance of common stock at $1.37 per share for Cornerstone acquisition	2,260,000	226	3,095,974	—	—	3,096,200
Issuance of warrants for Cornerstone acquisition	—	—	201,000	—	—	201,000
Cancellation of shares issued for services to Del Mar Consulting	(75,000)	—	—	—	—	—
Warrants issued in connection with notes payable to related party	—	—	71,500	—	—	71,500
Treasury stock	(3,550,000)	—	—	(320,381)	—	(320,381)
Net loss	—	—	—	—	(4,755,050)	(4,755,050)
Balances, December 31, 2012	**26,011,565**	**$ 3,414**	**$ 10,278,331**	**$ (491,139)**	**$ (9,611,805)**	**$ 178,801**

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

PowerVerde, Inc. and Subsidiary
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011, and the
period from March 9, 2007 (Date of Inception) to December 31, 2012

	2012	**2011**	**Cumulative from inception through December 31, 2012**
Cash Flows from Operating Activities			
Net loss	$(4,755,050)	$(2,553,465)	$ (9,611,805)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	171,110	7,418	191,631
Amortization of discount	13,521	10,230	353,213
Stock based compensation	658,381	466,907	1,181,530
Goodwill impairment	2,637,760	—	2,637,760
Warrants issued for services	—	612,150	612,150
Warrants issued for settlement	262,700	—	262,700
Gain on re-measurement of derivative liability	(3,250)	—	(3,250)
Changes in operating assets and liabilities			
Accounts receivable and prepaid expenses	(119,152)	(37,826)	(162,328)
Accounts payable and accrued expenses	(69,736)	25,413	(120,964)
Payable to related parties	159,611	—	159,611
Cash Used in Operating Activities	**(1,044,105)**	**(1,469,173)**	**(4,499,752)**
Cash Flows From Investing Activities			
Purchase of property and equipment	—	(11,193)	(36,330)
Cash acquired in business acquisition	—	—	872
Cash Used in Investing Activities	**—**	**(11,193)**	**(35,458)**
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	1,398,031	1,622,250	5,050,281
Proceeds from notes payable to related parties	325,000	—	625,000
Payment of line of credit	—	—	(50,000)
Payment of note payable to related parties	(180,989)	—	(271,206)
Purchase of treasury stock	(320,381)	—	(320,381)
Payment of stock issuance costs	(139,803)	(150,000)	(453,201)
Cash Provided by Financing Activities	**1,081,858**	**1,472,250**	**4,580,493**
Net Increase in Cash and Cash Equivalents	**37,753**	**(8,116)**	**45,283**
Cash and cash equivalents at Beginning of Period	**7,530**	**15,646**	**—**
Cash and cash equivalents at End of Period	**$ 45,283**	**$ 7,530**	**$ 45,283**
Supplemental Disclosure of Cashflow Information			
Cash Paid for Interest	$ —	$ —	$ 24,221
Cash Paid for Income Taxes	$ —	$ —	$ —

Supplemental Schedule of Non-Cash Financing

Common stock issued for convertible debt	$ —	$ —	$ 189,261
Common stock issued for services	$ —	$ —	$ 56,250
Common stock issued for acquisition of Cornerstone Conservation Group, LLC	$ 3,096,200	$ —	$ 3,096,200
Warrants issued in connection with acquisition of Cornerstone Conservation Group, LLC	$ 201,000	$ —	$ 201,000
Purchase of treasury stock with long-term related party payable	$ 72,000	$ 170,758	$ 242,758
Warrants issued in connection with debt	$ —	$ —	$ 299,984
Issuance of warrants as part of notes payable to related party of which $71,500 was classified as additional paid in capital and $71,500 was classified as a derivative liability	$ 143,000	$ —	$ 143,000
Common stock issued in connection with debt forgiveness and services rendered	$ —	$ —	$ 250,000

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Business

PowerVerde, Inc. (the Company) is a “C” Corporation organized under the Laws of Delaware with operations in Scottsdale, Arizona. The Company’s two founders, now its largest shareholders, have conceived and developed the use of a power systems patent. The Company is in the development stage and it is presently undertaking research and development on a power generating system.

On February 11, 2008, Vyrex Corporation (“Vyrex” or the “Company”); PowerVerde, Inc. (“PowerVerde”) and Vyrex Acquisition Corporation (“VAC”), a wholly-owned subsidiary of Vyrex, all Delaware corporations, entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, on February 12, 2008, VAC merged with and into PowerVerde, with PowerVerde remaining as the surviving corporation and a wholly-owned subsidiary of Vyrex (the “Merger”). As consideration for the Merger, as of the closing of the Merger, each issued and outstanding share of common stock of PowerVerde was converted into the right to receive 1.2053301 shares of the common stock of Vyrex and each share of VAC was converted into one share of PowerVerde common stock. As a result of the Merger, the former shareholders of PowerVerde hold 24,588,734 shares, or 95%, of the common stock of Vyrex. Pursuant to the Merger Agreement, PowerVerde paid $233,000 in accounts payable and other liabilities owed by Vyrex. The total purchase price of the transaction of $401,894 includes $60,000 of transaction costs related to the Merger.

In addition, immediately prior to execution of the Merger Agreement, Vyrex paid a $200,000 promissory note through the issuance of 250,000 shares of common stock and issued an additional 25,000 shares of common stock as payment for certain consulting and administrative services.

At a stockholder meeting held on August 6, 2008, the Company’s stockholders approved (i) the change of the Company’s name to “PowerVerde, Inc.” and (ii) the Amended and Restated Certificate of Incorporation filed as an exhibit to the Company’s report on Form 10-Q for the quarter ended June 30, 2008. Immediately prior to the filing of the Certificate changing the Company’s name, the name of the Company’s operating subsidiary was changed from “PowerVerde, Inc.” to “PowerVerde Systems, Inc.”

Note 2 – Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has had recurring operating losses and negative cashflows from operations. Those factors, as well as uncertainty in securing additional funds for continued operations, create an uncertainty about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

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

Development Stage Company

The Company is a development stage company as defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, "Development Stage Entities". The Company is devoting substantially all of its present efforts to establish a new business and none of its planned principal operations have commenced. All losses accumulated since inception has been considered as part of the Company's development stage activities.

Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of balances due from sales and royalties. The Company monitors accounts receivable and provides allowances when considered necessary. At December 31, 2012 and 2011, accounts receivable were considered to be fully collectible. Accordingly, no allowance for doubtful accounts was provided.

Revenue Recognition

Sales revenues and associated cost of sales are recognized when title of the goods sold pass to the buyer, when shipped and when accounts receivable are determined to be reasonable collectable. Certain sales agreements also require installation and training by PowerVerde once goods are received and accepted by the customer. The Company does not consider these agreements multiple elements arrangements as defined by ASC 605-25 "Revenue Recognition", as the Company does not offer installation or training as services separate from the sale of its products at this time. Therefore, a "best estimate of selling price" or individual pricing in accordance with ASC 605-25 is undeterminable. The Company defers all revenues and costs of sales until the agreement is 100% complete.

Licensing and royalty revenue from royalty agreements is recognized in accordance with the terms of the specific agreement.

Property and Equipment

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

Intellectual Property and Goodwill

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

The Company assesses goodwill for potential impairment at the end of each fiscal year, or during the year if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the asset. In evaluating goodwill for impairment, first qualitative factors are assessed to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If it is concluded that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of the goodwill assigned to the reporting unit is required. However, if it is concluded that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any.

In the first step of the review process, the estimated fair value of the reporting unit is compared with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed.

If the estimated fair value of the reporting unit is less than its carrying amount, a second step of the review process is performed in order to calculate the implied fair value of the reporting unit goodwill in order to determine whether any impairment is required. The implied fair value of the reporting unit goodwill is then calculated by allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company then recognizes an impairment loss for that excess amount. (see Note 7)

Stock-based compensation

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

Common Stock Purchase Warrants

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

Accounting for Uncertainty in Income Taxes

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

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2009, 2010 and 2011, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2012.

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

Research and Development Costs

The Company's research and development costs are expensed in the period in which they are incurred. Such expenditures amounted to $1,321,214 and $994,619 for the year ended December 31, 2012 and 2011, respectively.

Earnings (Loss) Per Share

Earnings (loss) per share is computed in accordance with FASB ASC Topic 260, "Earnings per Share". Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Certain common stock equivalents were not included in the earnings (loss) per share calculation as their effect would be anti-dilutive. Warrants exercisable for 6,050,999 shares and options for 2,750,000 shares were excluded from weighted average common shares outstanding on a diluted basis.

Financial instruments

The Company carries cash and cash equivalents, accounts receivable, accounts payable and accrued expenses at historical costs. The respective estimated fair values of these assets and liabilities approximate carrying values due to their current nature. The Company also carries notes payable to related parties at historical cost less discounts from warrants issued as loan financing costs.

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities in accordance with GAAP which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain other financial instruments and contracts, such as debt financing arrangements and freestanding warrants with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

The Company uses the Black-Scholes option valuation technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to measure the fair value of these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the Company's trading market price and the trading market price of various peer companies, which have historically had high volatility. Since derivative financial instruments are initially and subsequently carried at fair value, the Company's income will reflect the volatility in these estimate and assumption changes.

The Company reports its derivative liabilities at fair value on the accompanying consolidated balance sheet as of December 31, 2012. There were no derivative liabilities as of December 31, 2011.

Use of Estimates

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

Note 4 – Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Updates ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350), Testing Goodwill for Impairment* ("ASU 2011-08"), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 was effective for the Company beginning January 1, 2012. The adoption of ASU 2011-08 did not have a material impact on the consolidated financial statements.

In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-11 "Disclosures about offsetting Assets and Liabilities" requiring additional disclosure about offsetting and related arrangements. ASU 2011-11 is effective retrospectively for periods beginning on or after January 1, 2013. The adoption of ASU 2011-11 will not have a material impact on the Company's future financial position, results of operations or liquidity.

In July 2012, the FASB issued ASU 2012-02- "Testing Indefinite- Lived Intangible Asserts for Impairment" ("ASU 2012-02") in order to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance. The new guidance allows an entity the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. ASU 2012-02 became effective for the Company on October 1, 2012, and earlier adoption is permitted. The adoption did not have a material impact on its consolidated financial statements.

Note 5 – Acquisition

On March 30, 2012, the Company purchased 100% of the membership interests of Cornerstone Conservation Group LLC ("Cornerstone") pursuant to a Membership Interest Purchase Agreement (the "Agreement"). Cornerstone's main asset is its proprietary Combined Cooling, Heating and Power ("CCHP") technology, which utilizes waste heat from commercial and residential heating, ventilation air conditioning and refrigeration ("HVACR") systems. Cornerstone also has substantial experience and technology relating to geothermal or ground source heat pumps. In January 2012, the Company moved its operations to a 5,000 square foot facility in Scottsdale, Arizona, owned by one of the sellers, who became an officer and director in connection with the Cornerstone transaction. The Company used the facility rent free of charge for two months. Since March 2012, the Company has been using the facility at a cost of $700 per month which covers overhead costs.

In consideration for the 100% membership interests in Cornerstone, the Company issued 2,260,000 shares of the Company's common stock (valued at $1.37 per share, the closing price on March 30, 2012) to the selling members of Cornerstone and issued to the sellers fully vested three–year warrants to purchase an aggregate of 300,000 shares of the Company's common stock as follows:

(i) 100,000 shares at an exercise price of $2.00 per share, exercisable beginning January 1, 2012, through December 31, 2016;

(ii) 100,000 shares at an exercise price of $3.00 per share, exercisable beginning July 1, 2012, through June 30, 2017; and

(iii) 100,000 shares at an exercise price of $4.00 per share, exercisable beginning January 1, 2013, through December 31, 2017.

The estimated fair value of the total warrants issued in connection with the acquisition of Cornerstone was $201,000 which was calculated using the Black-Scholes option valuation method with the following assumptions: a risk free interest rate of 1.04 percent, an estimated volatility of 79.1 percent and no dividend yield. The total present value of all consideration expected to be paid as part of this agreement was $3,297,200.

The following summarizes the fair values of the assets acquired:

Intangible asset – Intellectual Property	$ 659,440
Goodwill	2,637,760
Total assets acquired	3,297,200
Aggregate purchase price	$ 3,297,200

The assets acquired were recorded based on estimates of their fair values determined by management, based on information then available and on assumptions as to future operations.

For the period ending December 31, 2012, amortization expense and accumulated amortization of the intangible asset- intellectual property was $164,860.

The following unaudited pro forma financial information presents the combined results of operations of the Company and Cornerstone as if the acquisition had occurred as of January 1, 2012. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed as of January 1, 2012. In addition, the unaudited pro forma financial information is not indicative of, nor does it purport to project, the future financial position or operating results of PowerVerde. The unaudited pro forma financial information excludes acquisition and integration costs and does not give effect to any estimated and potential cost savings or other operating efficiencies that could result from the acquisition.

	Pro Forma – Unaudited For the years ended December 31	
	2012	**2011**
Revenue	$ 208,300	$ 655,454
Net loss attributable to common shareholders of the Company	$(4,855,754)	$(2,827,079)
Basic and diluted net loss per common share attributable to common shareholders of PowerVerde	$ (0.18)	$ (0.11)

Note 6 – Property and Equipment

A summary of property and equipment at December 31, 2012 and December 31, 2011 is as follows:

	2012	2011	Estimated Useful Lives (in years)
Equipment	$ 25,426	$ 25,426	5
Computer equipment (hardware)	6,975	6,975	3-5
Software	3,929	3,929	3
	36,330	36,330	
Less: Accumulated depreciation	(26,771)	(20,521)	
	$ 9,559	$ 15,809	

The amounts charged to operations for depreciation expense for the year ended December 31, 2012 and 2011 were $6,250 and $7,418 respectively. Depreciation expense from inception through December 31, 2012 was $26,771.

Note 7– Goodwill – Impairment Testing

In accordance with ASU 2011-08, management of the Company undertook a qualitative assessment to determine whether it was more likely than not that the fair value of the assets acquired in the acquisition of Cornerstone Conservation Group were less than the carrying amount assigned to the assets in the acquisition accounting. This assessment resulted in the conclusion that it was more likely than not that the fair value of assets was less than the current carrying amount upon which management proceeded to perform the two-step goodwill impairment test described in ASC 350.

In the acquisition of Cornerstone, significant value was placed upon the substantial experience, proprietary industry knowledge and business acumen of the managing member, and the value that he would bring to the management team of PowerVerde, Inc. This value was recorded as goodwill in the acquisition accounting. The managing member resigned as an officer and director of PowerVerde in the first quarter of 2013. Based on this event, the departure of a key asset of the Cornerstone Acquisition, the Company determined that the implied fair value of the goodwill recorded in the acquisition accounting no longer existed and an impairment charge of $2,637,760 was recognized in December 2012. This charge is reported on the consolidated 2012 statement of operations as an operating expense, Goodwill impairment. As of December 31, 2012, the carrying value of the goodwill was zero.

Note 8– Stockholders' Equity

Warrants

In 2008, the Company issued warrants to purchase 250,000 and 50,000 unregistered shares of the Company's common stock at exercise prices of $1.50 and $2.30 per share, respectively. The warrants expired on various dates through November 2011. At December 31, 2012, 218,500 of these warrants had expired and 81,500 were exercised.

During March through December 2010, the Company issued warrants to purchase 439,999 unregistered shares of the Company's common stock at an exercise price of $0.75 per share in association with stock subscription agreements. These warrants expire on various dates through December 2013. As of December 31, 2012, all of these warrants were outstanding.

During January through December 2011, the Company issued warrants to purchase 2,000,000 unregistered shares of the Company's common stock at an exercise price of $0.75 per share in association with stock subscription agreements. These warrants expire on various dates through 2014. As of December 31, 2012, all of these warrants were outstanding.

The Company issued warrants on June 3, 2011 to various persons, including affiliates of the Company, for services provided to the Company. These warrants covered the purchase of 1,855,000 unregistered shares of the Company's stock at an exercise price of $1.05 per share with a five-year term. These share-based payments have been accounted for in accordance with ASC 815-40 using the Black Scholes warrant pricing model to determine the fair value of each warrant. As of December 31, 2012, all of these warrants were outstanding.

On February 3, 2012, The Company issued warrants to purchase 500,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share with a five-year term for settlement of certain disputed amounts (See Note 8). These share-based payments have been accounted for in accordance with ASC 815-40 using the Black-Scholes warrant pricing model to determine the fair value of each warrant. As of December 31, 2012, all of these warrants were outstanding.

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

During the second quarter of 2012, the Company issued warrants to purchase 335,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share in association with stock subscription agreements. These warrants expire on various dates through 2015. As of December 31, 2012, all of these warrants were outstanding.

During the third quarter of 2012, the Company issued warrants to purchase 71,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share in association with stock subscription agreements. These warrants expire July 30, 2015. As of December 31, 2012, all of these warrants were outstanding.

During the fourth quarter of 2012, the Company issued warrants to purchase 225,000 unregistered shares of the Company's common stock at an exercise price of $1.00 per share in association with stock subscription agreements. These warrants expire October 31, 2015. As of December 31, 2012, all of these warrants were outstanding.

In December 2012, the Company issued warrants to purchase 325,000 unregistered shares of the Company's common stock at an exercise price of $.41 per share in association with the Secured Promissory Note (See Note 10). These warrants expire December 31, 2015. As of December 31, 2012, all of these warrants were outstanding.

