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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number **333-192877**

QPAGOS
(Exact Name of Registrant as Specified in its Charter)

Nevada	**33-1230229**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Paseo del la Reforma 404 Piso 15 PH Col. Juarez, Del. Cuauhtemoc Mexico, D.F. C.P.	**06600**
Address of Principal Executive Offices	Zip Code

+52 (55)-110-110
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares of common stock outstanding as of August 13, 2019 was 300,746,259.

QPAGOS

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In particular, statements contained in this Quarterly Report on Form 10-Q, including but not limited to, the sufficiency of our cash, our ability to finance our operations and business initiatives and obtain funding for such activities; our future results of operations and financial position, business strategy and plan prospects, or costs and objectives of management for future acquisitions, are forward-looking statements. These forward-looking statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as "may," "will," "should," "expects," "plans," "anticipates," "intends," "targets," "projects," "contemplates," "believes," "seeks," "goals," "estimates," "predicts," "potential" and "continue" or similar words. Readers are cautioned that these forward-looking statements are based on our current beliefs, expectations and assumptions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed, projected or implied in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

NOTE REGARDING COMPANY REFERENCES

Throughout this Quarterly Report on Form 10-Q, "QPAGOS," the "Company," "we," "us" and "our" refer to QPAGOS and its direct and indirect subsidiaries, Qpagos Corporation, Qpagos S.A.P.I. de C.V. and Redpag S.A.P.I de C.V.

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CONDENSED CONSOLIDATED BALANCE SHEETS

		June 30, 2019 (unaudited)		December 31, 2018
Assets				
Current Assets				
Cash	$	11,727	$	71,294
Accounts receivable		46,537		60,523
Inventory		336,344		330,632
Recoverable IVA taxes and credits		120,466		98,493
Other current assets		220,095		179,139
Total Current Assets		735,169		740,081
Non-Current Assets				
Plant and equipment, net		204,927		228,103
Right of use asset		17,154		-
Intangibles, net		60,917		82,417
Investment		3,000		3,000
Other assets		12,618		10,373
Total Non-Current Assets		298,616		323,893
Total Assets	$	1,033,785	$	1,063,974
Liabilities and Stockholders' Deficit				
Current Liabilities				
Accounts payable	$	722,252	$	548,891
Loans payable		375,409		233,203
Loans payable - Related parties		150,389		136,790
Convertible debt, net of unamortized discount of $421,316 and $532,747, respectively		1,804,891		1,251,033
Convertible debt - Related parties, net of unamortized discount of $0 and $0 respectively		136,786		128,872
Operating lease liability		17,222		-
Derivative liability		1,365,652		1,833,672
IVA and other taxes payable		40,238		18,969
Advances from customers		144,724		120,909
Total Current Liabilities		4,757,563		4,272,339
Total Liabilities		4,757,563		4,272,339
Stockholders' Deficit				
Preferred stock, $0.0001 par value, 25,000,000 shares authorized, and 0 shares issued and outstanding as of June 30, 2019 and December 31, 2018.				
Common stock, $0.0001 par value; 500,000,000 shares authorized, 149,211,940 and 88,839,218 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively.		14,921		8,884
Additional paid-in-capital		16,063,879		14,857,769
Accumulated deficit		(20,201,209)		(18,455,925)
Accumulated other comprehensive income		398,631		380,907
Total Stockholders' Deficit		(3,723,778)		(3,208,365)
Total Liabilities and Stockholders' Deficit	$	1,033,785	$	1,063,974

See notes to the unaudited condensed consolidated financial statements

QPAGOS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net Revenue	$ 2,833,417	$ 1,701,763	$ 4,069,619	$ 3,166,551
Cost of Goods Sold	2,756,802	1,597,393	3,980,986	3,118,060
Gross profit	76,615	104,370	88,633	48,491
General and administrative	494,683	584,367	907,654	1,144,442
Depreciation and amortization	11,306	12,347	22,609	24,753
Total Expense	505,989	596,714	930,263	1,169,195
Loss from Operations	(429,374)	(492,344)	(841,630)	(1,120,704)
Other expense	(188,514)	(981,356)	(549,186)	(3,459,955)
Interest expense, net	(579,646)	(565,717)	(1,210,883)	(1,811,504)
Derivative liability movements	319,888	(259,419)	862,413	2,271,913
Foreign currency loss	(795)	(163,293)	(5,998)	(10,362)
Loss before Provision for Income Taxes	(878,441)	(2,462,129)	(1,745,284)	(4,130,612)
Provision for Income Taxes	-	-	-	-
Net Loss	$ (878,441)	$ (2,462,129)	$ (1,745,284)	$ (4,130,612)
Net Loss Per Share - Basic and Diluted	**$ (0.01)**	**$ (0.03)**	**$ (0.02)**	**$ (0.06)**
Weighted Average Number of Shares Outstanding - Basic and Diluted	**113,383,536**	**81,723,620**	**113,372,546**	**72,170,705**
Other Comprehensive gain (loss)				
Foreign currency translation adjustment	7,705	86,725	17,724	8,404
Total Comprehensive loss	(870,736)	(2,375,404)	(1,727,560)	(4,122,208)

See notes to the unaudited condensed consolidated financial statements

QPAGOS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
Balance as of December 31, 2018	**-**	**$ -**	**88,839,218**	**$ 8,884**	**$ 14,857,769**	**$ (18,455,925)**	**$ 380,907**	**$ (3,208,365)**
Conversion of debt to equity	-	-	24,376,164	2,438	675,525	-	-	**677,963**
Translation adjustment	-	-	-	-	-	-	10,019	**10,019**
Net loss	-	-	-	-	-	(866,843)	-	**(866,843)**
Balance as of March 31, 2019	**-**	**$ -**	**113,215,382**	**$ 11,322**	**$ 15,533,294**	**$ (19,322,768)**	**$ 390,926**	**$ (3,387,226)**
Conversion of debt to equity	-	-	35,170,840	3,517	368,413	-	-	**371,930**
Shares issued for services			825,718	82	162,172	-	-	**162,254**
Translation adjustment	-	-	-	-	-	-	7,705	**7,705**
Net loss	-	-	-	-	-	(878,441)	-	**(878,441)**
Balance as of June 30, 2019	**-**	**$ -**	**149,211,940**	**$ 14,921**	**$ 16,063,879**	**$ (20,201,209)**	**$ 398,631**	**$ (3,723,778)**