Expenses related to warrants issued in conjunction with settlement of certain disputes for the years ended December 31, 2012 and 2011 were $262,700 and $0, respectively.

A summary of warrants issued, exercised and expired during the year ending December 31, 2012 is as follows:

	Shares	**Weighted Average Exercise Price**
Balance at December 31, 2011	4,294,999	0.88
Issued	1,756,000	1.69
Balance at December 31, 2012	6,050,999	1.12

The weighted average grant date fair value of warrants issued during the year ended December 31, 2012 amounted to $1.02 per warrant. The fair value of each warrant granted for equity and debt raises was determined using the Black-Scholes warrant pricing model and the following assumptions:

	December 31, 2012
Risk free interest rate	.32% to 1.04%
Expected term	3-5 years
Annualized volatility	79% to 85%
Expected dividends	—

The expected term of warrants granted is based on historical experience with past warrant holders, and represents the period of time that warrants granted are expected to be outstanding.

The warrant shares referred to above are unregistered shares of the Company's stock and are restricted from trading as defined under Rule 144 of the United States Securities Act of 1933.

Private Placement of Common Stock

In February 2012, the Company raised $500,000 exclusively from accredited European investors (including $275,000 from a Newton affiliate) pursuant to a private placement of 500,000 shares of common stock at a price of $1.00 per share. There were no warrants issued pursuant to this round; however, simultaneously Newton affiliates received three-year warrants to purchase 500,000 shares at $1.00 per share in connections with the settlement of certain claims by and between the Company and Newton.

In the second quarter of 2012, the Company raised gross proceeds of $335,000 through the private placement of 335,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

In the third quarter of 2012, the Company raised gross proceeds of $71,000 through the private placement of 71,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

In the fourth quarter of 2012, the Company raised gross proceeds of $492,030 through the private placement of 396,000 unregistered shares of common stock to accredited investors at $.43 per share and 450,000 shares at $.715 per share. Each investor who purchased the common stock at $.715 per share received a three-year warrant to purchase additional shares of common stock at $1.00 per share for a number of shares equal to one-half of the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

Treasury Shares

On April 7, 2011, 4,500,000 shares of the Company's stock were surrendered to Treasury in exchange for a $200,000 interest-free note payable due in April 2013. The note payable is reported as note payable to related party on the accompanying consolidated balance sheets. In accordance with GAAP, the Company has discounted this obligation at an imputed rate of 8%. The balance was settled on October 16, 2012 with the surrender of 3,000,000 shares of the Company's stock to Treasury in exchange for $530,000 as discussed below.

In April 2012, the Company purchased 100,000 shares of common stock from an affiliate at a price of $.25 per share. Of the $25,000 purchase price, $14,000 was paid in 2011 and the balance in April 2012. The shares have been held as treasury stock from the date of closing.

In May 2012, the Company purchased 450,000 shares of its common stock from an affiliate at a price of $0.20 per share. Of the $90,000 purchase price, $10,000 was paid at closing and the balance is payable $10,000 per month through January 2013. The payable has a balance of $33,000 at December 31, 2012 and is included in "Payable to related parties" in the accompanying condensed consolidated balance sheets. The shares have been held as treasury stock from the date of closing.

On October 16, 2012, 3,000,000 shares of the Company's stock were surrendered to Treasury in exchange for $530,000, $100,000 of which is due in six equal monthly installments, beginning on November 16, 2012. The payable has a balance of $100,000 as of December 31, 2012 and is included in the "Payable to related parties" in the accompanying consolidated balance sheets. In the event that any amount due remains unpaid, some or all amounts can be converted into shares of the Company's stock at a price of $.0667 per share. The shares have been held as treasury stock from the date of closing. As of April 16, 2013, approximately $83,000 remained outstanding. In accordance with ASC 470-20, "Debt with Conversion and Other Options," the Company determined that the non-mandatory conversion feature represents a beneficial conversion feature that should be recorded as equity based on intrinsic value. The offset will be recorded as a discount and netted against the payable during the second quarter of 2013.

Preferred Shares

The Company has 50,000,000 shares of authorized, $0.0001 par value preferred stock. At December 31, 2012 and 2011, no shares had been issued.

Note 9 – Stock Options

Stock option activity for the year ended December 31, 2012, is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2010	—	—	
Granted	1,950,000	0.91	
Expired or forfeited	(200,000)	—	
Options outstanding at December 31, 2011	**1,750,000**	**$ 0.91**	**10.00**
Granted	1,000,000	0.56	10.00
Options outstanding at December 31, 2012	2,750,000	$ 0.78	10.00

During the fourth quarter of 2012, the Company issued to a consultant a 10-year option to purchase 1,000,000 shares of common stock at $.56 per share.

Total stock-based compensation for the years ended December 31, 2012 and 2011 was $658,381 and $466,908 respectively.
The remaining unrecognized stock-based compensation of approximately $121,000 will be recognized as research and development expense in 2013.

10. Notes Payable to Related Parties

In the fourth quarter of 2012, in an effort to raise capital, the Company entered into various Secured Promissory Note agreements with accredited investors, who are also existing stockholders of the Company. As of December 31, 2012, $325,000 was raised. Upon closing, the Company issued to each investor a three-year warrant for the purchase of 325,000 shares (in the aggregate) of the Company's common stock at a price of $.41 per share. On December 1, 2013, the Company will issue an additional three-year warrant for 325,000 shares to each investor at an exercise price equal to the average price of the common stock during the 10 trading days prior to December 1, 2013.

The promissory notes bear interest at the rate of 10% per annum based on a 365-day year. Accrued interest will be paid semi-annually on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. The entire principal balance of the Note, together with all unpaid interest accrued thereon, shall be due and payable on December 31, 2014. In the event the Company defaults on interest and/or principal payments, the Company will use all accounts receivable obtained now or hereafter existing, pursuant to the License Agreement from VDF FutureCeuticals Inc. (the "Licensee"), as collateral.

The Company analyzed the terms of the warrants based on the provisions of ASC 480, “Distinguishing Liabilities from Equity,” and determined that the warrants issued in conjunction with the closing of the notes payable qualified for equity accounting. The warrants that will be issued on December 1, 2013 have been determined to qualify as a derivative liability (see Note 11).

Under guidance in ASC 470, the Company allocated the $325,000 in proceeds proportionately between the Secured Promissory Note and the common stock warrants issued to the note holders based on their relative fair values. The relative fair value of the common stock warrants of $143,000, of which $71,500 was recorded as additional paid in capital and $71,500 was recorded as a derivative liability. The Secured Promissory Note was recorded at the principal amount of $325,000 less a discount of $143,000. This discount was being amortized to interest expense over the term of the Secured Promissory Note to related parties using the effective interest method. The fair value of the common stock warrants issued in conjunction with the Secured Promissory Notes was determined using the Black-Scholes pricing model. The Company determined the fair value of its common stock to be $0.41 per share at each of the dates the warrants were issued.

Upon payment in full of the notes, a $25,000 fee will be paid by the Company to its placement agent, Martinez-Ayme Securities, Inc. As of December 31, 2012, $16,250 has been accrued and is included in accounts payables and accrued expenses in the accompanying consolidated balance sheets.

11. Derivative liabilities

The Company does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain other financial instruments and contracts, such as debt financing arrangements with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

The following table discloses the fair value of the Company’s derivative liabilities as of December 31, 2012 and 2011. The Company held no asset derivatives at either reporting date.

	Liability Derivatives			
	December 31, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Secured Promissory Notes Warrants	Derivative Liabilities	$68,250	Derivative Liabilities	$ —

The following table summarizes liabilities measured at fair value on a recurring basis for the periods presented:

	December 31, 2012				December 31, 2011			
Fair Value Measurements Using:	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Derivative Liabilities	$ —	$68,250	$ —	$68,250	$ —	$ —	$ —	$ —

12. Commitments and Contingencies

On September 29, 2011, the Company entered into a license agreement (the “License Agreement”) with Newton Investments BV. Pursuant to the License Agreement, Newton will, for a period of 10 years, hold the exclusive manufacturing and distribution rights for the Systems in the 27 countries which are currently members of the European Union, subject to Newton’s achieving minimum sales of at least 100 Systems per year beginning in the second year of the License Agreement, payment of a royalty equal to 20% of the gross sales price of each System sold, and other terms and conditions set forth in the License Agreement. Due to ongoing technical problems with the Company’s Systems, the Company has deferred commencement of the minimum sales requirement until the problems are resolved.

On October 25, 2012, the Company entered into a consulting agreement with Hank Leibowitz, the principal of Waste Heat Solutions, LLC, an expert with 39 years' experience in the field of advanced energy systems. Pursuant to this consulting agreement, which is terminable by either party on 30 days' notice, the Company pays Waste Heat Solutions, $5,000 per month through February 2013 and $7,500 per month thereafter. In connection with this consulting agreement, the Company issued to Waste Heat Solutions (i) a fully vested 10-year option to purchase 500,000 shares of common stock at $.56 per share and (ii) a 10-year option, vesting six months from the contract date, i.e., on April 25, 2013, to purchase an additional 500,000 shares at $.56 per share. The fair value of the fully vested option was approximately $182,000 and was recorded as general and administrative expenses in the consolidated statement of operations during 2012. The fair value of the option vesting six months from the contract date was approximately $182,000 of which approximately $61,000 was recorded as research and development expense in the consolidated statement of operations during 2012. The remaining unrecognized expense of approximately $121,000 will be recognized as research and development expense during 2013.

This consulting agreement contains standard confidentiality provisions, as well as standard non-competition and non-soliciting provisions which survive for two years following termination of the consultancy.

Note 11 – Income Taxes

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

The Company did not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The tax years that remain subject to examination by major taxing jurisdictions are those for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

The Company classifies interest and penalties arising from underpayment of income taxes in the consolidated statements of operations as general and administrative expenses. As of December 31, 2012, the Company had no accrued interest or penalties related to uncertain tax provisions.

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

	For the Years ended December 31,	
	2012	**2011**
Deferred tax assets:		
Net operating loss carryforwards	$ 1,690,212	$ 1,063,755
Start-up cost	448,156	440,340
Goodwill	989,819	—
Stock based compensation	686,288	426,228
Other	3,420	4,810
Deferred tax assets	3,817,895	1,935,133
Less valuation allowance	(3,817,895)	(1,935,133)
Net deferred tax assets after valuation allowance	$ —	$ —

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

Rate Reconciliation

Federal income tax at statutory rate	$(1,616,870)
State Tax	(261,553)
Permanent Differences	1,248
Other	(5,587)
Change in Valuation Allowance	1,882,762
	$ (0)

In assessing the ability to realize a portion of the deferred tax assets, management considers whether it is more than likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making the assessment. After consideration of the evidence, both positive and negative, management has determined that a $3,817,895 valuation allowance at December 31, 2012 is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The change in the valuation allowance for the current year is $1,882,762. At December 31, 2012, the Company has available net operating loss carry forwards for federal income tax purposes of $4,279,018 expiring at various times from 2027 through 2032.

Valuation and Qualifying Accounts

Description	**Balance at Beginning of Period**	**Charged to Cost and Expenses**	**Write-offs**	**Other Charges**	**Balance at End of Period**
Deferred tax asset valuation allowance					
Year ended December 31, 2012	$ 1,935,133	$ 1,882,762			$ 3,817,895
Year ended December 31, 2011	$ 910,779	$ 1,024,354			$ 1,935,133

Note 12- Related Party Transactions

See Notes 8 and 10 for discussion of transactions with the Company's Co-Founders, George Konrad and Fred Barker.

Since January 1, 2012, the Company has been using a 5,000 square foot Scottsdale, Arizona, facility owned by Bryce Johnson, the principal Cornerstone seller, who became an officer and director of the Company in connection with the Cornerstone Acquisition. The Company used the facility free of charge for two months. Since March 2012, it has been paying Mr. Johnson $700 per month which covers overhead costs for use of the facility on a month-to-month basis. Mr. Johnson resigned as an officer and director of the Company in March 2013; however, the Company continues to use his facility and expects to continue doing so for at least the next year on the existing terms.

Note 13 – Subsequent Events

In March 2013, the Company issued to its Chief Executive Officer, Richard H. Davis, and its Chief Financial Officer, John L. Hofmann, five-year warrants to purchase common stock at an exercise price of $.30 per share (the market price on the date of grant) in the amounts of 1,000,000 and 500,000 shares, respectively.

In the first quarter of 2013, the Company sold an additional $75,000 principal amount of Series A Secured Promissory Notes. In connection with these Notes, the Company issued warrants to purchase 75,000 shares of common stock and will be obligated to issue warrants to purchase an additional 75,000 shares in December 2013. See Note 10.

Exhibit 10.20

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT ("Agreement") is made and entered into as of the 25th day of October, 2012 (the "Effective Date"), and is by and between POWERVERDE, INC., a Delaware corporation (the "Company"), and WASTE HEAT SOLUTIONS, LLC, a California limited liability company (the "Consultant").

RECITALS

A. HANK LEIBOWITZ, the principal of the Consultant (the "Principal") is an expert in the field of advanced energy systems; and

B. The Principal possesses knowledge and skills which the Company believes will be of substantial benefit to its operations and success; and the Company wishes for the Consultant, through Principal, to provide design engineering consulting and other technical services to the Company according to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the parties agree as follows:

1. Consulting Services. The Company hereby retains the Consultant to provide the services described herein on the terms and conditions set forth herein, and the Consultant agrees to provide such services exclusively through Principal.

2. Duties of Principal. During the Consulting Period (as defined in Section 3, below), the Consultant shall cause the Principal to diligently provide such design engineering and other technical services (the "Services") as may be reasonably assigned to the Principal by the CEO of the Company and to exercise such power and authority as may from time to time be delegated to the Principal by the CEO. The Principal's duties will be described in a Company job description, or will otherwise be determined by the Company after consultation with the Principal. During the Consulting Period, the Principal will faithfully carry out his responsibilities and provide services to the Company on a part-time basis at such hours as may be necessary for the Principal to perform effectively the responsibilities of the position. In addition, the Principal shall act in accordance with (i) standing instructions for the position which may be issued by the Company from time to time; (ii) all reasonable and lawful requests, directions and/or restrictions imposed by the Company; and (iii) all policies of the Company as prescribed from time to time. Upon termination of the Consulting Period, the Principal shall return all Company equipment and other Company property in the Principal's possession, custody or control.

3. Term. The Consultant shall provide the Services to the Company commencing on the Effective Date of this Agreement. The Agreement shall continue for a period of one year (the "Initial Term"), unless this Agreement is terminated first pursuant to Article 6. If not previously terminated, at the end of the Initial Term the Agreement shall be automatically renewed for an additional term of one year, and it shall similarly be renewed on future one-year anniversary dates ("Renewal Terms") until the Agreement is terminated pursuant to Article 6. The entire term of the Agreement (comprised of that part of the Initial Term, and any Renewal Terms, prior to termination) shall be referred to in this Agreement as the "Consulting Period." For all purposes of the Agreement, no termination of the Consulting Period shall be deemed to have occurred if the Consultant's Services are transferred during the Consulting Period to any business entity which is an Affiliate of the Company. As used in this Agreement, the term "Affiliate" means, with respect to any specified person or entity ("Person"), any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

4. Compensation.

(a) *Base Compensation*. The Consultant shall receive compensation from the Company during the Initial Term in the amount of $5000 per month through February 2013 and $7500 per month thereafter (the "Compensation"). The Compensation shall be payable without any deductions by the Company on the first day of each month. Consultant and Principal shall be solely responsible for payment of all income and withholding taxes applicable to the Compensation. After the Initial Term, the Company may increase the Consultant's Compensation in its sole discretion.

(b) *Stock Options*.

(i) The Consultant shall be granted a 10-year option (the "First Option") to purchase from the Company 500,000 shares of Common Stock, at an exercise price of $.56 per share. The parties shall execute a separate Stock Option Agreement (the "First Stock Option Agreement") as of the Effective Date, and the First Stock Option Agreement will more fully describe the Principal's stock option rights. The shares of stock that may be purchased upon the exercise of the First Option shall be fully vested upon the execution of this Agreement.

(ii) The Consultant shall be granted a 10-year option (the "Second Option") to purchase from the Company 500,000 shares of Common Stock, at an exercise price of $.56 per share. The parties shall execute a separate Stock Option Agreement (the "Second Stock Option Agreement") as of the Effective Date, and the Second Stock Option Agreement will more fully describe the Consultant's stock option rights. The shares of stock that may be purchased upon the exercise of the Second Option are referred to in this Agreement as the "Second Option Shares." The Second Option will be exercisable beginning six months from the date of this Agreement, provided that the Principal continues to provide Services to the Company through such date. The Second Option shall terminate in the event that this Agreement is terminated or the Principal ceases performing the Services within six months from the date hereof based on termination by the Company for breach by Consultant or voluntary termination by Consultant.

(iii) The First Option and Second Option shall be transferred to Principal's estate in the event of Principal's death.

(c) *Bonus*.

Consultant shall be eligible for performance-based bonus compensation, to be determined by the Company's Board of Directors in its discretion.

5. Expense Reimbursement.

Subject to such reasonable rules and guidelines as the Company may from time to time adopt for its executives and consultants generally, the Company shall reimburse the Consultant for all reasonable expenses actually paid or incurred by the Consultant during the Consulting Period in the course of and pursuant to the business of the Company. The Consultant shall account to the Company in writing for all expenses for which reimbursement is sought and shall supply to the Company copies of all relevant invoices, receipts or other evidence reasonably requested by the Company.

6. Termination of Agreement.

(a) *Termination*. The Company and/or Consultant shall have the right to terminate this Agreement at any time without Cause immediately upon 30 days' prior written notice thereof. The Company shall have the right to terminate this Agreement at any time for Cause without prior notice thereof. Cause shall include, but is not limited to, the Principal resigning or being removed from the employ of the Consultant, as well as the Principal refusing to provide Services to the Company in accordance with the terms and conditions of this Agreement. The Consulting Period shall terminate automatically upon the dissolution of the Consultant or the Principal's death.

(b) *Payment(s) to Consultant Following Termination*. Upon the termination of this Agreement hereunder for any reason, the Company shall only be obligated to pay to the Consultant on the date of such termination (i) the Consultant's Compensation accrued through the date of termination and (ii) in the event of termination by the Company without cause, three months' Compensation. The Company shall have no further liability hereunder (other than for reimbursement of reasonable business expenses incurred prior to the date of termination, subject, however, to the provisions of Section 5 above).

(c) *Resignation*. Upon any notice of termination of the Agreement pursuant to this Article 6, the Principal or any representative of the Consultant shall automatically and without further action be deemed to have resigned as an officer and/or director of the Company if the Principal or a representative of the Consultant was then serving in any such position, and if required by the Company, the Consultant hereby agrees to cause the immediate execution of a resignation letter by the Principal or Consultant's representative to the Company.

(d) *Survival*. The provisions of this Article 6 shall survive the termination of this Agreement, as applicable.

7. Restrictive Covenants.

(a) *Confidentiality*. Except as required in the performance of the Services, Consultant shall not directly or indirectly use or disclose any Trade Secret Information (as defined below), either during or after the Consulting Period for so long as such information remains Trade Secret Information as defined herein. Except as required in the performance of Consultant's work for the Company, during the Consulting Period and for a period of two years thereafter (the "Restrictive Period"), Consultant shall not directly or indirectly use or disclose any Confidential Information (as defined below), and not circumvent, avoid, bypass, or obviate, directly or indirectly, the intent of this Agreement. The Consultant agrees that the Confidential Information is the exclusive property of the Company and in furtherance thereof, the Consultant covenants with the Company not to engage in any conversations, negotiations, correspondence or any transactions with respect to the Confidential Information, or take any other actions involving the Confidential Information, whether directly or indirectly, or whether on the account of the Consultant and/or Principal or not, which will not be in the best interests of the Company or will not be within the intent of this Agreement, without express written consent of the Company, which consent shall be in the sole discretion of the Company and which consent may be unreasonably withheld.

As used herein, "Trade Secret Information" means any information possessed by the Company which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. For purposes of this Agreement, "Trade Secret Information" includes both information disclosed to Consultant by the Company and information otherwise acquired or developed by Consultant in the course of its service to the Company. As used herein, "Confidential Information" means any information possessed by the Company which is not readily ascertainable by proper means by other persons, regardless of whether such Confidential Information has independent economic value. Any information that Consultant can demonstrate is publicly available through no fault of Consultant or others with a duty or other obligation of confidentiality to the Company (contractual or otherwise), is not Trade Secret Information or Confidential Information within the meaning of this Agreement.

Notwithstanding anything else in this Agreement, Trade Secret Information shall include, but is not limited to: (i) information concerning the Company's management, financial condition, financial operation, purchasing activities, pricing formulas, existing and contemplated products and services, sales activities, marketing research, marketing plans, marketing activities, and business plans; (ii) information acquired or compiled by the Company concerning actual or prospective customers, including, but not limited to, their identities, their business operations, their finances, the identity and quantity of products or services purchased from the Company, and other unpublished information furnished by or about them to the Company; (iii) the Company's software (including source code, object code and related documentation), its software requirements and design documentation, its product development plans, its security procedures, methods and vulnerabilities (including, without limitation, all passwords and user ids), the algorithms, methods and procedures used within the Company's software, and all ideas and proposals, whether generated internally or not, relating to the design, operation, implementation, use and maintenance of the Company's software; (iv) all Inventions (as defined in Section 7(c)(2), below), regardless of whether such Inventions have been reduced to practice or are subject to patent protection; and (v) all other types and categories of information (in whatever form) with respect to which, under all the circumstances, Consultant knows or has reason to know that the Company intends or expects secrecy to be maintained and as to which the Company has made reasonable efforts to maintain secrecy.

The Company may, from time to time, inform Consultant of restrictions upon the use or disclosure of specified information which has been licensed or otherwise disclosed to the Company by third parties pursuant to license or confidential disclosure agreements which contain restrictions upon the use or disclosure of such information. Consultant agrees that such information shall be treated as Confidential Information under this Agreement, and, in addition, Consultant agrees to abide by the restrictions upon use and/or disclosure contained in such agreements.

Consultant shall not directly or indirectly use or disclose to the Company any confidential or proprietary information belonging to others, and Consultant represents that this Agreement does not and will not require the use or disclosure of such information or the violation of any confidential relationship with any third party.

(b) *Other Property of the Company*. All documents, encoded media, and other tangible items provided or made accessible to Consultant by the Company, or generated or created by Consultant in connection with any business activity of the Company, are and shall remain the property of the Company.

Upon termination of this Agreement, Consultant will promptly deliver to the Company all such documents, media, and other items in Consultant's possession, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents, media, items or information contained therein.

Neither Consultant nor Principal will have nor claim any right, title, or interest in any Invention, patent, copyright, trademark, service mark or trade name (or any application released thereto) owned or used by the Company.

(c) *Ownership of Developments*.

(1) *Work Product*. All work, writing, material, copyrights, patents, trade secrets, or other intellectual property rights associated with any ideas, concepts, techniques, Inventions (as defined below), processes, or works of authorship developed or created by Consultant or Principal during the course of performing work for the Company or its clients, including, but not limited to, CHP, CCHP, waste heat systems, Rankin cycle technologies, renewable technologies and power consumption technologies, (collectively, "Work Product") shall belong exclusively to the Company and shall, to the extent possible, be considered a work made by the Consultant for hire for the Company within the meaning of Title 17 of the United States Code; provided, however, that Work Product shall not include developments and creations to the extent that they are applicable to generators with capacity over 300kW ("Large Generators"). To the extent the Work Product may be considered work made by the Consultant for hire for the Company, the Consultant hereby assigns and shall cause the Principal to assign all right title and interest the Consultant and/or Principal has or may have in such Work Product to the Company, and Consultant further agrees to and shall cause the Principal to execute any assignments or similar documents requested by the Company in the future to further evidence and document the Company's rights in and to any Work Product, and to do so without any requirement of further consideration, even if such request is made after this Agreement expires or terminates.

For the purposes of this Section 7(c), "Work Product" shall include, without limitation, all work relating in any way to the business of the Company that is conceived or created, in whole or in part, by the Consultant and/or Principal during the Consulting Period, regardless of whether such creation is performed during normal working hours or with the use of Company equipment, all copies of such work in any medium whatsoever in the Consultant and/or Principal's control or possession, and all derivative works of such work authored in whole or in part by the Consultant and/or Principal, with the exception of work involving Large Generators.

(2) *Inventions*. As used herein, "Invention" means any discovery, improvement, innovation, idea, formula, or shop right (whether or not patentable, whether or not put into writing, and whether or not put into practice) made, generated, or conceived by Consultant and/or Principal (whether alone or with others, whether or not patentable, whether or not put into writing, and whether or not reduced to practice) during the Consulting Period that relates in any way to the Company's products, services, market, business methods, operations or product plans, with the exception of inventions to the extent applicable to Large Generators. For purposes of this Agreement, any Invention relating to the business of the Company or to the Company's actual or demonstrably anticipated research or development with respect to which Consultant and/or Principal files a patent application within one year after termination of the Consulting Period shall be presumed to be an Invention conceived by Consultant and/or Principal during the Consulting Period, rebuttable only by accurate, written and duly corroborated evidence that such Invention was not first conceived by Consultant and/or Principal until after the termination of the Consulting Agreement.

Consultant further agrees and shall cause Principal to agree that all Inventions generated, made or conceived by Consultant and/or Principal during the Consulting Period shall also be solely owned by the Company, and Consultant and Principal hereby irrevocably assign to the Company all of its/his right, title and interest in and to any and all Inventions. Consultant shall promptly disclose all Inventions to the Company in writing.

Consultant further agrees and shall cause Principal to agree to execute any assignments or similar documents requested by the Company to further evidence and document the Company's rights in and to any Inventions, and to cooperate with Company, at the Company's expense, in obtaining letters patent or equivalent protection for such Inventions in any and all locations and jurisdictions Company may choose in its sole discretion throughout the world, and to do so without any requirement of further consideration, even if such request is made after this Agreement expires or terminates.

(d) *Definition of Company*. Solely for purposes of this Article 7, the term "Company" also shall include any existing or future subsidiaries of the Company.

(e) *Covenant Not to Compete*. (i) During the Consulting Period and for one year thereafter, Consultant shall not and shall cause Principal to not, as an employee, officer, director, contractor, broker, distributor, advisor, consultant, or owner, or in any other capacity, directly or indirectly participate or assist in: (A) the design, development, production, marketing or sales of any product or service competitive with any product or service which the Company markets or plans to market at the time of termination of the Consulting Period; or (B) the management or financing of a business enterprise engaged in any such activities. The geographic territory within which Consultant and Principal will refrain from such activities shall be the United States of America, the countries which are members of the European Union and any other geographic territory within which the Company or any Company agent or representative markets or plans to market any such products or services at the time of termination of the Consulting Period ("Restricted Area"). Notwithstanding the foregoing, the restrictions of this Section 7(e) shall not apply to work and business relating to Large Generators. Notwithstanding the foregoing, the restrictions set forth in this Section 7(e) shall not apply in the event that Consultant's services are terminated by the Company without cause.

(f) *Non-Solicitation of Customers*. During the one-year period after the date of termination of the Consulting Period, Consultant shall not and shall cause Principal to not, directly or indirectly, either (i) solicit, divert, take away or accept, or attempt to solicit, divert, take away or accept, the business of any Restricted Customer (as defined below) for any product or service (other than Large Generators) offered by the Company within the Restricted Area; or (ii) attempt or seek to cause any Restricted Customer to refrain, in any respect, from acquiring from or through the Company any product or services (other than Large Generators) offered by the Company within the Restricted Area. As used herein, the term "Restricted Customer" means any customer to whom or to which goods or services were provided by the Company during the two-year period prior to the Consulting Period, and any potential customer of the Company that the Company solicited during the one-year period prior to the date of termination of the Consulting Agreement. Notwithstanding the foregoing, the restrictions set forth in this Section 7(f) shall not apply in the event that Consultant's services are terminated by the Company without cause.

(g) *Non-Solicitation of Employees*. During the one-year period after the date of termination of the Consulting Period, Consultant shall not and shall cause Principal to not, as to work within the Restricted Area, directly or indirectly solicit, request or induce any employee of the Company to terminate employment with the Company and seek employment with another firm other than the Company; provided, however, that a general advertisement in a medium of general public circulation with respect to a particular employment position that is not targeted at any one or more the employees of the Company will not violate the covenants of this Section. Notwithstanding the foregoing, the restrictions set forth in this Section 7(g) shall not apply in the event that Consultant's services are terminated by the Company without cause.

(h) [intentionally deleted]

(i) *Requests for Clarification*. In the event Consultant is uncertain as to the meaning of any provision of this Agreement or its application to any particular information, item or activity, Consultant shall inquire in writing to the CEO of the Company, specifying any areas of uncertainty. The Company will respond in writing within a reasonable time and will endeavor to clarify any subject of uncertainty, including such things as whether it considers particular information to be its Trade Secret Information or whether it considers any particular activity or employment to be in violation of this Agreement.

(j) *Notice to Subsequent Employers and Contractors*. For a period of one year after termination of the Consulting Period, Consultant shall and shall cause Principal to inform any prospective new employer or contractor (before accepting employment or entering into a services agreement) of the terms of this Agreement. In addition, it is agreed that the terms of this Agreement are not confidential, and that the Company may disclose the provisions of this Agreement, without any liability whatsoever, to any person, including, without limitation, one that is engaged in a business relationship with Consultant and/or Principal, and may indicate that it is believed that Consultant and/or Principal is in violation of this Agreement.

(k) *Acknowledgment by Consultant and Principal*. The Consultant acknowledges and confirms and shall cause the Principal to acknowledge and confirm that (i) the restrictive covenants contained in this Article 7 are reasonably necessary to protect the legitimate business interests of the Company; and (ii) the restrictions contained in this Article 7 (including, without limitation, the length of the term of the provisions of this Article 7) are not overbroad, overlong, or unfair and are not the result of overreaching, duress or coercion of any kind.

(l) *Reformation by Court*. In the event that a court of competent jurisdiction shall determine that any provision of this Article 7 is invalid or more restrictive than permitted under the governing law of such jurisdiction, then only as to enforcement of this Article 7 within the jurisdiction of such court, such provision shall be interpreted and enforced as if it provided for the maximum restriction permitted under such governing law.

(m) *Survival*. The provisions of this Article 7 shall survive the termination of this Agreement, as applicable.

8. Injunction. It is recognized and hereby acknowledged by the parties hereto that a breach by the Consultant and/or Principal of any of the covenants contained in Article 7 of this Agreement will cause irreparable harm and damage to the Company, the monetary amount of which may be virtually impossible to ascertain. As a result, the Consultant recognizes and hereby acknowledges that the Company shall be entitled to seek an injunction from any court of competent jurisdiction enjoining and restraining any violation of any or all of the covenants contained in Article 7 of this Agreement by the Consultant and/or the Principal or any of the Consultant and/or Principal's Affiliates, associates, partners or agents, either directly or indirectly, and that such right to injunction shall be cumulative and in addition to whatever other remedies the Company may possess.

9. Assignment. Neither party shall have the right to assign or delegate the Consultant's rights or obligations hereunder, or any portion thereof, to any other person.

10. Governing Law. This Agreement shall be construed and enforced according to the laws of the State of Florida. The parties agree to accept any service of process by mail and accept the exclusive jurisdiction and venue of the state and federal courts located in Miami-Dade County, Florida, with respect to any and all litigation arising out of this Agreement and the Services and transactions contemplated hereby. Each party irrevocably waives any argument to the effect that any such court is an inconvenient forum.

11. Entire Agreement; Amendment. This Agreement and the relevant Stock Option Agreements referred to herein constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the Consultant and/or Principal and the Company (or any of its Affiliates) with respect to such subject matter. This Agreement may not be modified in any way unless by a written instrument signed by both the Company and the Consultant.

12. Notices. All notices required or permitted to be given hereunder shall be in writing and shall be personally delivered by courier, sent by registered or certified mail, return receipt requested or sent by confirmed facsimile transmission addressed as set forth herein. Notices personally delivered, sent by facsimile or sent by overnight courier shall be deemed given on the date of delivery and notices mailed in accordance with the foregoing shall be deemed given upon the earlier of receipt by the addressee, as evidenced by the return receipt thereof, or three days after deposit in the U.S. mail. Notice shall be sent: (i) if to the Company, addressed to PowerVerde, Inc., 420 S. Dixie Highway, Suite 4B, Coral Gables, Florida 33146, Attention: Richard H. Davis, CEO, and (ii) if to the Consultant, addressed to Waste Heat Solutions, LLC 2010 Crow Canyon Pl., Suite 300, San Ramon, CA 94583 Attention: Hank Leibowitz, President, or to such other address as either party hereto may from time to time give notice of to the other.

13. Benefits; Binding Effect. This Agreement shall be for the benefit of and binding upon the parties hereto and their respective heirs, personal representatives, legal representatives, successors and, where applicable, assigns, including, without limitation, any successor to the Company, whether by merger, consolidation, sale of stock, sale of assets or otherwise.

14. Severability. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law.

15. Waivers. The waiver by either party hereto of a breach or violation of any term or provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation.

16. Damages. Nothing contained herein shall be construed to prevent the Company or the Principal from seeking and recovering from the other damages sustained by either or both of them as a result of its or his or her breach of any term or provision of this Agreement. In the event that either party hereto brings suit for the collection of any damages resulting from, or the injunction of any action constituting, a breach of any of the terms or provisions of this Agreement, then each party shall pay its own court costs and attorneys' fees related thereto.

17. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

18. Applicability to Principal Where the context reasonably requires, all references herein to Consultant shall include Principal and vice versa, and Consultant shall cause Principal to comply with all terms and conditions of this Agreement applicable to Consultant.

[***Signatures Begin on Following Page.***]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

COMPANY:

POWERVERDE, INC.

By: /s/ Richard H. Davis
Richard H. Davis, CEO

CONSULTANT:

WASTE HEAT SOLUTIONS, LLC

By: /s/ Hank Leibowitz
Hank Leibowitz, President

JOINDER

The undersigned Principal of Consultant joins in the foregoing Agreement for purposes of Section 7 thereof.

/s/ Hank Leibowitz
Hank Leibowitz

Exhibit 10.21

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT SUCH TRANSFER, FILED AND MADE EFFECTIVE UNDER THE SECURITIES ACT OF 1933 AND SUCH APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY RECEIVES AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY TO THE EFFECT THAT REGISTRATION UNDER SUCH ACT AND SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED.