QPAGOS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2017	**-**	**$ -**	**56,207,424**	**$ 5,620**	**$ 8,494,502**	**$ (13,388,191)**	**$ 487,554**	**$ (4,400,515)**
Conversion of debt to equity	-	-	23,675,144	2,368	4,253,945	-	-	**4,256,313**
Translation adjustment	-	-	-	-	-	-	(78,321	**(78,321)**
Net Loss	-	-	-	-	-	(1,668,483)	-	**(4,130,612)**
Balance as of March 31, 2018	**-**	**$ -**	**79,882,568**	**$ 7,988**	**$ 12,748,447**	**$ (15,056,674)**	**$ 409,233**	**$ (1,891,006)**
Conversion of debt to equity	-	-	3,297,181	330	1,393,530	-	-	**1,393,860**
Stock based compensation	-	-	120,000	12	49,188	-	-	**49,200**
Shares issued for services	-	-	115,795	12	34,727	-	-	**34,739**
Translation adjustment	-	-	-	-	-	-	86,725	**86,725**
Net Loss	-	-	-	-	-	(2,462,129)	-	**(2,462,129)**
Balance as of June 30, 2018	**-**	**$ -**	**83,415,544**	**$ 8,342**	**$ 14,225,892**	**$ (17,518,803)**	**$ 495,958**	**$ (2,788,611)**

See notes to unaudited condensed consolidated financial statements

QPAGOS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30 2019	Six months ended June 30 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(1,745,284)	(4,130,612)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	33,126	22,417
Amortization expense	21,500	21,500
Impairment charge	(1,650)	-
Derivative liability movements	(862,413)	(2,271,913)
Amortization of debt discount	1,012,537	1,622,457
Loss on conversion of debt to equity	554,558	3,458,238
Profit on disposal of kiosks	(1,652)	-
Convertible notes issued for services	4,423	100,724
Non-cash operating lease liability movements	68	-
Shares issued for services	162,254	34,739
Stock based compensation	-	49,200
Changes in Assets and Liabilities		
Accounts receivable	15,445	28,572
Inventory	1,912	7,794
Recoverable IVA taxes and credits	(19,789)	(34,667)
Other current assets	(37,203)	(75,965)
Other assets	(2,014)	(3,492)
Accounts payable and accrued expenses	180,006	44,435
IVA and other taxes payable	20,922	1,392
Advances from customers	21,120	10,169
Interest accruals	190,785	167,628
CASH USED IN OPERATING ACTIVITIES	(451,349)	(947,384)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,455)	(1,753)
Proceeds on disposal of kiosks	4,183	-
NET CASH USED IN INVESTING ACTIVITIES	(1,272)	(1,753)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	125,000	267,491
Repayment of convertible notes	-	(93,000)
Proceeds from short term notes and convertible notes	267,000	846,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	392,000	1,020,491
Effect of exchange rate changes on cash and cash equivalents	1,054	9,614
NET (DECREASE) INCREASE IN CASH	(59,566)	80,969
CASH AT BEGINNING OF PERIOD	71,294	19,028
CASH AT END OF PERIOD	$ 11,727	$ 99,997
CASH PAID FOR INTEREST AND TAXES:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ 21,417

See notes to the unaudited condensed consolidated financial statements

QPAGOS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION AND DESCRIPTION OF BUSINESS

a) Organization

On May 12, 2016, QPAGOS (formerly known as Asiya Pearls, Inc.), a Nevada corporation ("QPAGOS"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Qpagos Corporation, a Delaware corporation ("Qpagos Corporation"), and Qpagos Merge, Inc., a Delaware corporation and wholly owned subsidiary of QPAGOS ("Merger Sub"). Pursuant to the Merger Agreement, on May 12, 2016, the merger was consummated, and Qpagos Corporation and Merger Sub merged (the "Merger"), with Qpagos Corporation continuing as the surviving corporation of the Merger.

Pursuant to the Merger Agreement, upon consummation of the Merger, each share of Qpagos Corporation's capital stock issued and outstanding immediately prior to the Merger was converted into the right to receive two shares of QPAGOS common stock, par value $0.0001 per share (the "Common Stock"). Additionally, pursuant to the Merger Agreement, upon consummation of the Merger, QPAGOS assumed all of Qpagos Corporation's warrants issued and outstanding immediately prior to the Merger, which were exercisable for approximately 6,219,200 shares of Common Stock, respectively, as of the date of the Merger. Prior to and as a condition to the closing of the Merger, the then-current QPAGOS stockholder of 5,000,000 shares of Common Stock agreed to return to QPAGOS 4,975,000 shares of Common Stock held by such holder to QPAGOS and the then-current QPAGOS stockholder retained an aggregate of 25,000 shares of Common Stock and the other stockholders of QPAGOS retained 5,000,000 shares of Common Stock. Therefore, immediately following the Merger, Qpagos Corporation's former stockholders held 49,929,000 shares of QPAGOS common stock which represented approximately 91% of the outstanding Common Stock.

The Merger was treated as a reverse acquisition of QPAGOS, a public shell company, for financial accounting and reporting purposes. As such, Qpagos Corporation was treated as the acquirer for accounting and financial reporting purposes while QPAGOS was treated as the acquired entity for accounting and financial reporting purposes. Further, as a result, the historical financial statements that are reflected in this Quarterly Report on Form 10-Q and that will be reflected in the Company's financial statements filed with the United States Securities and Exchange Commission ("SEC") will be those of Qpagos Corporation, and the Company's assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of Qpagos Corporation.

QPAGOS Corporation ("QPAGOS") was incorporated on May 1, 2015 under the laws of the state of Delaware to effectuate a reverse merger transaction with Qpagos, S.A.P.I. de C.V. (Qpagos) and Redpag Electrónicos S.A.P.I. de C.V. (Redpag). Each of the entities were incorporated in November 2013 in Mexico.

QPagos, S.A.P.I. de C.V. was formed to process payment transactions for service providers it contracts with, and Redpag Electrónicos S.A.P.I. de C.V. was formed to deploy and operate kiosks as a distributor.

On May 27, 2016 Asiya changed its name to QPAGOS. QPAGOS and its direct and indirect subsidiaries Qpagos Corporation, QPagos, S.A.P.I. de C.V. and Redpag Electrónicos S.A.P.I. de C.V., will be referred to hereafter as "the Company".

On June 1, 2016, the board of directors changed the Company's fiscal year end from October 31 to December 31.

b) Description of the business

QPAGOS Corporation, through its subsidiaries Qpagos S.A.P.I de C.V. ("Qpagos") and Redpag Electronicos S.A.P.I de C.V. ("Redpag"), provides physical and virtual payment services to the Mexican market. The Company provides an integrated network of kiosks, terminals and payment channels that enable consumers in Mexico to deposit cash, convert it into a digital form and remit the funds to any merchant in our network quickly and securely. The Company helps consumers and merchants connect more efficiently in markets and consumer segments, such as Mexico, that are largely cash-based and lack convenient alternatives for consumers to pay for goods and services in physical, online and mobile environments. For example, the Company's licensed technology can be used to pay bills, add minutes to mobile phones, purchase transportation and tickets, shop online or at a retail store, buy digital services or send money to a friend or relative.

2 ACCOUNTING POLICIES AND ESTIMATES

a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments), which the Company considers necessary, for a fair presentation of those financial statements. The results of operations and cash flows for the three months and six months ended June 30, 2019 may not necessarily be indicative of results that may be expected for any succeeding quarter or for the entire fiscal year. The information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements of QPAGOS for the year ended December 31, 2018, included in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the "SEC") on April 9, 2019.