SERIES A SECURED PROMISSORY NOTE

$________________

Phoenix, Arizona
December 31, 2012

FOR VALUE RECEIVED, PowerVerde Inc., a Delaware corporation (the "Company") promises to pay to the order of ____________________(the "Holder"), at such address as the Holder may designate from time to time, the principal sum of $______________, together with simple interest at the rate of 10% per annum based on a 365-day year and actual days elapsed in the period for which such interest is payable. Accrued interest will be paid semi-annually on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. The entire principal balance of this Note, together with all unpaid interest accrued thereon, shall be due and payable on December 31, 2014 (the "Maturity Date"). Upon payment in full of all principal and interest payable hereunder, this Note shall be surrendered to the Company for cancellation.

The Company may prepay all or any part of the amounts outstanding under this Note without premium or penalty.

The Company waives presentment, demand, notice, protest, and all other demands or notices in connection with the delivery, performance, default or enforcement of this Note. In the event of default hereunder, the Company shall, in addition to other sums due hereunder, pay all costs and reasonable attorneys' fees incurred in connection with any action to collect this Note at the prelitigation, pretrial, trial and appellate levels.

The principal and any interest shall be payable in lawful money of the United States of America at the address of the Holder or at such other place as the legal holder may designate from time to time in writing to the Company.

The Company shall be in default and the Holder may, by notice to the Company, declare the entire unpaid principal amount of the Note and all interest accrued and unpaid thereon due and payable, and the same shall be forthwith due and payable, if the Company fails to make any interest payment due hereunder within 10 days after the due date thereof, fails to pay the principal and interest due on the Maturity Date, suffers an Event of Default under the Security Agreement (as defined below), discontinues its business or suffers a termination of the License Agreement (as defined below), or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as such debts become due, or applies for or consents to the appointment of or taking possession by a trustee, receiver or liquidator (or other similar official) of any substantial part of its property, or commences a case or has an order for relief or liquidation entered against it or has a custodian appointed under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, and such case or order is not dismissed or stayed within 60 days.

The Holder may waive any past default hereunder and its consequences. In the case of any such waiver, the Company and the Holder shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Note, and the interest rate hereon shall not be deemed to have increased; but no such waiver shall extend to any subsequent or other default impair any right consequent thereon.

All references to the “Holder” or the “Company” shall apply to their respective heirs, successors, permittees and assigns. Notwithstanding anything herein to the contrary, this Note may not be assigned or transferred by the Company without the prior written consent of the Holder.

This Note is one of a duly authorized series of secured promissory notes in a maximum aggregate principal amount of $500,000 issued pursuant to a form of Note Purchase Agreement dated as of December ___, 2012 (the “Purchase Agreement”), between the Company and the Investors who are parties thereto. Terms used herein and/or otherwise not defined shall have the meaning set forth in the Purchase Agreement.

This Note is secured by a pledge of revenues under the License Agreement, as set forth in the Security Agreement of even date between the Company, the Note holders and Paul Kelly as agent for the Note holders, and is entitled to the benefits thereof.

This Note shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned has caused this Note to be signed by its duly authorized officer on the day and year first above written.

POWERVERDE INC.

By: /s/ Richard H. Davis

Name: Richard H. Davis

Title: CEO

Exhibit 10.22

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is entered into as of the 31st day of December, 2012, by and between (i) **POWERVERDE INC.**, a Delaware corporation with its principal office located at 420 S. Dixie Highway, Suite 4B, Coral Gables, Florida 33146 (the "Debtor") and (ii) the investors listed on the signature page of this Agreement (the "Investors") acting through Edward C. Gomez as their agent for purposes of this Agreement (the "Agent"), having an address of 6527 Seward Park Avenue S., Seattle, Washington 98118 ("Secured Party").

The parties hereto agree as follows:

1. **SECURITY INTEREST.** Debtor hereby grants to the Secured Party a first priority security interest in the Collateral (as defined in Section **2 below) to secure the full and prompt payment of all obligations of the Debtor to the Secured Party (the "Debt") due under the Series A Secured Promissory Notes of even date in the aggregate principal amount of $500,000 issued by Debtor to Secured Party (the "Notes").**

2. COLLATERAL.

(a) The "Collateral," as used in this Security Agreement, consists of the following:

(i) all of Debtor's accounts receivable now or hereafter existing pursuant to the License Agreement dated as of August 29, 2000, between Debtor and VDF FutureCeuticals Inc. (the "Licensee") as amended through the date hereof, a copy of which is attached as Exhibit "A" (the License Agreement");

(ii) All proceeds and products of the Collateral; provided, however, that for so long as no Event of Default exists hereunder or under the Notes, such proceeds and products may be collected and utilized by Debtor in the ordinary course of business.

(b) The parties agree and acknowledge that the amount and value of the Collateral may change from time to time due to accrual and payment of the subject receivables.

3. **DEBTOR'S REPRESENTATIONS AND WARRANTIES.** Debtor represents and warrants that:

(a) The location where Debtor keeps all of its records concerning the Collateral is at 420 S. Dixie Highway, Suite 4B, Coral Gables, Florida 33146; and

(b) Debtor owns the Collateral free and clear of any liens or encumbrances other than those permitted by this Security Agreement.

4. **AFFIRMATIVE COVENANTS.** Debtor covenants that it will:

(a) Defend the Collateral against the claims and demands of all persons (other than the Secured Party) at any time asserting any right or interest therein;

(b) Pay all costs and expenses incurred by the Secured Party in connection with the Secured Party's exercise of its rights and remedies hereunder, including but not limited to reasonable attorneys' fees and expenses at all levels, including before the filing of suit;

(c) Execute and file any financing statement or other document required to perfect the Secured Party's security interest created hereunder and pay all costs necessary to protect such security interest against the rights or interests of third parties. Debtor authorizes the Secured Party to file, in jurisdictions where this authorization will be given effect, a financing statement describing the Collateral in the same manner as it is described herein, and agrees that it will, at the request of the Secured Party, execute one or more financing statements and such other documents (and pay the cost of filing or recording the same in all public offices deemed necessary or desirable by the Secured Party) and do such other acts and things, all as the Secured Party may request to establish and maintain a valid perfected security interest in the Collateral to secure payment of the Debt. The Secured Party is hereby appointed Debtor's irrevocable attorney-in-fact, coupled with an interest, to do all acts and things which the Secured Party may deem necessary to perfect and continue perfecting the security interest created hereby and to protect the Collateral;

(d) Promptly pay all taxes, if any, as they become due on the Collateral; and

(e) (1) keep current, complete, and accurate books and records pertaining to the Collateral, (2) permit representatives of the Secured Party at any time upon reasonable advance notice to inspect and make abstracts from Debtor's books and records pertaining to the Collateral, and (3) furnish to the Secured Party such information and reports regarding the Collateral and Debtor's financial condition as the Secured Party may from time to time reasonably require.

5. **NEGATIVE COVENANTS.** Debtor covenants that it will not:

(a) Permit any liens or encumbrances (other than those permitted by this Security Agreement) to attach to any of the Collateral;

(b) Permit any of the Collateral to be levied upon under legal process or be subject to any unpaid charge, including taxes;

(c) Sell, transfer, lease, or otherwise dispose of any of the Collateral or any interest therein, or offer to do so, except as specifically permitted in this Security Agreement;

(d) Permit any amendment to the License Agreement which is adverse to the interests of Secured Party;

(e) Permit anything to be done that may impair the value of any of the Collateral or the security intended to be afforded by this Security Agreement; or

(f) Use the Collateral, or permit the same to be used, in violation of any law, regulation, statute, or ordinance.

6. **DEFAULT.** Debtor shall be in default under this Security Agreement upon the happening of any of the following events, circumstances, or conditions:

(a) Failure by Debtor to pay any amount owed under the Notes, including accrued interest thereon, when and as due.

(b) Any material default by either party under the License Agreement.

(c) Termination of the License Agreement;

(d) Any material representation or warranty made or given, or to be made or given, by Debtor in this Security Agreement or in any certificate, agreement, instrument, or statement contemplated by or made or delivered in connection with this Security Agreement, shall have been incorrect, false or misleading in any material respect when made.

(e) Subjection of the Collateral, or any part thereof, to attachment, levy of execution, or other judicial process.

7. **SECURED PARTY'S RIGHTS UPON DEFAULT.** Upon the occurrence of any default described in Section 6(a) above, or upon any default as set forth in Section **6(b)-(e) above that has not been cured within 15 days after written notice to Debtor (each an "Event of Default"):**

(a) All of the obligations and liabilities of the Debtor to the Secured Party evidenced herein or secured hereby shall, at the Secured Party's option, immediately become due and payable without notice to Debtor notwithstanding any extension or deferral of any of the obligations or liabilities granted by the Secured Party prior to such Event of Default, and notwithstanding any terms or provisions in the Notes or any other instrument or document evidencing any portion of the obligation or liabilities executed prior to such Event of Default.

(b) The Secured Party, at its option, may:

(i) Enter upon Debtor's premises peaceably by the Secured Party's own means or with legal process and take possession of the Collateral, and Debtor agrees not to resist or interfere with such action.

(ii) Discharge any taxes, liens, or other encumbrances at any time levied or placed on the Collateral. (Debtor agrees to reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authorization, together with interest on such sums advanced from the date of such advance to the date of repayment at the highest lawful rate of interest.)

(iii) If, in the reasonable opinion of the Secured Party, a receivership may be necessary to protect the Collateral, the Secured Party shall have the right to appointment on ex parte application, and without notice to anyone, by any court having jurisdiction, of a receiver to take charge of the Collateral.

(iv) Perform any of the provisions of this Security Agreement on Debtor's part to be performed which Debtor fails to perform, and any monies expended in so doing shall be chargeable to Debtor with interest at the highest rate permitted by law and added to Debtor's obligations to the Secured Party.

(c) In conjunction with and in addition to all of the rights, powers, remedies, and privileges herein provided to the Secured Party upon default by Debtor, the Secured Party shall have all the rights, powers, remedies, and privileges accorded to (1) a secured creditor by the Uniform Commercial Code in effect in the State of Florida and as may be hereafter amended or (2) a creditor under any other applicable law.

(d) The Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made.

(e) In the event that written notice is necessary under this Security Agreement or under applicable law, written notice to the Debtor, at the address set forth herein or otherwise designated in writing, 10 business days prior to the date of public sale of any of the Collateral, or prior to the date after which private sale or any other disposition of said Collateral will be made shall constitute reasonable notice. In the event of any sale or other disposition of any Collateral, the Secured Party may, at its option, apply the proceeds of such sale or disposition to the satisfaction of reasonable attorneys' fees, legal expenses, and any and all other costs and expenses incurred in connection with the taking, re-taking, holding, preparing for sale, and selling of the Collateral before applying same to any other indebtedness. Without precluding any other method of sale, the sale of Collateral shall be deemed to have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of banks disposing of similar property; but, in any event, the Secured Party may sell on such terms as it may choose, without assuming any risk by relying upon the credit of any prospective buyer, and without any obligation to advertise or give notice of any kind other than such notice as may be expressly required by this Security Agreement or under applicable law. The Secured Party may sell all of the Collateral, or any part or unit thereof, at one or more sales.

(f) Debtor will deliver to the Secured Party or deposit with the Secured Party, at the Secured Party's option, in the form received (properly endorsed for collection, wherever required), all proceeds of Collateral received by Debtor, immediately upon receipt by Debtor, and prior to such delivery or deposit will not commingle such proceeds with any other funds or property of Debtor and will hold such proceeds as an express trust for the Secured Party until such delivery or deposit.

(g) Secured Party may instruct the Licensee to make all payments relating to the Collateral directly to the order of Secured Party and to change the mailing address at which mail addressed to Debtor would otherwise be received and authorizes the Secured Party or their representatives to open such mail received at the changed address, and Debtor shall co-sign each instruction.

(h) The Secured Party shall not be obligated to assert or enforce any rights, powers, remedies, privileges, or security interests hereunder or to take any action in reference thereto and the Secured Party may, in its discretion and at any time, relinquish their rights as to particular Collateral hereunder without thereby affecting or invalidating the rights of the Secured Party as to any other Collateral.

(i) No waiver of or acquiescence in any default shall operate as a waiver of, or acquiescence in, any other default then existing or thereafter occurring, whether or not such other default be of the same type as that waived or acquiesced in. No delay or omission on the part of the Secured Party in exercising any right, power, remedy, or privilege, hereunder or otherwise, shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right, power, remedy, or privilege shall preclude any other or further exercise thereof or the exercise of any other right, power, remedy, or privilege.

(j) All of the rights, powers, remedies, and privileges of the Secured Party in the Event of Default by Debtor, as provided under this Security Agreement and under applicable law, including, but not limited to, the Uniform Commercial Code of Florida, shall be cumulative and in addition one to the other, and in addition to those rights, powers, remedies, and privileges afforded the Secured Party under the provisions of the Notes or any other document contemplated by or delivered in connection with this Security Agreement or in connection with any other agreement by and between Debtor and Secured Party.

8. **GOVERNING LAW.** This Security Agreement has been delivered and is to be performed in the State of Florida and shall be construed and interpreted to the extent permissible in accordance with the laws of the State of Florida, without regard to conflict of law principles thereof that would result in the application of the laws of any other jurisdiction. Whenever possible, each provision of this Security Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Security Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Security Agreement.

9. **AGENT.** The Investors shall act at all times through Edward C. Gomez (“Gomez”) the Agent, or through any successor Agent, pursuant to the Agent Agreement of even date among the Investors and Gomez attached hereto as Exhibit “B”, which is incorporated herein by reference. All notices to Secured Party hereunder shall be delivered to the Agent, and he shall promptly deliver copies to the Investors. The Agent shall act in accordance with the written instructions as in effect from time to time of Investors owning 66-2/3% or more of the aggregate principal amount of the Notes outstanding (the “Required Investors”). The Investors agree that all net funds recovered by the Agent pursuant to the enforcement of the Secured Party’s rights hereunder shall be distributed to the Investors pro rata in accordance with the principal amounts of their respective Notes.

10. **<u>MISCELLANEOUS</u>. "<u>DEBTOR</u>" AND "<u>SECURED PARTY</u>,"** as used in this Security Agreement, respectively include the heirs, legal representatives, successors and assigns of those parties. The singular pronoun, when used herein, shall include the plural and the neuter shall include masculine and feminine. If this Security Agreement is not dated when executed by the Debtor, the Secured Party is authorized, without notice to the Debtor, to date this Security Agreement. This Security Agreement shall become effective as of the date of the first of the Notes to be issued. This Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

11. **<u>LITIGATION</u>.** In the event of litigation arising hereunder, the prevailing party shall be entitled to recover from the nonprevailing party its or their reasonable attorneys' fees and expenses in connection therewith at all levels, including before the filing of suit. Debtor and Secured Party hereby knowingly, voluntarily, and intentionally waive any right any of them may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with this Security Agreement or any related course of conduct, course of dealing, statements (whether verbal or written), or actions of any of them. This jury trial waiver provision is a material inducement for the secured party to enter into this Security Agreement and the LC Agreement.

12. **<u>COUNTERPARTS</u>.** This Security Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which taken together shall constitute but one agreement.

This Security Agreement has been duly executed by the parties as of the date and year first above written.

<u>DEBTOR:</u>

POWERVERDE INC.

By: /s/ Richard H. Davis
Richard H. Davis, CEO

<u>AGENT:</u>

/s/ Edward C. Gomez
Edward C. Gomez

INVESTORS:

Name:

Name:

Name:

Name:

Name:

EXHIBIT 31.1

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

I, Richard H. Davis, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 16 , 2013

/s/ Richard H. Davis
Richard H. Davis, Chief Executive Officer

EXHIBIT 31.2

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

I, John Hofmann, certify that:

1. I have reviewed this Form 10-K of PowerVerde, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16 , 2013

/s/ John L. Hofmann
John L. Hofmann, Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Annual Report of PowerVerde, Inc. (the "Company") on Form 10-K for the period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard H. Davis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard H. Davis
Richard H. Davis
Chief Executive Officer
May 16 , 2013

EXHIBIT 32.2

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

In connection with the Annual Report of PowerVerde, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, George Konrad, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John L. Hofmann
John L. Hofmann
Chief Financial Officer
May 16 , 2013

Note 8- Stockholders' Equity (Detail) - (Table 2) Fair Value Assumptions, Warrants	12 Months Ended Dec. 31, 2012
Minimum	
Stockholders Equity Note [Line Items]	
Risk free interest rate	0.32%
Expected term	3 years
Annualized volatility	79.00%
Maximum	
Stockholders Equity Note [Line Items]	
Risk free interest rate	1.04%
Expected term	5 years
Annualized volatility	85.00%

Note 11 - Income Taxes (Details)- (Table 1) Components of net deferred income taxes (USD $)	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Deferred tax assets:			
Net operating loss carryforwards	$ 1,690,212	$ 1,063,755	
Start-up cost	448,156	440,340	
Goodwill	989,819		
Stock based compensation	686,288	426,228	
Other	3,420	4,810	
Deferred tax assets	3,817,895	1,935,133	
Less valuation allowance	(3,817,895)	(1,935,133)	(910,779)
Net deferred tax assets after valuation allowance			

11. Derivative liabilities (Details 1) -(Table 2) (Fair Value, Measurements, Recurring [Member], USD $)	Dec. 31, 2012	Dec. 31, 2011
Level 1		
Liabilities		
Derivative Liabilities		
Level 2		
Liabilities		
Derivative Liabilities	68,250	
Level 3		
Liabilities		
Derivative Liabilities		
Fair Value Measurements Using		
Liabilities		
Derivative Liabilities	$ 68,250	

Note 5 - Acquisition (Detail) - (Table 2) Cornerstone Acquisition Pro forma Information (USD $)	12 Months Ended Dec. 31, 2012	12 Months Ended Dec. 31, 2011
Business Combinations [Abstract]		
Revenue	$ 208,300	$ 655,454
Net loss attributable to common shareholders of the Company	$ (4,855,754)	$ (2,827,079)
Basic and diluted net loss per common share attributable to common shareholders of PowerVerde (in Dollars per share)	$ (0.18)	$ (0.11)

Note 6 - Property and Equipment (Tables)

Property, Plant and Equipment [Abstract]	12 Months Ended Dec. 31, 2012		
Schedule of summary of property and equipment	2012	2011	Estimated Useful Lives (in years)
Equipment	$ 25,426	$ 25,426	5
Computer equipment (hardware)	6,975	6,975	3-5
Software	3,929	3,929	3
	36,330	36,330	
Less: Accumulated depreciation	(26,771)	(20,521)	
	$ 9,559	$ 15,809	

Note 11 - Income Taxes (Details)- (Table 3) Valuation and Qualifying Accounts (USD $)	12 Months Ended	
	Dec. 31, 2012	Dec. 31, 2011
Movement in Valuation Allowances and Reserves [Roll Forward]		
Balance at Beginning of period	$ 1,935,133	$ 910,779
Charged to Cost and Expenses	1,882,762	1,024,354
Write-offs		
Other Charges		
Balance at End of Period	$ 3,817,895	$ 1,935,133

Note 9 - Stock Options (Detail) (USD $)	3 Months Ended	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Disclosure Of Compensation Related Costs, Share-Based Payments [Abstract]				
Period of option	10 years			
Number of options issued to purchase common stock	100,000	100,000	1,950,000	
Exercise price of option	$ 0.56	$ 0.56		$ 0.56
Share-based Compensation		$ 658,381	$ 466,907	$ 1,181,530
Unrecognized stock-based compensation	$ 121,000	$ 121,000		$ 121,000

Note 7- Goodwill - Impairment Testing (Details) (USD $)	12 Months Ended Dec. 31, 2012	70 Months Ended Dec. 31, 2012
Goodwill and Intangible Asset Impairment [Abstract]		
Goodwill impairment	$ 2,637,760	$ 2,637,760
Goodwill	$ 0	$ 0

Note 12- Related Party Transactions (Detail) (USD $)	Mar. 31, 2012	Dec. 31, 2012 Officer and director sqft
Area of Real Estate Property		5,000
Facility charges	$ 700	

	1 Months Ended	3 Months Ended	12 Months Ended		70 Months Ended	1 Months Ended			12 Months Ended	1 Months Ended	
12. Commitments and Contingencies (Details) (USD $)	**Sep. 29, 2011**	**Dec. 31, 2012**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Oct. 25, 2012 Waste Heat Solutions**	**Oct. 25, 2012 Waste Heat Solutions**	**Oct. 25, 2012 Shares 500,000 Waste Heat Solutions**	**Dec. 31, 2012 Consulting Agreement**	**Mar. 31, 2013 Consulting Agreement Subsequent Event**	**Feb. 28, 2013 Consulting Agreement Subsequent Event**
Intercompany agreements, description	On September 29, 2011, the Company entered into a license agreement (the "License Agreement") with Newton Investments BV. Pursuant to the License Agreement, Newton will, for a period of 10 years, hold the exclusive manufacturing and distribution rights for the Systems in the 27 countries which are currently members of the European Union, subject to Newton's achieving minimum sales of at least 100 Systems per year beginning in the second year of the License Agreement, payment of a royalty equal to 20% of the gross sales price of each System sold, and other terms and conditions set forth in the License Agreement. Due to ongoing technical problems with the Company's Systems, the Company has deferred commencement of the minimum sales requirement										

	until the problems are resolved.										
Intercompany agreement royalty rate	20.00%										
Consulting fee										$ 7,500	$ 5,000
Period of option in year										10 years	
Number of warrants issued in connection with this consulting agreement		100,000	100,000	1,950,000		500,000					
Exercise price of warrants			$ 0.56	$ 0.91			$ 0.56				
Fair value of the fully vested option recorded as general and administrative expenses			978,818	1,628,739	3,650,430				182,000		
Fair value of the fully vested option									182,000		
Fair value of the fully vested option recorded as research and development expense			$ 1,321,214	$ 994,619	$ 3,328,894				$ 61,000	$ 121,000	
Consulting agreement and terms								On October 25, 2012, the Company entered into a consulting agreement with Hank Leibowitz, the principal of Waste Heat Solutions, LLC, an expert with 39 years' experience in the field of advanced energy systems. Pursuant to this consulting agreement, which is terminable by either party on 30 days' notice, the Company pays Waste Heat Solutions, $5,000 per month through February 2013 and $7,500 per month thereafter. In connection with this consulting agreement, the Company issued to Waste Heat Solutions (i) a fully vested			

10-year option to purchase 500,000 shares of common stock at $.56 per share and (ii) a 10-year option, vesting six months from the contract date, i.e., on April 25, 2013, to purchase an additional 500,000 shares at $.56 per share. The fair value of the fully vested option was approximately $182,000 and was recorded as general and administrative expenses in the consolidated statement of operations during 2012. The fair value of the option vesting six months from the contract date was approximately $182,000 of which approximately $61,000 was recorded as research and development expense in the consolidated statement of operations during 2012. The remaining unrecognized expense of approximately $121,000 will be recognized as research and development expense during 2013.

Note 2 - Going Concern	12 Months Ended Dec. 31, 2012
Going Concern Note [Abstract]	
Going Concern Note	**Note 2 – Going Concern** The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has had recurring operating losses and negative cashflows from operations. Those factors, as well as uncertainty in securing additional funds for continued operations, create an uncertainty about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

10. Notes Payable to Related Parties (Details) (USD $)	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Notes Payable [Abstract]			
Proceeds from notes payable to related parties	$ 325,000		$ 625,000
Number of warrants issued to purchase common stock	6,050,999	4,294,999	6,050,999
Exercise price of warrants	1.12	0.88	1.12
Additional warrants issuable for purchase of common stock	325,000		325,000
Number of trading days used for calculation of exercise price of additional warrant	10 days		
Interest rate of promissory note	10.00%		10.00%
Proceeds allocated between secured promissory note and common stock warrants	325,000		
Fair value of the common stock warrants	143,000		
Fair value of the common stock warrants recorded as additional paid in capital	71,500		
Fair value of the common stock warrants recorded as derivative liability	71,500		
Principal amount of secured promissory note	325,000		325,000
Discount on issue of secured promissory note	$ 143,000		$ 143,000
Fair value of common stock per share (in dollars per share)	$ 0.41		

Note 11 - Income Taxes (Tables)

12 Months Ended
Dec. 31, 2012

Income Tax Disclosure [Abstract]

Schedule of components of net deferred income taxes

	For the Years ended December 31,	
	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	$ 1,690,212	$ 1,063,755
Start-up cost	448,156	440,340
Goodwill	989,819	—
Stock based compensation	686,288	426,228
Other	3,420	4,810
Deferred tax assets	3,817,895	1,935,133
Less valuation allowance	(3,817,895)	(1,935,133)
Net deferred tax assets after valuation allowance	$ —	$ —

Schedule of reconciliation of U.S. statutory federal income tax rate

Rate Reconciliation

Federal income tax at statutory rate	$(1,616,870)
State Tax	(261,553)
Permanent Differences	1,248
Other	(5,587)
Change in Valuation Allowance	1,882,762
	$ (0)

Schedule of valuation and qualifying accounts

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Write-offs	Other Charges	Balance at End of Period
Deferred tax asset valuation allowance					
Year ended December 31, 2012	$ 1,935,133	$ 1,882,762			$ 3,817,895
Year ended December 31, 2011	$ 910,779	$ 1,024,354			$ 1,935,133

11. Derivative liabilities (Tables)	12 Months Ended Dec. 31, 2012
Derivative Liabilities [Abstract]	
Schedule of fair value of derivative liabilities	(table below)

	Liability Derivatives			
	December 31, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Secured Promissory Notes Warrants	Derivative Liabilities	$68,250	Derivative Liabilities	$ —

Schedule of summarizes liabilities measured at fair value on a recurring basis

Fair Value Measurements Using:	December 31, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities								
Derivative Liabilities	$ —	$68,250	$ —	$68,250	$ —	$ —	$ —	$ —

10. Notes Payable to Related Parties (Details 1) (USD $)	12 Months Ended Dec. 31, 2012
Notes Payable [Abstract]	
Fees payable to placement agent	$ 25,000
Accrued fees payable	$ 16,250

Note 1 - Nature of Business (Details) (USD $)	**0 Months Ended**	**1 Months Ended**	**12 Months Ended**		**70 Months Ended**	
	Feb. 12, 2008	**Feb. 29, 2012**	**Dec. 31, 2012 Founder**	**Dec. 31, 2008**	**Dec. 31, 2012**	**Dec. 31, 2011**
Nature Of Business [Abstract]						
Number of founders			2			
Share exchange ratio for shareholders	1.2053301					
Business Acquisition, Equity Interest Issued or Issuable, Description		As consideration for the Merger, as of the closing of the Merger, each issued and outstanding share of common stock of PowerVerde was converted into the right to receive 1.2053301 shares of the common stock of Vyrex and each share of VAC was converted into one share of PowerVerde common stock				
Number of shares held by former shareholders of PowerVerde	24,588,734		26,011,565		26,011,565	25,624,565
Business combination percentage of equity shares issued by acquirer	95.00%					
Repayment Of Acquiree Liabilities By Acquirer	Pursuant to the Merger Agreement, PowerVerde paid $233,000 in accounts payable and other liabilities owed by Vyrex					
Business Acquisition Purchase Price Allocation Accounts Payable And Other Liabilities	$ 233,000					
Total purchase price of business combination			3,297,200	401,894	3,297,200	

Transaction costs related to merger		60,000	
Amount of promissory note	$ 180,989	$ 200,000	$ 271,206
Common stock issued for cash, net of stock issuance costs (in shares)		250,000	
Common stock issued for services (in shares)		25,000	

Note 3 - Summary of Significant Accounting Policies (Details 1) (USD $)	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]			
Research and development costs	$ 1,321,214	$ 994,619	$ 3,328,894
Warrant			
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]			
Number of warrants and options excluded from weighted average common shares outstanding	6,050,999		
Stock Options			
Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]			
Number of warrants and options excluded from weighted average common shares outstanding	2,750,000		

Note 1 - Nature of Business	12 Months Ended Dec. 31, 2012
Organization, Consolidation and Presentation Of Financial Statements [Abstract]	
Nature of Business	**Note 1 – Nature of Business** PowerVerde, Inc. (the Company) is a “C” Corporation organized under the Laws of Delaware with operations in Scottsdale, Arizona. The Company’s two founders, now its largest shareholders, have conceived and developed the use of a power systems patent. The Company is in the development stage and it is presently undertaking research and development on a power generating system. On February 11, 2008, Vyrex Corporation (“Vyrex” or the “Company”); PowerVerde, Inc. (“PowerVerde”) and Vyrex Acquisition Corporation (“VAC”), a wholly-owned subsidiary of Vyrex, all Delaware corporations, entered into an Agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, on February 12, 2008, VAC merged with and into PowerVerde, with PowerVerde remaining as the surviving corporation and a wholly-owned subsidiary of Vyrex (the “Merger”). As consideration for the Merger, as of the closing of the Merger, each issued and outstanding share of common stock of PowerVerde was converted into the right to receive 1.2053301 shares of the common stock of Vyrex and each share of VAC was converted into one share of PowerVerde common stock. As a result of the Merger, the former shareholders of PowerVerde hold 24,588,734 shares, or 95%, of the common stock of Vyrex. Pursuant to the Merger Agreement, PowerVerde paid $233,000 in accounts payable and other liabilities owed by Vyrex. The total purchase price of the transaction of $401,894 includes $60,000 of transaction costs related to the Merger. In addition, immediately prior to execution of the Merger Agreement, Vyrex paid a $200,000 promissory note through the issuance of 250,000 shares of common stock and issued an additional 25,000 shares of common stock as payment for certain consulting and administrative services. At a stockholder meeting held on August 6, 2008, the Company’s stockholders approved (i) the change of the Company’s name to “PowerVerde, Inc.” and (ii) the Amended and Restated Certificate of Incorporation filed as an exhibit to the Company’s report on Form 10-Q for the quarter ended June 30, 2008. Immediately prior to the filing of the Certificate changing the Company’s name, the name of the Company’s operating subsidiary was changed from “PowerVerde, Inc.” to “PowerVerde Systems, Inc.”

Note 5 - Acquisition (Detail) - (Table 1) Cornerstone Acquisition - Purchase Price Allocation (USD $)	Dec. 31, 2012	Dec. 31, 2008
Business Combinations [Abstract]		
Intangible asset - Intellectual Property	$ 659,440	
Goodwill	2,637,760	
Total assets acquired	3,297,200	
Aggregate purchase price	$ 3,297,200	$ 401,894

	1 Months Ended	12 Months Ended			70 Months Ended		1 Months Ended	3 Months Ended				0 Months Ended	1 Months Ended				1 Months Ended	12 Months Ended		1 Months Ended	12 Months Ended		10 Months Ended	12 Months Ended	1 Months Ended		12 Months Ended		1 Months Ended			3 Months Ended			70 Months Ended	3 Months Ended	
Note 8- Stockholders' Equity (Detail) (USD $)	Feb. 29, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2008	Dec. 31, 2012	Apr. 16, 2013	Feb. 29, 2012 February 2012 Private Placement	Jun. 30, 2012 Second Quarter 2012 Private Placement	Sep. 30, 2012 Third Quarter Private Placement	Jun. 30, 2012 Third Quarter Private Placement	Dec. 31, 2012 Fourth Quarter 2012 Private Placement	Oct. 16, 2012 Treasury Stock Transaction April 2011	Apr. 30, 2011 Treasury Stock Transaction April 2011	May 31, 2012 Treasury Stock Transaction, May 2012	Dec. 31, 2012 Series A Preferred Stock	Dec. 31, 2011 Series A Preferred Stock	Apr. 30, 2012 Treasury Stock Transaction, April 2012	Dec. 31, 2011 Treasury Stock Transaction, April 2012	Dec. 31, 2012 Treasury Stock Transaction, April 2012	Feb. 29, 2012 Newton Affiliate February 2012 Private Placement	Dec. 31, 2008 Warrants Issued In 2008 At $1.50 Exercise Price	Dec. 31, 2008 Warrants Issued In 2008 At $2.30 Exercise Price	Dec. 31, 2010 Warrants Issued In 2010, Stock Subscription Agreements	Dec. 31, 2011 Warrants Issued In 2011, Stock Subscription Agreements	Jun. 30, 2011 Warrants Issued in 2011, For Services Provided	Feb. 29, 2012 Warrants For Settlement With Newton	Dec. 31, 2012 Warrants For Settlement With Newton	Dec. 31, 2011 Warrants For Settlement With Newton	Mar. 31, 2012 Warrants For Cornerstone Acquisition	Mar. 31, 2012 Warrants For Cornerstone Acquisition Minimum	Mar. 31, 2012 Warrants For Cornerstone Acquisition Maximum	Dec. 31, 2012 Warrants Issued In 2012, Stock Subscription Agreements	Sep. 30, 2012 Warrants Issued In 2012, Stock Subscription Agreements	Jun. 30, 2012 Warrants Issued In 2012, Stock Subscription Agreements	Dec. 31, 2012 Warrants Issued 2012 Stock Secured Promissory Note	Dec. 31, 2012 Common Stock Issue At 0.43 Exercise Price Fourth Quarter 2012 Private Placement	Dec. 31, 2012 Common Stock Issue At 0.715 Exercise Price Fourth Quarter 2012 Private Placement
Warrants issued																					250,000	50,000	439,999	2,000,000	1,855,000	500,000			300,000			225,000	71,000	335,000	325,000		
Exercise price of warrants issued (in Dollars per share)		1.69						3.00	3.00												1.50	2.30	0.75	0.75	1.05	3.00				2.00	4.00	1.00	3.00	3.00	0.41		
Warrants expired (in Shares)		218,500			218,500																																
Warrants exercised (in Shares)		81,500			81,500																																
Exercise period of warrants (in years)										three-year															five	five											
Litigation settlement, expense (in Dollars)																											$ 262,700	$ 0									
Grant date fair value warrants granted		$ 1.02																																			
Proceeds from issuance of private placement (in Dollars)	500,000						500,000	335,000	71,000		492,030									275,000																	
Common stock issued for cash, net of stock issuance costs (in shares)				250,000				335,000	71,000																											396,000	450,000
Price per share of equity issued (in Dollars per share)	$ 1.00						$ 1.00	$ 1.00	$ 1.00		$ 1.00	$ 0.0667								$ 1.00																$ 0.43	$ 0.715
Private Placement Fee Paid (Percentage of Gross Proceeds)								10.00%	10.00%		10.00%																										
Treasury stock (in shares)												3,000,000	4,500,000	450,000			100,000																				
Proceeds from notes payable (in Dollars)		325,000			625,000								200,000																								
Debt instrument, interest rate, effective percentage												8.00%																									
Treasury stock acquired, average cost per share														$ 0.20			$ 0.25																				
Treasury stock, value, acquired, cost method		(320,381)	(170,758)									530,000		(90,000)			(25,000)																				
Purchase of treasury stock		320,381			320,381									10,000				14,000																			
Monthly payments to repurchase common stock (in Dollars)												100,000																									
Monthly payments to repurchase common stock due amount (in Dollars)												100,000																									
Due to related parties (in Dollars)																			33,000																		
Preferred stock, shares authorized (in Shares)															50,000,000	50,000,000																					
Preferred stock, par or stated value per share															$ 0.0001	$ 0.0001																					
Treasury Stock Value Payable To Related Parties						$ 83,000																															