All amounts referred to in the notes to the unaudited condensed consolidated financial statements are in United States Dollars ($) unless stated otherwise.

b) Principles of Consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary and its indirect subsidiaries. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements. The entities included in these consolidated financial statements are as follows:

QPAGOS – Parent Company
Qpagos Corporation – 100% owned
Qpagos, S.A.P.I de C.V., a Mexican entity (99.996% owned)
Redpag Electrónicos, S.A.P.I. de C.V., a Mexican entity (99.990% owned)

c) Mexican Operations

The financial statements of the Company's Mexican operations are measured using local currencies as their functional currencies.

The Company translates the assets and liabilities of its Mexican subsidiaries at the exchange rates in effect at period end and the results of operations at the average rate throughout the period. The translation adjustments are recorded directly as a separate component of stockholders' equity, while transaction gains (losses) are included in net income (loss). All sales to customers are in Mexico.

d) Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to; the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities, derivative liabilities, the valuation allowance for deferred tax assets due to continuing operating losses, those related to revenue recognition and the allowance for doubtful accounts.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited condensed consolidated financial statements, which management considered in formulating its estimate could change in the near-term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

e) Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur.

The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

f) Fair Value of Financial Instruments

The Company adopted the guidance of Accounting Standards Codification ("ASC") 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, other current assets, other assets, accounts payable, accrued liabilities, and notes payable, approximate fair value due to the relatively short period to maturity for these instruments. The Company did not identify any other assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with the accounting guidance.

ASC 825-10 "Financial *Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

g) Risks and Uncertainties

The Company's operations will be subject to significant risk and uncertainties including financial, operational, regulatory and other risks associated, including the potential risk of business failure. The recent global economic crisis has caused a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, and extreme volatility in credit, equity and fixed income markets. These conditions not only limit the Company's access to capital, but also make it difficult for its customers, vendors and the Company to accurately forecast and plan future business activities.

The Company's operations are carried out in Mexico. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in Mexico and by the general state of that economy. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, and rates and methods of taxation, among other things.

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

h) Adoption of accounting standards

In February 2016, the Financial Accounting Standards Board ("FSAB") issued Accounting Standards Update ("ASU"), No. 2016-02, Leases (Topic 842) (ASC 842)

The amendments in this update establishes a comprehensive new lease accounting model. The new standard: (a) clarifies the definition of a lease; (b) requires a dual approach to lease classification similar to current lease classifications; and (c) causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease-term of more than twelve months. The new standard is effective for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, including a number of optional practical expedients that entities may elect to apply. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, an update which provides another transition method, the prospective transition method, which allows entities to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted the new standard on January 1, 2019 using the prospective transition method.

The Company has identified all leases and reviewed the leases to determine the impact of ASC 842 on its unaudited condensed consolidated financial statements. The Company has elected to apply all of the practical expedients to all leases, which include not reassessing (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. The adoption of the new standard resulted in the recording of a right-of-use asset and a lease liability on the consolidated balance sheet on January 1, 2019 of MXN Pesos 639,400 ($32,996) and the subsequent amortization of the asset and the lease liability.

i) Recent accounting pronouncements

The FASB issued several updates during the period, none of these standards are either applicable to the Company or require adoption at a future date and are not expected to have a material impact on the unaudited condensed consolidated financial statements upon adoption.

j) Reporting by segment

No segmental information is required as the Company currently only has one segment of business, providing physical and virtual payment services in the Mexican Market.

k) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. At June 30, 2019 and December 31, 2018, respectively, the Company had no cash equivalents.

The Company assesses credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution in the United States. The balance at times may exceed federally insured limits. At June 30, 2019 and December 31, 2018, cash balances in the United States did not exceed the federally insured limit.

l) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues, which may impact the collectability of these receivables or reserve estimates. Revisions to the allowance for doubtful accounts estimates are recorded as an adjustment to bad debt expense. Receivables deemed uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. There were no recoveries during the three months and six months ended June 30, 2019 and December 2018.

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

m) Cost Method Investments

Investee companies not accounted for under the consolidation or the equity method are accounted for under the cost method of accounting. Under this method, the Company's share of earnings or losses of such investee companies is not included in the condensed consolidated balance sheet or statement of operations and comprehensive loss. However, impairment charges are recognized in the condensed consolidated statement of operations and comprehensive loss. If circumstances suggest that the value of the investee company has subsequently recovered, such recovery is not recorded. There is no impairment of investment at June 30, 2019 and December 31, 2018.

n) Inventory

The Company primarily values inventories at net realizable value applied on a first-in, first-out basis. The Company identifies and writes down its excess and obsolete inventories to net realizable value based on usage forecasts, order volume and inventory aging. With the development of new products, the Company also rationalizes its product offerings and will write-down discontinued product to the lower of cost or net realizable value.

o) Advances received from customers

Other than the sale of kiosks to customers, the provision of services through the Company's kiosks is conducted on a cash basis. Customers are required to deposit cash with the Company to meet anticipated demand for services provided through kiosks either owned or operated by them. The services provided through the customer owned or operated kiosks are deducted from the deposits held on their behalf, the Company requires that these deposits be replenished as and when the services are provided.

p) Plant and equipment

Plant and equipment is stated at cost, less accumulated depreciation. Plant and equipment with costs greater than $1,000 are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Description	Estimated Useful Life
Kiosks	7 years
Computer equipment	3 years
Leasehold improvements	Lesser of estimated useful life or life of lease
Office equipment	10 years

The cost of repairs and maintenance is expensed as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition.

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

q) Intangibles

All of our intangible assets are subject to amortization. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired. Where intangibles are deemed to be impaired we recognize an impairment loss measured as the difference between the estimated fair value of the intangible and its book value.

i) License Agreements

License agreements acquired by the Company are reported at acquisition value less accumulated amortization and impairments.

ii) Amortization

Amortization is reported in the statement of operations on a straight-line basis over the estimated useful life of the intangible assets, unless the useful life is indefinite. Amortizable intangible assets are amortized from the date that they are available for use. The estimated useful life of the license agreement is five years which is the expected period for which we expect to derive a benefit from the underlying license agreements.

r) Long-Term Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

s) Revenue Recognition

The Company’s revenue recognition policy is consistent with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue.

Our revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those services. The Company derives its revenues from the sale of its services, as defined below. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its revenue transactions:

i. identify the contract with a customer;

ii. identify the performance obligations in the contract;

iii. determine the transaction price;

iv. allocate the transaction price to performance obligations in the contract; and

v. recognize revenue as the performance obligation is satisfied.

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

s) Revenue Recognition (continued)

The Company has the following sources of revenue which is recognized on the basis described below.