Note 13 - Subsequent Events (Details) (USD $)	Dec. 31, 2012	Dec. 31, 2011	Mar. 31, 2013 Subsequent Event	1 Months Ended	
				Mar. 31, 2013 Subsequent Event Richard H. Davis	Mar. 31, 2013 Subsequent Event John L. Hofmann
Subsequent Event [Line Items]					
Principal amount of additional Series A Secured Promissory Notes	$ 325,000		$ 75,000		
Number of warrants issued to purchase common stock	6,050,999	4,294,999	75,000	1,000,000	500,000
Number of common stock issuable for warrants			75,000		
Exercise price of warrants	1.12	0.88		0.03	0.03
Class of warrant or right warrants or rights exercisable period				5 years	5 years

CONSOLIDATED BALANCE SHEETS (USD $)	Dec. 31, 2012	Dec. 31, 2011
Current Assets:		
Cash and cash equivalents	$ 45,283	$ 7,530
Accounts receivable	115,687	18,909
Prepaid expenses	46,641	24,267
Total Current Assets	207,611	50,706
Property and Equipment		
Property and equipment, net of accumulated depreciation of $26,771 and $20,521, respectively	9,559	15,809
Other Assets		
Intellectual Property, net of accumulated amortization of $164,860	494,580	
Total Assets	711,750	66,515
Current Liabilities		
Accounts payable and accrued expenses	109,568	179,304
Payable to related parties	170,764	
Total Current Liabilities	280,332	179,304
Long-Term Liabilities		
Derivative Liability	68,250	
Notes payable to related parties	184,367	180,988
Total Long-Term Liabilities	252,617	180,988
Total Liabilities	532,949	360,292
Common stock:		
100,000,000 common shares authorized, par value $0.0001 per share, 26,011,565 common shares issued and outstanding at December 31, 2012 and 25,624,565 common shares issued and outstanding at December 31, 2011	3,414	3,012
Additional paid-in capital	10,278,331	4,730,724
Treasury stock, 8,550,000 shares at cost	(491,139)	(170,758)
Deficit accumulated in the development stage	(9,611,805)	(4,856,755)
Total Stockholders' Equity (Deficiency)	178,801	(293,777)
Total Liabilities and Stockholders' Equity (Deficiency)	$ 711,750	$ 66,515

11. Derivative liabilities (Details)- (Table 1) (Derivative Liabilities, Derivatives not designated as hedging instruments, USD $)	Dec. 31, 2012	Dec. 31, 2011
Derivative Liabilities | Derivatives not designated as hedging instruments		
Secured Promissory Notes Warrants	$ 68,250	

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Parentheticals) (USD $)	10 Months Ended	12 Months Ended					12 Months Ended				70 Months Ended	
	Dec. 31, 2007 Common Stock	Dec. 31, 2012 Common Stock	Dec. 31, 2011 Common Stock	Dec. 31, 2010 Common Stock	Dec. 31, 2009 Common Stock	Dec. 31, 2008 Common Stock	Dec. 31, 2012 Additional Paid in Capital	Dec. 31, 2011 Additional Paid in Capital	Dec. 31, 2010 Additional Paid in Capital	Dec. 31, 2009 Additional Paid in Capital	Dec. 31, 2012 Additional Paid in Capital	Dec. 31, 2008 Additional Paid in Capital
Stock issuance costs (in Dollars)	$ 45,398	$ 139,803	$ 150,000	$ 85,000	$ 85,000		$ 139,803	$ 150,000	$ 85,000	$ 85,000	$ 45,398	
Sale of common stock per share			$ 0.75	$ 0.75	$ 0.75	$ 0.50		$ 0.75	$ 0.75	$ 0.75		$ 0.50
Business Acquisition, Share Price (in Dollars per share)		$ 1.37					$ 1.37				$ 1.37	
Sale of common stock at $1.00 per share		906,000					906,000					
Sale of common stock at $.715 per share		450,000					450,000					
Sale of common stock at $.43 per share		396,000					396,000					
Sale of 906,000 shares of common stock		$ 1.00					$ 1.00					
Sale of 450,000 shares of common stock		$ 0.715					$ 0.715					
Sale of 396,000 shares of common stock		$ 0.43					$ 0.43					

Note 6 - Property and Equipment (Detail) - (Table 1) (USD $)	Dec. 31, 2012	Dec. 31, 2011
Property and Equipment, Gross	$ 36,330	$ 36,330
Less: Accumulated depreciation	(26,771)	(20,521)
Property and equipment net	9,559	15,809
Equipment		
Property and Equipment, Gross	25,426	25,426
Property and Equipment, Useful Life (in years)	5	
Computer equipment (hardware)		
Property and Equipment, Gross	6,975	6,975
Property and Equipment, Useful Life (in years)	3-5	
Software		
Property and Equipment, Gross	$ 3,929	$ 3,929
Property and Equipment, Useful Life (in years)	3	

Note 13 - Subsequent Events	12 Months Ended Dec. 31, 2012
Subsequent Events [Abstract]	
Subsequent Events	**Note 13 – Subsequent Events** In March 2013, the Company issued to its Chief Executive Officer, Richard H. Davis, and its Chief Financial Officer, John L. Hofmann, five-year warrants to purchase common stock at an exercise price of $.30 per share (the market price on the date of grant) in the amounts of 1,000,000 and 500,000 shares, respectively. In the first quarter of 2013, the Company sold an additional $75,000 principal amount of Series A Secured Promissory Notes. In connection with these Notes, the Company issued warrants to purchase 75,000 shares of common stock and will be obligated to issue warrants to purchase an additional 75,000 shares in December 2013. See Note 10.

Note 6 - Property and Equipment (Detail) (USD $)	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Property, Plant and Equipment [Abstract]			
Depreciation expense	$ 6,250	$ 7,418	$ 26,771

Note 5 - Acquisition (Tables)	12 Months Ended Dec. 31, 2012
Business Combinations [Abstract]	
Schedule of fair values of assets acquired	(see table below)
Schedule of unaudited pro forma financial information	(see table below)

Intangible asset – Intellectual Property	$ 659,440
Goodwill	2,637,760
Total assets acquired	3,297,200
Aggregate purchase price	$3,297,200

	Pro Forma – Unaudited For the years ended December 31	
	2012	2011
Revenue	$ 208,300	$ 655,454
Net loss attributable to common shareholders of the Company	$(4,855,754)	$(2,827,079)
Basic and diluted net loss per common share attributable to common shareholders of PowerVerde	$ (0.18)	$ (0.11)

CONSOLIDATED STATEMENTS OF CASH FLOWS (USD $)	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Cash Flows from Operating Activities			
Net loss	$ (4,755,050)	$ (2,553,465)	$ (9,611,805)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	171,110	7,418	191,631
Amortization of discount	13,521	10,230	353,213
Stock based compensation	658,381	466,907	1,181,530
Goodwill impairment	2,637,760		2,637,760
Warrants issued for services		612,150	612,150
Warrants issued for settlement	262,700		262,700
Gain on re-measurement of derivative liability	(3,250)		(3,250)
Changes in operating assets and liabilities			
Accounts receivable and prepaid expenses	(119,152)	(37,826)	(162,328)
Accounts payable and accrued expenses	(69,736)	25,413	(120,964)
Payable to related parties	159,611		159,611
Cash Used in Operating Activities	(1,044,105)	(1,469,173)	(4,499,752)
Cash Flows From Investing Activities			
Purchase of property and equipment		(11,193)	(36,330)
Cash acquired in business acquisition			872
Cash Used in Investing Activities		(11,193)	(35,458)
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	1,398,031	1,622,250	5,050,281
Proceeds from notes payable to related parties	325,000		625,000
Payment of line of credit			(50,000)
Payment of note payable to related parties	(180,989)		(271,206)
Purchase of treasury stock	(320,381)		(320,381)
Payment of stock issuance costs	(139,803)	(150,000)	(453,201)
Cash Provided by Financing Activities	1,081,858	1,472,250	4,580,493
Net Increase in Cash and Cash Equivalents	37,753	(8,116)	45,283
Cash and cash equivalents at Beginning of Period	7,530	15,646	
Cash and cash equivalents at End of Period	45,283	7,530	45,283
Supplemental Disclosure of Cashflow Information			
Cash Paid for Interest			24,221
Cash Paid for Income Taxes			
Supplemental Schedule of Non-Cash Financing			
Common stock issued for convertible debt			189,261
Common stock issued for services			56,250
Common stock issued for acquisition of Cornerstone Conservation Group, LLC	3,096,200		3,096,200

Warrants issued in connection with acquisition of Cornerstone Conservation Group, LLC	201,000		201,000
Purchase of treasury stock with long-term related party payable	72,000	170,758	242,758
Warrants issued in connection with debt			299,984
Issuance of warrants as part of notes payable to related party of which $71,500 was classified as additional paid in capital and $71,500 was classified as a derivative liability	143,000		143,000
Common stock issued in connection with debt forgiveness and services rendered			$ 250,000

CONSOLIDATED BALANCE SHEETS (Parentheticals) (USD $)	Dec. 31, 2012	Dec. 31, 2011
Statement Of Financial Position [Abstract]		
Property and equipment, net of accumulated depreciation (in Dollars)	$ 26,771	$ 20,521
Intellectual Property, accumulated amortization (in Dollars)	$ 164,860	
Common stock, shares authorized	100,000,000	100,000,000
Common stock, par value (in Dollars per share)	$ 0.0001	$ 0.0001
Common stock, shares issued	26,011,565	25,624,565
Common stock, shares outstanding	26,011,565	25,624,565
Treasury stock, shares	8,550,000	

10. Notes Payable to Related Parties	12 Months Ended Dec. 31, 2012
Notes Payable [Abstract]	
Notes Payable to Related Parties	

10. Notes Payable to Related Parties

In the fourth quarter of 2012, in an effort to raise capital, the Company entered into various Secured Promissory Note agreements with accredited investors, who are also existing stockholders of the Company. As of December 31, 2012, $325,000 was raised. Upon closing, the Company issued to each investor a three-year warrant for the purchase of 325,000 shares (in the aggregate) of the Company's common stock at a price of $.41 per share. On December 1, 2013, the Company will issue an additional three-year warrant for 325,000 shares to each investor at an exercise price equal to the average price of the common stock during the 10 trading days prior to December 1, 2013.

The promissory notes bear interest at the rate of 10% per annum based on a 365-day year. Accrued interest will be paid semi-annually on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. The entire principal balance of the Note, together with all unpaid interest accrued thereon, shall be due and payable on December 31, 2014. In the event the Company defaults on interest and/or principal payments, the Company will use all accounts receivable obtained now or hereafter existing, pursuant to the License Agreement from VDF FutureCeuticals Inc. (the "Licensee"), as collateral.

The Company analyzed the terms of the warrants based on the provisions of ASC 480, "Distinguishing Liabilities from Equity," and determined that the warrants issued in conjunction with the closing of the notes payable qualified for equity accounting. The warrants that will be issued on December 1, 2013 have been determined to qualify as a derivative liability (see Note 11).

Under guidance in ASC 470, the Company allocated the $325,000 in proceeds proportionately between the Secured Promissory Note and the common stock warrants issued to the note holders based on their relative fair values. The relative fair value of the common stock warrants of $143,000, of which $71,500 was recorded as additional paid in capital and $71,500 was recorded as a derivative liability. The Secured Promissory Note was recorded at the principal amount of $325,000 less a discount of $143,000. This discount was being amortized to interest expense over the term of the Secured Promissory Note to related parties using the effective interest method. The fair value of the common stock warrants issued in conjunction with the Secured Promissory Notes was determined using the Black-Scholes pricing model. The Company determined the fair value of its common stock to be $0.41 per share at each of the dates the warrants were issued.

Upon payment in full of the notes, a $25,000 fee will be paid by the Company to its placement agent, Martinez-Ayme Securities, Inc. As of December 31, 2012, $16,250 has been accrued and is included in accounts payables and accrued expenses in the accompanying consolidated balance sheets.

Document And Entity Information (USD $)	12 Months Ended Dec. 31, 2012	May 13, 2013	Jun. 29, 2012
Document and Entity Information [Abstract]			
Entity Registrant Name	POWERVERDE, INC.		
Entity Central Index Key	0000933972		
Entity Current Reporting Status	Yes		
Entity Voluntary Filers	No		
Current Fiscal Year End Date	--12-31		
Entity Filer Category	Smaller Reporting Company		
Entity Well-Known Seasoned Issuer	No		
Entity Common Stock, Shares Outstanding		26,400,106	
Entity Public Float			$ 14,104,000
Document Type	10-K		
Document Period End Date	Dec. 31, 2012		
Amendment Flag	false		
Document Fiscal Year Focus	2012		
Document Fiscal Period Focus	FY		

11. Derivative liabilities	**12 Months Ended Dec. 31, 2012**
Derivative Instruments and Hedging Activities Disclosure [Abstract]	
Derivative liabilities	

11. Derivative liabilities

The Company does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain other financial instruments and contracts, such as debt financing arrangements with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

The following table discloses the fair value of the Company's derivative liabilities as of December 31, 2012 and 2011. The Company held no asset derivatives at either reporting date.

	Liability Derivatives			
	December 31, 2012		**December 31, 2011**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives not designated as hedging instruments				
Secured Promissory Notes Warrants	Derivative Liabilities	$68,250	Derivative Liabilities	$ —

The following table summarizes liabilities measured at fair value on a recurring basis for the periods presented:

	December 31, 2012				**December 31, 2011**			
Fair Value Measurements Using:	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities								
Derivative Liabilities	$ —	$68,250	$ —	$68,250	$ —	$ —	$ —	$ —

CONSOLIDATED STATEMENTS OF OPERATIONS (USD $)	12 Months Ended		70 Months Ended
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012
Income Statement [Abstract]			
Revenue, Net	$ 193,692	$ 193,391	$ 478,449
Cost of Goods Sold		136,925	136,925
Gross Profit	193,692	56,466	341,524
Operating Expenses			
Research and development	1,321,214	994,619	3,328,894
General and administrative	978,818	1,628,739	3,650,430
Goodwill impairment	2,637,760		2,637,760
Total Operating Expenses	4,937,792	2,623,358	9,617,084
Loss from Operations	(4,744,100)	(2,566,892)	(9,275,560)
Other Income (Expenses)			
Interest income			2,401
Interest expense	(14,200)	(10,230)	(357,907)
Other income (expenses)	3,250	23,657	19,261
Total Other Income (Expenses)	(10,950)	13,427	(336,245)
Loss before Income Taxes	(4,755,050)	(2,553,465)	(9,611,805)
Provision for Income Taxes			
Net Loss	$ (4,755,050)	$ (2,553,465)	$ (9,611,805)
Net Loss per Share - Basic and Diluted (in Dollars per share)	$ (0.18)	$ (0.10)	
Weighted Average Common Shares Outstanding - Basic and Diluted (in Shares)	27,134,392	26,338,637	

Note 5 - Acquisition	12 Months Ended Dec. 31, 2012

Business Combinations [Abstract]

Acquisition

Note 5 – Acquisition

On March 30, 2012, the Company purchased 100% of the membership interests of Cornerstone Conservation Group LLC ("Cornerstone") pursuant to a Membership Interest Purchase Agreement (the "Agreement"). Cornerstone's main asset is its proprietary Combined Cooling, Heating and Power ("CCHP") technology, which utilizes waste heat from commercial and residential heating, ventilation air conditioning and refrigeration ("HVACR") systems. Cornerstone also has substantial experience and technology relating to geothermal or ground source heat pumps. In January 2012, the Company moved its operations to a 5,000 square foot facility in Scottsdale, Arizona, owned by one of the sellers, who became an officer and director in connection with the Cornerstone transaction. The Company used the facility rent free of charge for two months. Since March 2012, the Company has been using the facility at a cost of $700 per month which covers overhead costs.

In consideration for the 100% membership interests in Cornerstone, the Company issued 2,260,000 shares of the Company's common stock (valued at $1.37 per share, the closing price on March 30, 2012) to the selling members of Cornerstone and issued to the sellers fully vested three–year warrants to purchase an aggregate of 300,000 shares of the Company's common stock as follows:

(i) 100,000 shares at an exercise price of $2.00 per share, exercisable beginning January 1, 2012, through December 31, 2016;

(ii) 100,000 shares at an exercise price of $3.00 per share, exercisable beginning July 1, 2012, through June 30, 2017; and

(iii) 100,000 shares at an exercise price of $4.00 per share, exercisable beginning January 1, 2013, through December 31, 2017.