- ***Revenue from the sale of services.***

  Prepaid services are acquired from providers and is sold to end-users through kiosks that the Company owns or kiosks that are owned by third parties. The Company recognizes the revenue on the sale of these services when the end-user deposits funds into the terminal and the prepaid service is delivered to the end-user. The revenue is recognized at the gross value, including margin, of the prepaid service to the Company, net of any value-added tax which is collected on behalf of the Mexican Revenue Authorities.

- ***Payment processing provided to end-users***

  The Company provides a secure means for end-users to pay for certain services, such as utilities through our kiosks. The Company earns either a fixed per-transaction fee or a fixed percentage of the service sold. The Company acts as a collection agent and recognizes the payment processing fee, net of any value-added taxes collected on behalf of the Mexican Revenue Authorities, when the funds are deposited into the kiosk and the customer has settled his liability or has acquired a prepaid service.

- ***Revenue from the sale of kiosks.***

  The Company imports, assembles and sell kiosks that are used to generate the revenues discussed above. Revenue is recognized on the full value of the kiosks sold, net of any valued added taxation collected on behalf of the Mexican Revenue Authorities, when the customer takes delivery of the kiosk and all the risks and rewards of ownership are passed to the customer.

  The Company does not enter into any leasing of kiosks arrangements with customers and the Company does not generate any revenues from merchants who access its terminals as yet.

3 GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a loss since inception resulting in an accumulated deficit of $20,201,209 as of June 30, 2019 and has not generated sufficient revenue to cover its operating expenditure, raising substantial doubt about the Company's ability to continue as a going concern. In addition to operational expenses, as the Company executes its business plan, additional capital resources will be required. The Company will need to raise capital in the near term in order to continue operating and executing its business plan. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company's plan is to expand its market penetration in the United States by deploying more kiosks through various channels, thereby increasing revenues, in addition, the Company is exploring the acquisition of other businesses and intends to raise additional equity or loan funds to meet its short-term working capital needs. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern for at least the next twelve months from the date the financial statements were issued.

4 INVENTORY

Inventory consisted of the following:

	June 30, 2019	December 31, 2018
Kiosks and accessories	$ 336,344	$ 330,632
	$ 336,344	$ 330,632

5 PLANT AND EQUIPMENT

Plant and Equipment consisted of the following:

	June 30, 2019	December 31, 2018
Kiosks	$ 423,638	$ 409,990
Computer equipment	75,481	73,781
Office equipment	10,145	9,916
Leasehold improvement	8,812	8,615
Total cost	518,076	502,302
Less: accumulated depreciation and amortization	(313,149)	(274,199)
Plant and equipment, net	$ 204,927	$ 228,103

Depreciation expense totaled $15,664 and $10,856 for the three months ended June 30, 2019 and 2018, respectively, and $31,283 and $22,417 for the six months ended June 30, 2019 and 2018, respectively.

6 LEASES

Adoption of ASC Topic 842, "Leases"

On January 1, 2019, the Company adopted Topic 842 using the prospective transition method applied to leases that were in place as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 840. The Company's lease consists of an operating lease that relate to a real estate agreement entered into in December 2016.

Practical Expedients and Elections

The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward its historical lease classification, the Company's assessment on whether a contract is or contains a lease, and its initial direct costs for any leases that exist prior to adoption of the new standard.

Discount Rate

To determine the present value of minimum future lease payments for operating leases at January 1, 2019, the Company was required to estimate a rate of interest that it would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment (the "incremental borrowing rate" or "IBR").

The Company determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate, the Company used the Mexican Mortgage interest rate at the time of entering into the agreement and compared that rate to the Company's weighted average cost of funding at the time of entering into the operating lease. The Company determined that 10.65% was an appropriate incremental borrowing rate to apply to its real estate operating lease.

6 LEASES (continued)

Right of use assets

Right of use assets are included in the unaudited condensed consolidated Balance Sheet are as follows:

	June 30, 2019
Non-current assets	
Right of use assets, operating leases, net of amortization	$ 17,154

Total Lease Cost

Individual components of the total lease cost incurred by the Company is as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating lease expense	$ 8,849	$ 17,662

Maturity of Operating Leases

The amount of future minimum lease payments under operating leases are as follows:

	Amount
Undiscounted minimum future lease payments	
Remainder of 2019	$ 17,690
Deferred rental on straight line amortization	68
Imputed interest	(537)
Total operating lease liability	**$ 17,222**
Disclosed as:	
Current portion	$ 17,222
Non-current portion	—
	$ 17,222

7 INTANGIBLES

License

Localization and implementation of the different software and technology modules is supported through a Localization Agreement. Under this agreement, at a cost of $215,000, the licensor allocated engineering and programming resources to the Company. The cost is being amortized over 5 years.

On May 1, 2015, Qpagos Corporation entered into a renewable ten-year license with the Licensor for the non-exclusive right to license technology to provide payment services. Subsequently, on November 1, 2015, Qpagos Corporation and the Licensor concluded an additional amendment to the License Agreement by which the Licensor agreed to the exclusivity to the Mexican market subject to the payment of $20,000 per year payable in quarterly installments. The agreement may be terminated early by the Licensor if Qpagos Corporation fails to comply with its terms and conditions.

7 INTANGIBLES (continued)

License (continued)

Intangibles consisted of the following:

	June 30, 2019	December 31, 2018
Software Localization Agreement	$ 215,000	$ 215,000
Total cost	215,000	215,000
Less: accumulated amortization	(154,083)	(132,583)
Intangibles, net	$ 60,917	$ 82,417

Amortization expense was $10,750 and $10,750 for the three months ended June 30, 2019 and 2018, respectively, and $21,500 and $21,500 for the six months ended June 30, 2019 and 2018, respectively.

8 LOANS PAYABLE

Loans payable consist of the following:

Description	Interest Rate	Maturity	June 30, 2019	December 31, 2018
Strategic IR	15%	February 10, 2020	$ 188,712	$ 177,159
Victoria Akhmetova	15%	January 11, 2020	59,808	56,044
Boba Management Corporation	10%	February 20, 2020	20,700	—
	10%	March 1, 2020	20,663	—
	10%	March 26, 2020	20,526	—
	10%	April 12, 2020	20,000	-
	10%	May 7, 2020	10,000	-
	10%	May 13,2020	15,000	-
	10%	May 20, 2020	15,000	-
	10%	May 23, 2020	5,000	-
Total loans payable			$ 375,409	$ 233,203

Strategic IR

Strategic IR advanced the Company $168,000 between January 16 and June 15, 2018. This loan was formalized into a written note on October 13, 2018 and bears interest at the rate of 10% per annum. The note had a maturity date of February 10, 2019. On March 18, 2019 the note was extended to February 10, 2020, and the interest rate was changed to 15%. The note may be prepaid at any time without premium or penalty. The balance of the note plus accrued interest at June 30, 2019 was $188,712.