The estimated fair value of the total warrants issued in connection with the acquisition of Cornerstone was $201,000 which was calculated using the Black-Scholes option valuation method with the following assumptions: a risk free interest rate of 1.04 percent, an estimated volatility of 79.1 percent and no dividend yield. The total present value of all consideration expected to be paid as part of this agreement was $3,297,200.

The following summarizes the fair values of the assets acquired:

Intangible asset – Intellectual Property	$ 659,440
Goodwill	2,637,760
Total assets acquired	3,297,200
Aggregate purchase price	$3,297,200

The assets acquired were recorded based on estimates of their fair values determined by management, based on information then available and on assumptions as to future operations.

For the period ending December 31, 2012, amortization expense and accumulated amortization of the intangible asset- intellectual property was $164,860.

The following unaudited pro forma financial information presents the combined results of operations of the Company and Cornerstone as if the acquisition had occurred as of January 1, 2012. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the acquisition been completed as of

January 1, 2012. In addition, the unaudited pro forma financial information is not indicative of, nor does it purport to project, the future financial position or operating results of PowerVerde. The unaudited pro forma financial information excludes acquisition and integration costs and does not give effect to any estimated and potential cost savings or other operating efficiencies that could result from the acquisition.

	Pro Forma – Unaudited For the years ended December 31	
	2012	**2011**
Revenue	$ 208,300	$ 655,454
Net loss attributable to common shareholders of the Company	$(4,855,754)	$(2,827,079)
Basic and diluted net loss per common share attributable to common shareholders of PowerVerde	$ (0.18)	$ (0.11)

Note 4 - Recent Accounting Pronouncements	12 Months Ended Dec. 31, 2012
New Accounting Pronouncements and Changes In Accounting Principles [Abstract]	
Recent Accounting Pronouncements	**Note 4 – Recent Accounting Pronouncements** In September 2011, the FASB issued Accounting Standards Updates ("ASU") 2011-08, *Intangibles—Goodwill and Other (Topic 350), Testing Goodwill for Impairment* ("ASU 2011-08"), to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU 2011-08 was effective for the Company beginning January 1, 2012. The adoption of ASU 2011-08 did not have a material impact on the consolidated financial statements. In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-11 "Disclosures about offsetting Assets and Liabilities" requiring additional disclosure about offsetting and related arrangements. ASU 2011-11 is effective retrospectively for periods beginning on or after January 1, 2013. The adoption of ASU 2011-11 will not have a material impact on the Company's future financial position, results of operations or liquidity. In July 2012, the FASB issued ASU 2012-02- "Testing Indefinite- Lived Intangible Asserts for Impairment" ("ASU 2012-02") in order to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance. The new guidance allows an entity the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. ASU 2012-02 became effective for the Company on October 1, 2012, and earlier adoption is permitted. The adoption did not have a material impact on its consolidated financial statements.

Note 3 - Summary of Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2012
Accounting Policies [Abstract]	
Principles of Consolidation	Principles of Consolidation The consolidated financial statements include the accounts of PowerVerde, Inc. and its wholly-owned subsidiary, PowerVerde Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.
Development Stage Company	Development Stage Company The Company is a development stage company as defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, "Development Stage Entities". The Company is devoting substantially all of its present efforts to establish a new business and none of its planned principal operations have commenced. All losses accumulated since inception has been considered as part of the Company's development stage activities.
Cash Equivalents	Cash Equivalents The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
Accounts Receivable	Accounts Receivable Accounts receivable consist of balances due from sales and royalties. The Company monitors accounts receivable and provides allowances when considered necessary. At December 31, 2012 and 2011, accounts receivable were considered to be fully collectible. Accordingly, no allowance for doubtful accounts was provided.
Revenue Recognition	Revenue Recognition Sales revenues and associated cost of sales are recognized when title of the goods sold pass to the buyer, when shipped and when accounts receivable are determined to be reasonable collectable. Certain sales agreements also require installation and training by PowerVerde once goods are received and accepted by the customer. The Company does not consider these agreements multiple elements arrangements as defined by ASC 605-25 "Revenue Recognition", as the Company does not offer installation or training as services separate from the sale of its products at this time. Therefore, a "best estimate of selling price" or individual pricing in accordance with ASC 605-25 is undeterminable. The Company defers all revenues and costs of sales until the agreement is 100% complete. Licensing and royalty revenue from royalty agreements is recognized in accordance with the terms of the specific agreement.
Property and Equipment	Property and Equipment Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for major betterments and additions are capitalized, while replacement, maintenance and repairs, which do not extend the lives of the respective assets, are expensed as incurred.
Intellectual Property and Goodwill	Intellectual Property and Goodwill The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses an estimate of the undiscounted cash flows over the remaining life of its long-lived assets, or related group of assets where applicable, in measuring whether the assets to be held and used will be realizable. In the event of impairment, the Company would discount the

future cash flows using its then estimated incremental borrowing rate to estimate the amount of the impairment.

The Company assesses goodwill for potential impairment at the end of each fiscal year, or during the year if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the asset. In evaluating goodwill for impairment, first qualitative factors are assessed to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If it is concluded that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of the goodwill assigned to the reporting unit is required. However, if it is concluded that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any.

In the first step of the review process, the estimated fair value of the reporting unit is compared with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed.

If the estimated fair value of the reporting unit is less than its carrying amount, a second step of the review process is performed in order to calculate the implied fair value of the reporting unit goodwill in order to determine whether any impairment is required. The implied fair value of the reporting unit goodwill is then calculated by allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company then recognizes an impairment loss for that excess amount. (see Note 7)

Stock-based compensation

Stock-based compensation

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

Common Stock Purchase Warrants

Common Stock Purchase Warrants

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

Accounting for Uncertainty in Income Taxes

Accounting for Uncertainty in Income Taxes

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

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2009, 2010 and 2011, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2012.

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

Research and Development Costs

Research and Development Costs

The Company's research and development costs are expensed in the period in which they are incurred. Such expenditures amounted to $1,321,214 and $994,619 for the year ended December 31, 2012 and 2011, respectively.

Earnings (Loss) Per Share

Earnings (Loss) Per Share

Earnings (loss) per share is computed in accordance with FASB ASC Topic 260, "Earnings per Share". Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Certain common stock equivalents were not included in the earnings (loss) per share calculation as their effect would be anti-dilutive. Warrants exercisable for 6,050,999 shares and options for 2,750,000 shares were excluded from weighted average common shares outstanding on a diluted basis.

Financial instruments

Financial instruments

The Company carries cash and cash equivalents, accounts receivable, accounts payable and accrued expenses at historical costs. The respective estimated fair values of these assets and liabilities approximate carrying values due to their current nature. The Company also carries notes payable to related parties at historical cost less discounts from warrants issued as loan financing costs.

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities in accordance with GAAP which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain other financial instruments and contracts, such as debt financing arrangements and freestanding warrants with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

The Company uses the Black-Scholes option valuation technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to measure the fair value of these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the Company’s trading market price and the trading market price of various peer companies, which have historically had high volatility. Since derivative financial instruments are initially and subsequently carried at fair value, the Company’s income will reflect the volatility in these estimate and assumption changes.

The Company reports its derivative liabilities at fair value on the accompanying consolidated balance sheet as of December 31, 2012. There were no derivative liabilities as of December 31, 2011.

Use of Estimates

Use of Estimates

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

12. Commitments and Contingencies	12 Months Ended Dec. 31, 2012
Commitments and Contingencies Disclosure [Abstract]	
Commitments and Contingencies	

12. Commitments and Contingencies

On September 29, 2011, the Company entered into a license agreement (the “License Agreement”) with Newton Investments BV. Pursuant to the License Agreement, Newton will, for a period of 10 years, hold the exclusive manufacturing and distribution rights for the Systems in the 27 countries which are currently members of the European Union, subject to Newton’s achieving minimum sales of at least 100 Systems per year beginning in the second year of the License Agreement, payment of a royalty equal to 20% of the gross sales price of each System sold, and other terms and conditions set forth in the License Agreement. Due to ongoing technical problems with the Company’s Systems, the Company has deferred commencement of the minimum sales requirement until the problems are resolved.

On October 25, 2012, the Company entered into a consulting agreement with Hank Leibowitz, the principal of Waste Heat Solutions, LLC, an expert with 39 years’ experience in the field of advanced energy systems. Pursuant to this consulting agreement, which is terminable by either party on 30 days’ notice, the Company pays Waste Heat Solutions, $5,000 per month through February 2013 and $7,500 per month thereafter. In connection with this consulting agreement, the Company issued to Waste Heat Solutions (i) a fully vested 10-year option to purchase 500,000 shares of common stock at $.56 per share and (ii) a 10-year option, vesting six months from the contract date, i.e., on April 25, 2013, to purchase an additional 500,000 shares at $.56 per share. The fair value of the fully vested option was approximately $182,000 and was recorded as general and administrative expenses in the consolidated statement of operations during 2012. The fair value of the option vesting six months from the contract date was approximately $182,000 of which approximately $61,000 was recorded as research and development expense in the consolidated statement of operations during 2012. The remaining unrecognized expense of approximately $121,000 will be recognized as research and development expense during 2013.

This consulting agreement contains standard confidentiality provisions, as well as standard non-competition and non-soliciting provisions which survive for two years following termination of the consultancy.

Note 8 - Stockholders' Equity	12 Months Ended Dec. 31, 2012
Stockholders' Equity Note [Abstract]	
Stockholders' Equity	(see text below)

Note 8– Stockholders' Equity

Warrants

In 2008, the Company issued warrants to purchase 250,000 and 50,000 unregistered shares of the Company's common stock at exercise prices of $1.50 and $2.30 per share, respectively. The warrants expired on various dates through November 2011. At December 31, 2012, 218,500 of these warrants had expired and 81,500 were exercised.

During March through December 2010, the Company issued warrants to purchase 439,999 unregistered shares of the Company's common stock at an exercise price of $0.75 per share in association with stock subscription agreements. These warrants expire on various dates through December 2013. As of December 31, 2012, all of these warrants were outstanding.

During January through December 2011, the Company issued warrants to purchase 2,000,000 unregistered shares of the Company's common stock at an exercise price of $0.75 per share in association with stock subscription agreements. These warrants expire on various dates through 2014. As of December 31, 2012, all of these warrants were outstanding.

The Company issued warrants on June 3, 2011 to various persons, including affiliates of the Company, for services provided to the Company. These warrants covered the purchase of 1,855,000 unregistered shares of the Company's stock at an exercise price of $1.05 per share with a five-year term. These share-based payments have been accounted for in accordance with ASC 815-40 using the Black Scholes warrant pricing model to determine the fair value of each warrant. As of December 31, 2012, all of these warrants were outstanding.

On February 3, 2012, The Company issued warrants to purchase 500,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share with a five-year term for settlement of certain disputed amounts (See Note 8). These share-based payments have been accounted for in accordance with ASC 815-40 using the Black-Scholes warrant pricing model to determine the fair value of each warrant. As of December 31, 2012, all of these warrants were outstanding.

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

During the second quarter of 2012, the Company issued warrants to purchase 335,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share in association with stock subscription agreements. These warrants expire on various dates through 2015. As of December 31, 2012, all of these warrants were outstanding.

During the third quarter of 2012, the Company issued warrants to purchase 71,000 unregistered shares of the Company's common stock at an exercise price of $3.00 per share in association with stock subscription agreements. These warrants expire July 30, 2015. As of December 31, 2012, all of these warrants were outstanding.

During the fourth quarter of 2012, the Company issued warrants to purchase 225,000 unregistered shares of the Company's common stock at an exercise price of $1.00 per share in association with stock subscription agreements. These warrants expire October 31, 2015. As of December 31, 2012, all of these warrants were outstanding.

In December 2012, the Company issued warrants to purchase 325,000 unregistered shares of the Company's common stock at an exercise price of $.41 per share in association with the Secured Promissory Note (See Note 10). These warrants expire December 31, 2015. As of December 31, 2012, all of these warrants were outstanding.

Expenses related to warrants issued in conjunction with settlement of certain disputes for the years ended December 31, 2012 and 2011 were $262,700 and $0, respectively.

A summary of warrants issued, exercised and expired during the year ending December 31, 2012 is as follows:

	Shares	Weighted Average Exercise Price
Balance at December 31, 2011	4,294,999	0.88
Issued	1,756,000	1.69
Balance at December 31, 2012	6,050,999	1.12

The weighted average grant date fair value of warrants issued during the year ended December 31, 2012 amounted to $1.02 per warrant. The fair value of each warrant granted for equity and debt raises was determined using the Black-Scholes warrant pricing model and the following assumptions:

	December 31, 2012
Risk free interest rate	.32% to 1.04%
Expected term	3-5 years
Annualized volatility	79% to 85%
Expected dividends	—

The expected term of warrants granted is based on historical experience with past warrant holders, and represents the period of time that warrants granted are expected to be outstanding. The warrant shares referred to above are unregistered shares of the Company's stock and are restricted from trading as defined under Rule 144 of the United States Securities Act of 1933.

Private Placement of Common Stock

In February 2012, the Company raised $500,000 exclusively from accredited European investors (including $275,000 from a Newton affiliate) pursuant to a private placement of 500,000 shares of common stock at a price of $1.00 per share. There were no warrants issued pursuant to this round; however, simultaneously Newton affiliates received three-year warrants to purchase 500,000 shares at $1.00 per share in connections with the settlement of certain claims by and between the Company and Newton.

In the second quarter of 2012, the Company raised gross proceeds of $335,000 through the private placement of 335,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

In the third quarter of 2012, the Company raised gross proceeds of $71,000 through the private placement of 71,000 unregistered shares of common stock to accredited investors at $1.00 per share. Each investor received a three-year warrant to purchase shares of common stock at $3.00 per share for a number of shares equal to the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

In the fourth quarter of 2012, the Company raised gross proceeds of $492,030 through the private placement of 396,000 unregistered shares of common stock to accredited investors at $.43 per share and 450,000 shares at $.715 per share. Each investor who purchased the common stock at $.715 per share received a three-year warrant to purchase additional shares of common stock at $1.00 per share for a number of shares equal to one-half of the number of shares purchased by the investor in this offering. The Company paid a 10% commission on the gross proceeds of this offering to its placement agent.

Treasury Shares

On April 7, 2011, 4,500,000 shares of the Company's stock were surrendered to Treasury in exchange for a $200,000 interest-free note payable due in April 2013. The note payable is reported as note payable to related party on the accompanying consolidated balance sheets. In accordance with GAAP, the Company has discounted this obligation at an imputed rate of 8%. The balance was settled on October 16, 2012 with the surrender of 3,000,000 shares of the Company's stock to Treasury in exchange for $530,000 as discussed below.

In April 2012, the Company purchased 100,000 shares of common stock from an affiliate at a price of $.25 per share. Of the $25,000 purchase price, $14,000 was paid in 2011 and the balance in April 2012. The shares have been held as treasury stock from the date of closing.

In May 2012, the Company purchased 450,000 shares of its common stock from an affiliate at a price of $0.20 per share. Of the $90,000 purchase price, $10,000 was paid at closing and the balance is payable $10,000 per month through January 2013. The payable has a balance of $33,000 at December 31, 2012 and is included in "Payable to related parties" in the accompanying condensed consolidated balance sheets. The shares have been held as treasury stock from the date of closing.

On October 16, 2012, 3,000,000 shares of the Company's stock were surrendered to Treasury in exchange for $530,000, $100,000 of which is due in six equal monthly installments, beginning on November 16, 2012. The payable has a balance of $100,000 as of December 31, 2012 and is included in the "Payable to related parties" in the accompanying consolidated balance sheets. In the event that any amount due remains unpaid, some or all amounts can be converted into shares of the Company's stock at a price of $.0667 per share. The shares have been held as treasury stock from the date of closing. As of April 16, 2013, approximately $83,000 remained outstanding. In accordance with ASC 470-20, "Debt with Conversion and Other Options," the Company determined that the non-mandatory conversion feature represents a beneficial conversion feature that should be recorded as equity based on intrinsic value. The offset will be recorded as a discount and netted against the payable during the second quarter of 2013.

Preferred Shares

The Company has 50,000,000 shares of authorized, $0.0001 par value preferred stock. At December 31, 2012 and 2011, no shares had been issued.

Note 6 - Property and Equipment	12 Months Ended Dec. 31, 2012
Property, Plant and Equipment [Abstract]	
Property and Equipment	

Note 6 – Property and Equipment

A summary of property and equipment at December 31, 2012 and December 31, 2011 is as follows:

	2012	2011	Estimated Useful Lives (in years)
Equipment	$ 25,426	$ 25,426	5
Computer equipment (hardware)	6,975	6,975	3-5
Software	3,929	3,929	3
	36,330	36,330	
Less: Accumulated depreciation	(26,771)	(20,521)	
	$ 9,559	$ 15,809	

The amounts charged to operations for depreciation expense for the year ended December 31, 2012 and 2011 were $6,250 and $7,418 respectively. Depreciation expense from inception through December 31, 2012 was $26,771.