Viktoria Akhmetova

On April 17, 2018, the Company issued a Promissory Note in the aggregate principal amount of $50,000 to Viktoria Akhmetova. The note had a maturity date of September 13, 2018 and a coupon of eighteen percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. On September 13, 2018, the maturity date of the note was extended to January 11, 2019. On March 19, 2019, the note was extended to January 11, 2020, and the interest rate changed to 15%. The balance of the note plus accrued interest at June 30, 2019 was $59,909.

8 LOANS PAYABLE (continued)

Boba Management Corporation

February 20, 2020
On February 22, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of February 22, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at June 30, 2019 was $20,701.

March 1, 2020
On March 1, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of March 1, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at June 30, 2019 was $20,663.

March 26, 2020
On March 26, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of March 26, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at June 30, 2019 was $20,526.

April 12, 2020
On April 12, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of April 12, 2020. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note at June 30, 2019 was $20,000.

May 7, 2020
On May 7, 2019, the Company issued a Promissory Note in the aggregate principal amount of $00,000 to Boba Management Corporation. The note had a maturity date of May 7, 2020. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note at June 30, 2019 was $10,000.

May 13, 2020
On May 13, 2019, the Company issued a Promissory Note in the aggregate principal amount of $15,000 to Boba Management Corporation. The note had a maturity date of May 13, 2020. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note at June 30, 2019 was $15,000.

May 20, 2020
On May 20, 2019, the Company issued a Promissory Note in the aggregate principal amount of $15,000 to Boba Management Corporation. The note had a maturity date of May 20, 2020. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note at June 30, 2019 was $15,000.

May 23, 2020
On May 23, 2019, the Company issued a Promissory Note in the aggregate principal amount of $5,000 to Boba Management Corporation. The note had a maturity date of May 23, 2020. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note at June 30, 2019 was $5,000.

9 CONVERTIBLE NOTES PAYABLE

Convertible notes payable consists of the following:

Description	Interest rate	Maturity Date	Principal	Accrued interest	Unamortized debt discount	June 30 2019 Balance, net	December 31, 2018 Balance, net
Power Up Lending Group	8%	April 30, 2019	-	-	-	-	38,645
	8%	September 15, 2019	-	-	-	-	11,869
Labrys Fund, LP	8%	February 28, 2019	-	-	-	-	129,758
	8%	April 25, 2019	-	-	-	**-**	126,826
JSJ Investments, Inc.	8%	July 26, 2019	-	-	-	-	46,751
	8%	October 8, 2019	12,000	4,666	(3,288)	**13,378**	24,855
	8%	March 29, 2020	75,000	1,529	(55,943)	**20,586**	-
GS Capital Partners, LLC	8%	May 11, 2019	-	-	-	-	41,543
	8%	August 14, 2019	150,000	10,521	(18,493)	**142,028**	61,693
	8%	August 14, 2019	150,000	9,600	(20,030)	**139,570**	53,056
	8%	September 19, 2019	30,000	1,885	(6,658)	**25,228**	14,557
	8%	September 19, 2019	33,252	2,070	(7,379)	**27,943**	10,134
	8%	February 4, 2020	96,000	3,072	(57,600)	**41,472**	-
	8%	February 4, 2020	96,000	2,483	(62,386)	**36,097**	-
Strategic IR	18%	April 25, 2019	100,000	3,255	-	**103,255**	-
	15%	December 8, 2019	10,000	2,937	-	**12,937**	12,193
	15%	December 8, 2019	20,164	5,908	-	**26,072**	24,573
	15%	December 26, 2019	53,740	15,349	-	**69,089**	65,091
	15%	December 26, 2019	115,535	32,999	-	**148,534**	139,940
Viktoria Akhmetova	15%	December 8, 2019	20,164	5,908	-	**26,072**	24,573
Joseph W and Patricia G Abrams	15%	December 10, 2019	26,247	7,669	-	**33,916**	31,964
	15%	January 27, 2020	3,753	1,023	-	**4,776**	4,496
Roman Shefer	15%	December 24, 2019	10,000	2,864	-	**12,864**	12,121
Crown Bridge Partners, LLC	8%	May 14, 2019	-	-	-	**-**	18,796
	8%	June 12, 2019	-	-	-	-	16,437
	8%	July 26, 2019	18,550	2,008	(1,321)	**19,237**	12,856
	8%	August 31, 2019	27,500	1,826	(4,671)	**24,655**	9,927
	8%	October 16, 2019	27,500	1,549	(8,137)	**20,912**	6,184
Alex Pereira	8%	November 11, 2019	9,590	932	(3,363)	**7,159**	3,189
Gibbs International Holdings	15%	On demand	52,494	15,209	-	**67,703**	63,798
	8%	August 31, 2019	405,735	27,923	(66,903)	**366,755**	155,345
Delinvest Commercial, LTD	15%	December 16, 2019	20,000	5,795	-	**25,795**	24,307
	15%	December 26, 2019	54,123	15,459	-	**69,582**	65,556
BOBA Management Corp	8%	January 23, 2020	92,884	3,217	(52,677)	**43,424**	-
Bellridge Capital LP	18%	April 25, 2019	200,000	6,509	-	206,509	-
Global Consulting Alliance	8%	September 15, 2019	83,000	4,020	(21,446)	**65,574**	-
	8%	May 24, 2020	34,510	280	(31,021)	**3,769**	-
Total convertible notes payable			**$ 2,027,742**	**$ 198,465**	**$ (421,316)**	**$ 1,804,891**	**$ 1,251,033**

9 CONVERTIBLE NOTES PAYABLE (continued)

Interest expense, together with amortized debt discount totaled $485,211 and $523,344 for the three months ended June 30, 2019 and 2018, respectively and $1,172,164 and $1,191,772 for the six months ended June 30, 2019 and 2018, respectively.

The convertible notes disclosed above with a coupon of 15%, have a fixed conversion price of $0.20 per common share.

The remaining convertible notes have variable conversion prices based on a discount to market price of trading activity over a specified period of time. The variable conversion features were valued using a Black Scholes valuation model. The difference between the fair market value of the common stock and the calculated conversion price on the issuance date was recorded as a debt discount with a corresponding credit to derivative financial liability.

The total value of the beneficial conversion feature recorded as a debt discount during the three months ended June 30, 2019 and 2018 was $109,510 and $495,388, respectively, and for the six months ended June 30, 2019 and 2018 was $394,394 and $1,124,737 respectively.

Power Up Lending Group Ltd.

April 30, 2019
On July 20, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $63,000 to Power Up Lending Group LTD. The note has a maturity date of April 30, 2019 and a coupon of eight percent (8%) per annum. The Company has the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the average of the lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

On January 23, 2019, in terms of a debt purchase agreement entered into with BOBA Management Corp., the $63,000 convertible note, plus accrued interest thereon of $2,583, plus penalty interest thereon of $22,878 and expenses of $4,423, was exchanged for a new convertible note with a principal sum of $92,884, bearing interest at 8% per annum and maturing on January 23, 2020.

September 15, 2019
On November 21, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $83,000 to Power up Lending Group Ltd. The note has a maturity date of September 15, 2019 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days.

On May 25, 2019, in terms of a debt purchase agreement entered into with Global Consulting Alliance., the $83,000 convertible note, plus accrued interest thereon of $3,275, was acquired by Global Consulting Alliance for gross proceeds of $86,275 and an additional payment directly to Power Up to settle the penalty interest of $34,510.

Labrys Fund, LP

February 28, 2019
On June 22, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $150,000 to Labrys Fund, LP. The note has a maturity date of December 22, 2018 and a coupon of 8% per annum. The Company has the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the average of the lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received. In December 2018 the maturity date was extended to February 28, 2019.

Between December 26, 2018 and February 13, 2019, the Company received conversion notices converting an aggregate principal amount of $150,000 and interest thereon of $7,116, at an average conversion price of $0.0156 per share, into 10,070,334 shares of common stock, thereby extinguishing the note.

April 25, 2019
On October 25, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $300,000 to Labrys Fund LP. The note has a maturity date of April 25, 2019 and a coupon of 8% per annum. In connection with the issuance of the note, the Company was required to issue 825,718 shares of common stock as a commitment fee valued at $165,254. The shares are returnable to the Company if no Event of Default has occurred prior to the date the note is fully repaid. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous ten (10) trading days.

On April 25, 2019, the Company received conversion notices converting the interest outstanding of $11,967 at a conversion price of $0.0006 per share, into 1,869,979 shares of common stock. The note was not repaid and not converted prior to the maturity date, therefore the 825,718 commitment share valued at $165,254 were expensed and the interest rate on the convertible note increased to 18%, the default interest rate as provided for in the Promissory Note.

On May 15, 2019, in terms of a debt purchase agreement entered into with Strategic IR, the $300,000 convertible note plus accrued interest thereon of $2,367 was acquired by Strategic IR for gross proceeds of $302,367.

9 CONVERTIBLE NOTES PAYABLE (continued)

JSJ Investments Inc.

July 26, 2019

On July 26, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $100,000 to JSJ Investments, Inc. The note had a maturity date of July 26, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note provided it makes a prepayment penalty as set forth in the note. The outstanding principal amount of the note is convertible at any time into shares of the Company's common stock at a conversion price equal to 60% of the average of the lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

Between January 28, 2019 and March 11, 2019, the Company received conversion notices, converting an aggregate principal amount of $100,000 and interest thereon of $4,533, at an average conversion price of $0.0126 into 8,304,805 shares of common stock, thereby extinguishing the convertible note.

October 8, 2019

On October 8, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $100,000 to JSJ Investments Inc. The note has a maturity date of October 8, 2019 and a coupon of eight percent (8%) per annum. The Company has the right to prepay the note prior to maturity in accordance with penalty provisions set forth in the note. The outstanding principal amount of the note plus interest and any default interest is convertible at any time after the pre-payment date at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the average of the lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

Between April 17, 2019 and June 3, 2019 the Company received conversion notices, converting an aggregate principal amount of $88,000 and fees thereon of $1,500, at an average conversion price of $0.0583, into 14,832,564 shares of common stock.

The balance of the note plus accrued interest at June 30, 2019 was $13,378, net of unamortized discount of $3,288.

March 29, 2020

On April 2, 2019, the Company received the proceeds of a convertible promissory note issued to JSJ Investments, Inc. on March 29, 2019, with the aggregate principal amount of $75,000. The note has a maturity date of March 29, 2020 and a coupon of 8% per annum. The Company may prepay the note at a premium ranging from 120% to 140% of the principal plus accrued interest. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest three trading prices during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $20,586, net of unamortized discount of $55,943.

GS Capital Partners, LLC

May 11, 2019

On May 11, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $80,000 to GS Capital Partners, LLC. The note has a maturity date of May 11, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note, provided it makes a pre-payment penalty as specified in the note. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of lowest trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

Between December 27, 2018 and March 20, 2019, the Company received conversion notices converting an aggregate principal amount of $54,000 and interest thereon of $3,239, at an average conversion price of $0.0148 per share, into 3,878,553 shares of common stock.

On May 6, 2019, the Company received a conversion notice converting the remaining principal amount of $26,000 and interest thereon of $2,051, at a conversion price of $0.00665 per share, into 4,208,778 shares of common stock thereby extinguishing the note.

August 14, 2019

On August 14, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $150,000 to GS Capital Partners, LLC. The note has a maturity date of August 14, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note up to 180 days, provided it makes a pre-payment penalty as specified in the note. The outstanding principal amount of the note is convertible at any time after the six-month anniversary of the note, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of lowest trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

The balance of the note plus accrued interest at June 30, 2019 was $142,028 net of unamortized discount of $18,493.

As of August 14, 2019 the note is in default and attracts interest at the default interest rate of 24% per annum.

9 CONVERTIBLE NOTES PAYABLE (continued)

GS Capital Partners, LLC (continued)

August 14, 2019
On September 11, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $150,000 to GS Capital Partners, LLC. The note has a maturity date of August 14, 2019 and a coupon of 8% per annum. The note may not be prepaid. The outstanding principal amount of the note is convertible at any time after the six month anniversary of the note, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of lowest trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

The balance of the note plus accrued interest at June 30, 2019 was $139,570 net of unamortized discount of $20,030.

As of August 14, 2019 the note is in default and attracts interest at the default interest rate of 24% per annum.

September 19, 2019
On September 21, 2018, in terms of a debt purchase agreement entered into with GS Capital Partners LLC, the convertible note issued to Power Up Lending Group LTD on March 26, 2018 of $68,000 plus accrued interest thereon of $2,698 was exchanged for a new note issued to GS Capital Partners LLC, with a principal sum of $70,698 bearing interest at 8% per annum with a maturity date of September 19, 2019. The note may not be prepaid. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 65% of the average of the lowest two trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

On October 9, 2018, the Company received a notice of conversion, converting $23,058, consisting of principal of $22,968 and interest of $90 into 203,874 shares of common stock at a conversion price of $0.1131 per share.

On June 11, 2019, the Company received a notice of conversion, converting $18,752, consisting of principal of $17,730 and interest of $1,022 into 4,063,278 shares of common stock at a conversion price of $0.004615 per share.

The balance of the note plus accrued interest at June 30, 2019 was $25,228 net of unamortized discount of $6,658.

September 19, 2019
On September 19, 2018, in terms of a debt purchase agreement entered into with GS Capital Partners, LLC, the Company issued a convertible promissory note in the aggregate amount of $33,252 for the payment of penalty interest and legal fees associated with the March 26, 2018 Power Up convertible note discussed below. The note has a maturity date of September 19, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note, provided it makes payment of a pre-payment penalty as specified in the note. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 65% of the two lowest trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

The balance of the note plus accrued interest at June 30, 2019 was $27,943 net of unamortized discount of $7,379.