Note 7 - Goodwill - Impairment Testing	12 Months Ended Dec. 31, 2012
Goodwill, Impaired [Abstract]	
Goodwill - Impairment Testing	**Note 7– Goodwill – Impairment Testing**

In accordance with ASU 2011-08, management of the Company undertook a qualitative assessment to determine whether it was more likely than not that the fair value of the assets acquired in the acquisition of Cornerstone Conservation Group were less than the carrying amount assigned to the assets in the acquisition accounting. This assessment resulted in the conclusion that it was more likely than not that the fair value of assets was less than the current carrying amount upon which management proceeded to perform the two-step goodwill impairment test described in ASC 350.

In the acquisition of Cornerstone, significant value was placed upon the substantial experience, proprietary industry knowledge and business acumen of the managing member, and the value that he would bring to the management team of PowerVerde, Inc. This value was recorded as goodwill in the acquisition accounting. The managing member resigned as an officer and director of PowerVerde in the first quarter of 2013. Based on this event, the departure of a key asset of the Cornerstone Acquisition, the Company determined that the implied fair value of the goodwill recorded in the acquisition accounting no longer existed and an impairment charge of $2,637,760 was recognized in December 2012. This charge is reported on the consolidated 2012 statement of operations as an operating expense, Goodwill impairment. As of December 31, 2012, the carrying value of the goodwill was zero.

Note 9 - Stock Options	**12 Months Ended Dec. 31, 2012**

Disclosure Of Compensation Related Costs, Share-Based Payments [Abstract]

Stock Options

Note 9 – Stock Options

Stock option activity for the year ended December 31, 2012, is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2010	—	—	
Granted	1,950,000	0.91	
Expired or forfeited	(200,000)	—	
Options outstanding at December 31, 2011	**1,750,000**	**$ 0.91**	**10.00**
Granted	1,000,000	0.56	10.00
Options outstanding at December 31, 2012	2,750,000	$ 0.78	10.00

During the fourth quarter of 2012, the Company issued to a consultant a 10-year option to purchase 1,000,000 shares of common stock at $.56 per share.

Total stock-based compensation for the years ended December 31, 2012 and 2011 was $658,381 and $466,908 respectively.
The remaining unrecognized stock-based compensation of approximately $121,000 will be recognized as research and development expense in 2013.

Note 5 - Acquisition (Detail) (USD $)	12 Months Ended			1 Months Ended					
	Dec. 31, 2012	Mar. 31, 2012	Mar. 30, 2012 sqft	Mar. 30, 2012 Cornerstone Acquisition	Mar. 30, 2012 Warrants For Cornerstone Acquisition Exercisable January 1, 2012 - December 31, 2016	Mar. 30, 2012 Warrants for Cornerstone Acquisition Exercisable July 1, 2012 through June 30, 2017	Mar. 30, 2012 Warrants For Cornerstone Acquisition Exercisable January 2, 2013 through December 31, 2017	Mar. 30, 2012 Warrants For Cornerstone Acquisition	Mar. 31, 2012 Warrants For Cornerstone Acquisition
Percentage of membership interests purchased				100.00%					
Area of land owned by sellers in Scottsdale Arizona			5,000						
Facility cost		$ 700							
Stock issued during period, shares, acquisitions				2,260,000					
Share price (in Dollars per share)				$ 1.37					
Exercise period of warrants (in years)				three					
Warrants issued				300,000	100,000	100,000	100,000	300,000	300,000
Exercise price of warrants issued in transaction (in Dollars per share)					$ 2.00	$ 3.00	$ 4.00		
Issuance of warrants in business acquisition, Value (in Dollars)								201,000	
Risk free interest rate								1.04%	
Expected volatility rate								79.10%	
Equity issued in business combination, fair value (in Dollars)								3,297,200	
Amortization of acquired intangible assets (in Dollars)	$ 164,860								

Note 11 - Income Taxes (Details) (USD $)	12 Months Ended		
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Income Tax Disclosure [Abstract]			
Valuation allowance for deferred tax assets	$ 3,817,895	$ 1,935,133	$ 910,779
Change in the valuation allowance	1,882,762	1,024,354	
Net operating loss carry forwards	$ 4,279,018		

Note 12- Related Party Transactions	12 Months Ended Dec. 31, 2012
Related Party Transactions [Abstract]	
Related Party Transactions	**Note 12- Related Party Transactions** See Notes 8 and 10 for discussion of transactions with the Company’s Co-Founders, George Konrad and Fred Barker. Since January 1, 2012, the Company has been using a 5,000 square foot Scottsdale, Arizona, facility owned by Bryce Johnson, the principal Cornerstone seller, who became an officer and director of the Company in connection with the Cornerstone Acquisition. The Company used the facility free of charge for two months. Since March 2012, it has been paying Mr. Johnson $700 per month which covers overhead costs for use of the facility on a month-to-month basis. Mr. Johnson resigned as an officer and director of the Company in March 2013; however, the Company continues to use his facility and expects to continue doing so for at least the next year on the existing terms.

Note 8 - Stockholders' Equity (Tables)	12 Months Ended Dec. 31, 2012
Stockholders' Equity Note [Abstract]	
Schedule of summary of warrants issued, exercised and expired	

	Shares	Weighted Average Exercise Price
Balance at December 31, 2011	4,294,999	0.88
Issued	1,756,000	1.69
Balance at December 31, 2012	6,050,999	1.12

Schedule of fair value of each warrant granted for equity and debt raises

	December 31, 2012
Risk free interest rate	.32% to 1.04%
Expected term	3-5 years
Annualized volatility	79% to 85%
Expected dividends	—

Note 11 - Income Taxes (Details)- (Table 2) Reconciliation of the U.S. statutory federal income tax rate (USD $)	12 Months Ended
	Dec. 31, 2012
Income Tax Disclosure [Abstract]	
Federal income tax at statutory rate	$ (1,616,870)
State Tax	(261,553)
Permanent Differences	1,248
Other	(5,587)
Change in Valuation Allowance	1,882,762
Income Tax Expense (Benefit), Total	

Note 9 - Stock Options (Detail) - (Table 1) Stock Option Activity, Current Period (USD $)	3 Months Ended	12 Months Ended		
	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Disclosure Of Compensation Related Costs, Share-Based Payments [Abstract]				
Shares	2,750,000	2,750,000	1,750,000	
Granted	100,000	100,000	1,950,000	
Expired or forfeited			(200,000)	
Weighted Average Exercise Price (in Dollars per share)	$ 0.78	$ 0.78	$ 0.91	
Granted		$ 0.56	$ 0.91	
Weighted Average Remaining Contractual Life (Years)		10 years	10 years	
Weighted Average Remaining Contractual Life Granted (Years)		10 years		

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (USD $)	Common Stock	Additional Paid in Capital	Treasury Stock	Deficit Accumulated during the Development Stage	Total
Balances at Mar. 09, 2007					
Balances (in Shares) at Mar. 09, 2007					
Common Stock issued for cash, net of stock issuance costs	20,350	659,252			679,602
Common stock issued for cash, net of stock issuance costs (in shares)	20,350,000				
Net loss				(274,402)	(274,402)
Balances at Dec. 31, 2007	20,350	659,252		(274,402)	405,200
Balances (in Shares) at Dec. 31, 2007	20,350,000				
Balances at Mar. 09, 2007					
Common stock issued for services					56,250
Issuance of warrants for settlement with Newton					262,700
Warrants issued for services					612,150
Issuance of common stock for Cornerstone acquisition					3,096,200
Treasury stock			(320,381)		(491,139)
Net loss					(9,611,805)
Balances at Dec. 31, 2012			(491,139)		178,801
Balances (in Shares) at Dec. 31, 2012					26,011,565
Balances at Dec. 31, 2007	20,350	659,252		(274,402)	405,200
Balances (in Shares) at Dec. 31, 2007	20,350,000				
Common stock issued for cash, net of stock issuance costs (in shares)					250,000
Sale of common stock	50	24,950			25,000
Sale of common stock (in shares)	50,000				
Stockholder Equity of Vyrex Corporation at merger	102	(479,771)			(479,669)
Stockholder Equity of Vyrex Corporation at merger (in shares)	1,019,144				
Recapitalization of PowerVerde stockholders' equity	(20,400)	20,400			
Recapitalization of PowerVerde stockholders' equity (in shares)	(20,400,000)				
Shares issued related to forgiveness of debt and issued for services	28	249,972			250,000

Shares issued related to forgiveness of debt and issued for services (in shares)	275,000				
Shares issued in exchange for PowerVerde shares	2,459	(2,459)			
Shares issued in exchange for PowerVerde shares (in shares)	24,588,734				
Common stock issued for services (in shares)					25,000
Warrants issued with debt		299,984			299,984
Net loss				(829,556)	(829,556)
Balances at Dec. 31, 2008	2,589	772,328		(1,103,958)	(329,041)
Balances (in Shares) at Dec. 31, 2008	25,882,878				
Sale of common stock	126	864,874			865,000
Sale of common stock (in shares)	1,266,667				
Common stock issued on conversion of debt	38	189,223			189,261
Common stock issued on conversion of debt (in shares)	378,521				
Common stock issued for services	8	56,242			56,242
Common stock issued for services (in shares)	75,000				
Net loss				(890,980)	(890,980)
Balances at Dec. 31, 2009	2,761	1,882,667		(1,994,938)	(109,510)
Balances (in Shares) at Dec. 31, 2009	27,603,066				
Sale of common stock	43	296,958			297,001
Sale of common stock (in shares)	439,999				
Net loss				(308,352)	(308,352)
Balances at Dec. 31, 2010	2,804	2,179,625		(2,303,290)	(120,861)
Balances (in Shares) at Dec. 31, 2010	28,043,065				
Sale of common stock	200	1,349,800			1,350,000
Sale of common stock (in shares)	2,000,000				
Stock-based compensation		466,907			466,907
Warrants issued for services		612,150			612,150
Warrants exercised	8	122,242			122,250
Warrants exercised (in shares)	81,500				
Treasury stock			(170,758)		(170,758)
Treasury stock (in shares)	(4,500,000)				
Net loss				(2,553,465)	(2,553,465)
Balances at Dec. 31, 2011	3,012	4,730,724	(170,758)	(4,856,755)	(293,777)
Balances (in Shares) at Dec. 31, 2011	25,624,565				25,624,565

Sale of common stock	176	1,258,052			1,258,228
Sale of common stock (in shares)	1,752,000				
Issuance of warrants for settlement with Newton		262,700			262,700
Stock-based compensation		658,381			658,381
Issuance of common stock for Cornerstone acquisition	226	3,095,974			3,096,200
Stock issued during period, shares, acquisitions	2,260,000				
Warrants issued with debt		201,000			201,000
Cancellation of shares issued for services to Del Mar Consulting (in Shares)	(75,000)				
Warrants issued in connection with notes payable to related party		71,500			71,500
Treasury stock			(320,381)		(491,139)
Treasury stock (in shares)	(3,550,000)				
Net loss				(4,755,050)	(4,755,050)
Balances at Dec. 31, 2012	$ 3,414	$ 10,278,331	$ (491,139)	$ (9,611,805)	$ 178,801
Balances (in Shares) at Dec. 31, 2012	26,011,565				26,011,565

Note 3 - Summary of Significant Accounting Policies	12 Months Ended Dec. 31, 2012
Accounting Policies [Abstract]	
Summary of Significant Accounting Policies	see below

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

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

Development Stage Company

The Company is a development stage company as defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 915, "Development Stage Entities". The Company is devoting substantially all of its present efforts to establish a new business and none of its planned principal operations have commenced. All losses accumulated since inception has been considered as part of the Company's development stage activities.

Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of balances due from sales and royalties. The Company monitors accounts receivable and provides allowances when considered necessary. At December 31, 2012 and 2011, accounts receivable were considered to be fully collectible. Accordingly, no allowance for doubtful accounts was provided.

Revenue Recognition

Sales revenues and associated cost of sales are recognized when title of the goods sold pass to the buyer, when shipped and when accounts receivable are determined to be reasonable collectable. Certain sales agreements also require installation and training by PowerVerde once goods are received and accepted by the customer. The Company does not consider these agreements multiple elements arrangements as defined by ASC 605-25"Revenue Recognition", as the Company does not offer installation or training as services separate from the sale of its products at this time. Therefore, a "best estimate of selling price" or individual pricing in accordance with ASC 605-25 is undeterminable. The Company defers all revenues and costs of sales until the agreement is 100% complete.

Licensing and royalty revenue from royalty agreements is recognized in accordance with the terms of the specific agreement.

Property and Equipment

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

Intellectual Property and Goodwill

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

The Company assesses goodwill for potential impairment at the end of each fiscal year, or during the year if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the asset. In evaluating goodwill for impairment, first qualitative factors are assessed to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If it is concluded that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of the goodwill assigned to the reporting unit is required. However, if it is concluded that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment to be recognized, if any.

In the first step of the review process, the estimated fair value of the reporting unit is compared with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed.

If the estimated fair value of the reporting unit is less than its carrying amount, a second step of the review process is performed in order to calculate the implied fair value of the reporting unit goodwill in order to determine whether any impairment is required. The implied fair value of the reporting unit goodwill is then calculated by allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company then recognizes an impairment loss for that excess amount. (see Note 7)

Stock-based compensation

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

Common Stock Purchase Warrants

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

Accounting for Uncertainty in Income Taxes

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

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements. Our evaluation was performed for the tax years ended December 31, 2009, 2010 and 2011, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2012.

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

Research and Development Costs

The Company's research and development costs are expensed in the period in which they are incurred. Such expenditures amounted to $1,321,214 and $994,619 for the year ended December 31, 2012 and 2011, respectively.

Earnings (Loss) Per Share

Earnings (loss) per share is computed in accordance with FASB ASC Topic 260, "Earnings per Share". Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Certain common stock equivalents were not included in the earnings (loss) per share calculation as their effect would be anti-dilutive. Warrants exercisable for 6,050,999 shares and options for 2,750,000 shares were excluded from weighted average common shares outstanding on a diluted basis.

Financial instruments

The Company carries cash and cash equivalents, accounts receivable, accounts payable and accrued expenses at historical costs. The respective estimated fair values of these assets and liabilities approximate carrying values due to their current nature. The Company also carries notes payable to related parties at historical cost less discounts from warrants issued as loan financing costs.

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities in accordance with GAAP which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, the Company has entered into certain other financial instruments and contracts, such as debt financing arrangements and freestanding warrants with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. These instruments are required to be carried as derivative liabilities, at fair value.

The Company uses the Black-Scholes option valuation technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to measure the fair value of these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the Company's trading market price and the trading market price of various peer companies, which have historically had high volatility. Since derivative financial instruments are initially and subsequently carried at fair value, the Company's income will reflect the volatility in these estimate and assumption changes.

The Company reports its derivative liabilities at fair value on the accompanying consolidated balance sheet as of December 31, 2012. There were no derivative liabilities as of December 31, 2011.

Use of Estimates

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

Note 9 - Stock Options (Tables)	12 Months Ended Dec. 31, 2012		
Disclosure Of Compensation Related Costs, Share-Based Payments [Abstract]			
Schedule of stock option activity			

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2010	—	—	
Granted	1,950,000	0.91	
Expired or forfeited	(200,000)	—	
Options outstanding at December 31, 2011	**1,750,000**	**$ 0.91**	**10.00**
Granted	1,000,000	0.56	10.00
Options outstanding at December 31, 2012	2,750,000	$ 0.78	10.00

Note 8- Stockholders' Equity (Detail) - (Table 1) Warrant Activity, Current Period	12 Months Ended Dec. 31, 2012
Stockholders' Equity Note [Abstract]	
Balance at December 31, 2011	4,294,999
Balance at December 31, 2011	0.88
Issued	1,756,000
Issued	1.69
Balance at December 31, 2012	6,050,999
Balance at December 31, 2012	1.12

Note 11 - Income Taxes	**12 Months Ended Dec. 31, 2012**

Income Tax Disclosure [Abstract]

Income Taxes

Note 11 – Income Taxes

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

The Company did not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The tax years that remain subject to examination by major taxing jurisdictions are those for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

The Company classifies interest and penalties arising from underpayment of income taxes in the consolidated statements of operations as general and administrative expenses. As of December 31, 2012, the Company had no accrued interest or penalties related to uncertain tax provisions.

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

	For the Years ended December 31,	
	2012	**2011**
Deferred tax assets:		
Net operating loss carryforwards	$ 1,690,212	$ 1,063,755
Start-up cost	448,156	440,340
Goodwill	989,819	—
Stock based compensation	686,288	426,228
Other	3,420	4,810
Deferred tax assets	3,817,895	1,935,133
Less valuation allowance	(3,817,895)	(1,935,133)
Net deferred tax assets after valuation allowance	$ —	$ —

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

Rate Reconciliation

Federal income tax at statutory rate	$(1,616,870)
State Tax	(261,553)
Permanent Differences	1,248
Other	(5,587)
Change in Valuation Allowance	1,882,762
	$ (0)

In assessing the ability to realize a portion of the deferred tax assets, management considers whether it is more than likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making the assessment. After consideration of the evidence, both positive and negative, management has determined that a $3,817,895 valuation allowance at December 31, 2012 is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The change in the valuation allowance for the current year is $1,882,762. At December 31, 2012, the Company has available net operating loss carry forwards for federal income tax purposes of $4,279,018 expiring at various times from 2027 through 2032.

Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Write-offs	Other Charges	Balance at End of Period
Deferred tax asset valuation allowance					
Year ended December 31, 2012	$ 1,935,133	$ 1,882,762			$ 3,817,895
Year ended December 31, 2011	$ 910,779	$ 1,024,354			$ 1,935,133