February 4, 2020
On February 4, 2019, the Company issued a Convertible Promissory Note in the aggregate principal amount of $96,000 to GS Capital Partners LLC. The note has a maturity date of February 4, 2020 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $41,472 net of unamortized discount of $57,600.

February 4, 2020
On March 4, 2019, the Company funded a back-end Convertible Promissory Note in the aggregate principal amount of $96,000 from GS Capital Partners LLC. The note has a maturity date of February 4, 2020 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $36,097 net of unamortized discount of $62,386.

9 CONVERTIBLE NOTES PAYABLE (continued)

Strategic IR

April 25, 2019
On May 15, 2019, in terms of a debt purchase agreement entered into with Labrys Fund LP. the $300,000 convertible promissory note issued on October 25, 2018, with a maturity date of April 25, 2019 and an original coupon of 8% per annum, was acquired by Strategic IR for gross proceeds of $302,367, including accrued interest thereon.

The Convertible note earns interest at 18% per annum, the default interest rate in terms of the Promissory note.

On June 19, 2019, in terms of a debt purchase agreement entered into with Bellridge Capital LP, Strategic IR transferred and assigned the aggregate principal sum of $200,000 plus accrued interest thereon of $3,124, of the Convertible note acquired from Labrys Fund LP.

The balance of the remaining note retained by Strategic IR as of June 30, 2019 is $100,000 plus accrued interest thereon of $3,255.

This note was converted into common stock on July 30, 2019, please see Note 16 below.

December 8, 2019
On June 11, 2017, the Company issued a convertible promissory note in the aggregate principal amount of $10,000 to Strategic IR ("Strategic"). The note bears interest at 12% per annum and matured on December 16, 2017. In terms of an agreement entered into with the note holder, the maturity date of the note was extended to December 8, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 8, 2019, with the interest rate remaining unchanged. The note is convertible into common shares at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $12,937.

December 8, 2019
On June 11, 2017, the Company exchanged a note issued to Viktoria Akhmetova, with a principal amount of $20,000, together with accrued interest thereon of $164, totaling $20,164, for a convertible note, principal amount of $20,164, bearing interest at 12% per annum and matured on December 8, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 8, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 8, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $26,072.

December 26, 2019
On June 29, 2017, the Company exchanged a note issued to Strategic with a principal amount of $50,000, together with accrued interest thereon of $3,740, totaling $53,740, for a convertible note, principal amount of $53,740, bearing interest at 12% per annum which matured on December 26, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 26, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 26, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $69,089.

December 26, 2019
On June 29, 2017, the Company exchanged a note issued to Strategic with a principal amount of $110,000, together with accrued interest thereon of $5,535, totaling $115,535, for a convertible note, principal amount of $115,535, bearing interest at 12% per annum and matured on December 26, 2017. In terms of an agreement entered into with the note holder the maturity date was extended to December 26, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 26, 2019, with the interest rate remaining unchanged. The convertible note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $148,534.

Viktoria Akhmetova

December 8, 2019
On June 11, 2017, the Company exchanged a note issued to Viktoria Akhmetova, with a principal amount of $20,000, together with accrued interest thereon of $164, totaling $20,164, for a convertible note, principal amount of $20,164, bearing interest at 12% per annum and matured on December 8, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 8, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 8, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $26,072.

9 CONVERTIBLE NOTES PAYABLE (continued)

Joseph W and Patricia G Abrams

December 10, 2019
Effective June 13, 2017, the Company exchanged a note issued to Joseph W and Patricia G Abrams ("Abrams") with a principal amount of $25,000, together with accrued interest thereon of $1,247, totaling $26,247, for a convertible note, principal amount of $26,247, bearing interest at 12% per annum and matured on December 10, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 10, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 10, 2019, with the interest rate remaining unchanged. The convertible note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $33,916.

January 27, 2020
On July 31, 2017, the Company issued a Convertible Promissory Note to Abrams in the aggregate principal amount of $3,753. The note has a maturity date of January 27, 2018 and a coupon of 12% per annum. In terms of an agreement entered into with the note holder, the maturity date was extended to January 27, 2019 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to January 27, 2020, with the interest rate remaining unchanged. The Company has the right to prepay the note without penalty. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price of $0.25 per share.

The balance of the note plus accrued interest at June 30, 2019 was $4,776.

Roman Shefer

December 24, 2019
On June 27, 2017, the Company entered into a convertible promissory note in the aggregate principal amount of $10,000. The note bore interest at 12% per annum and matured on December 16, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 24, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 24, 2019, with the interest rate remaining unchanged. The note is convertible into common shares at a conversion price of $.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $12,864.

Crown Bridge Partners

May 14, 2019
On May 14, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $27,500 to Crown Bridge Partners. The note has a maturity date of May 14, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note for the first 180 days, subject to a penalty ranging from 10% to 35% of the prepayment, dependent upon the timing of the prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous fifteen (15) trading days.

Between January 16, 2019 and February 12, 2019 the Company received conversion notices, converting an aggregate principal amount of $27,500, fees of $1,500 and interest thereon of $1,580, at an average conversion price of $0.0128, into 2,380,300 shares of common stock, thereby extinguishing the note.

9 CONVERTIBLE NOTES PAYABLE (continued)

Crown Bridge Partners (continued)

June 12, 2019
On June 12, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $27,500 to Crown Bridge Partners. The note has a maturity date of June 12, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note for the first 180 days, subject to a penalty ranging from 10% to 35% of the prepayment, dependent upon the timing of the prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous fifteen (15) trading days.

On March 15, 2019, the Company received a conversion notice, converting an aggregate principal amount of $9,700 and fees thereon of $500, at a conversion price of $0.006, into 1,700,000 shares of common stock.

Between May 13, 2019 and May 24, 2019, the Company received conversion notices converting an aggregate principal amount of $17,800, fees of $1,000 and interest thereon of $1,896, at an average conversion price of $0.0038 per share, into 5,446,260 shares of common stock, thereby extinguishing the note.

July 26, 2019
On July 26, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $27,500 to Crown Bridge Partners. The note has a maturity date of July 26, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note for the first 180 days, subject to a penalty ranging from 10% to 35% of the prepayment, dependent upon the timing of the prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous ten (10) trading days.

On June 12, 2019, the Company received a conversion notice, converting an aggregate principal amount of $8,950 and fees of $500, at a conversion price of $0.0035, into 2,700,000 shares of common stock.

The balance of the note plus accrued interest at June 30, 2019 was $19,237 net of unamortized discount of $1,321.

As of July 26, 2019 the note is in default and attracts interest at the default interest rate of 12% per annum and the note holder may require the Company to pay a penalty of 50% of the value of the note outstanding, including default interest..

August 31, 2019
On August 31, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $27,500 to Crown Bridge Partners. The note has a maturity date of August 31, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note for the first 180 days, subject to a penalty ranging from 10% to 35% of the prepayment, dependent upon the timing of the prepayment. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $24,655 net of unamortized discount of $4,671.

October 16, 2019
On October 16, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $27,500 to Crown Bridge Partners. The note has a maturity date of October 16, 2019 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest trading price during the previous fifteen (15) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $20,912 net of unamortized discount of $8,137.

Alex Pereira

November 5, 2019
On November 5, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $19,250 to Alex Pereira as compensation for the expenses incurred on its behalf. The note has a maturity date of November 5, 2019 and a coupon of 8% per annum. The Company has the right to prepay the note prior to maturity in accordance with penalty provisions set forth in the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest trading price during the previous ten (10) trading days.

On May 19, 2019, the Company received a conversion notice, converting an aggregate principal amount of $9,660, at a conversion price of $0.0047, into 2,049,981 shares of common stock.

The balance of the note plus accrued interest at March 31, 2019 was $7,159 net of unamortized discount of $3,364.

9 CONVERTIBLE NOTES PAYABLE (continued)

Gibbs International Holdings

On Demand

Effective June 19, 2017, the Company exchanged a note issued to Gibbs International Holdings with a principal amount of $50,000, together with accrued interest thereon of $2,494, totaling $52,494, for a convertible note, principal amount of $52,494, bearing interest at 12% per annum and matured on December 16, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 16, 2018 and the interest rate was increased to 15% per annum. The note is past its maturity date which maturity date has not been extended as yet, and thereby; (i) became immediately due and payable; (ii) can only be amended with the written consent of the holder; and (iii) may be sold, assigned or transferred by the holder without the Company's consent. The note is currently recorded under current liabilities. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

In connection with the Convertible note above, the Company issued a warrant to purchase 262,468 common shares of the Company at a variable exercise price of $0.20 per share, if the convertible note above is converted into common shares prior to its maturity date or $0.30 per share if the convertible note is not converted prior to its maturity date.

The balance of the note plus accrued interest at June 30, 2019 was $67,703.

August 31, 2019

Effective August 20, 2018, the Company exchanged a note issued to Gibbs International Holdings with a principal amount of $294,620, together with accrued interest thereon of $111,115, totaling $405,735, for a convertible note, principal amount of $405,735, with a coupon of 8% per annum and maturing on August 31, 2019. The Company has the right to prepay the note within 180 days without penalties. The outstanding principal amount of the note is convertible at any time and from time to time at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the three lowest trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

The balance of the note plus accrued interest at June 30, 2019 was $366,755 net of unamortized discount of $66,903.

Delinvest Commercial, LTD.

December 16, 2019

On June 19, 2017, the Company issued Delinvest Commercial LTD. ("Delinvest") a convertible promissory note in the aggregate principal amount of $20,000. The note bore interest at 12% per annum and matured on December 16, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 16, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 16, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $25,795.

December 26, 2019

On June 29, 2017, the Company exchanged a Delinvest note with a principal amount of $50,000, together with accrued interest thereon of $4,123, totaling $54,123, for a convertible note, principal amount of $54,123, bearing interest at 12% per annum and matured on December 26, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 26, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 26, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $69,582.

In connection with the convertible notes above, the Company issued warrants to purchase 370,616 common shares of the Company at a variable exercise price of $0.20 per share, if the convertible note above is converted into common shares prior to its maturity date or $0.30 per share if the convertible note is not converted prior to its maturity date.

BOBA Management Corporation.

January 23, 2020

On January 23, 2019, the Company issued a Convertible Promissory Note in the aggregate principal amount of $92,884 to BOBA Management Corporation to assume a Power up Note dated July 20, 2018. The note has a maturity date of January 23, 2020. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest three trading prices during the previous ten (10) trading days.

9 CONVERTIBLE NOTES PAYABLE (continued)

The balance of the note plus accrued interest at June 30, 2019 was $43,424 net of unamortized discount of $52,677.

Bellridge Capital LP

April 25, 2019
On June 19, 2019, in terms of a debt purchase agreement entered into with Strategic IR, Bellridge Capital LP acquired an aggregate principal amount of $200,000 plus accrued interest thereon of $3,124 off the $300,000 convertible promissory note originally issued on October 25, 2018, to Labrys Fund LP, with a maturity date of April 25, 2019 and an original coupon of 8% per annum.

The Convertible note earns interest at 18% per annum, the default interest rate in terms of the original Promissory note.

The balance of the convertible note as of June 30, 2019 is $200,000 plus accrued interest thereon of $6,509.

This note remains in default and the holder may require the Company to pay a 50% penalty of all amounts outstanding, including default interest.

Global Consulting Alliance

September 15, 2019
On May 25, 2019, in terms of a debt purchase agreement entered into with Power Up Lending., the $83,000 convertible note dated November 21, 2018, plus accrued interest thereon of $3,275 was acquired by Global Consulting Alliance. The note has a maturity date of September 15, 2019 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $65,574 net of unamortized discount of $21,446.

May 24, 2020
On May 25, 2019, the Company issued a Convertible Promissory Note in the aggregate principal amount of $34,510 to Global Consulting Alliance for penalty interest and expenses incurred by Global consulting Alliance on assuming the Power up Note dated November 21, 2018. The note has a maturity date of May 24, 2020. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest two trading prices during the previous ten (10) trading days.

The balance of the note plus accrued interest at June 30, 2019 was $3,769 net of unamortized discount of $31,021.

10 DERIVATIVE LIABILITY

Certain of the short-term convertible notes disclosed in note 9 above and note 14 below, have variable priced conversion rights with no fixed floor price and will re-price dependent on the share price performance over varying periods of time, due to the variable priced conversion rights, all convertible notes and any warrants attached thereto, issued subsequent to the variable priced conversion notes are valued and give rise to a derivative financial liability, which was initially valued at inception of the convertible notes using a Black-Scholes valuation model. The value of this derivative financial liability was re-assessed at June 30, 2019 and 2018, a total of $862,413 and $2,271,913 was credited to the statement of comprehensive loss, respectively. The value of the derivative liability will be re-assessed at each financial reporting period, with any movement thereon recorded in the statement of operations in the period in which it is incurred.

The following assumptions were used in the Black-Scholes valuation model:

	Six months ended June 30, 2019
Conversion price	$ 0.004 to 0.20
Risk free interest rate	1.92 to 2.59%
Expected life of derivative liability	1 to 16 months
Expected volatility of underlying stock	173.07 to 174.49%
Expected dividend rate	0%

The movement in derivative liability is as follows:

	June 30, 2019	December 31, 2018
Opening balance	$ 1,833,672	$ 3,277,621
Derivative financial liability arising from convertible notes	394,393	2,685,845
Fair value adjustment to derivative liability	(862,413)	(4,129,793)
	$ 1,365,652	$ 1,833,672

11 STOCKHOLDERS' EQUITY

a) Common Stock

The Company has authorized 500,000,000 common shares with a par value of $0.0001 each. The Company has issued and outstanding 149,211,940 and 88,839,218 shares of common stock as of June 30, 2019 and December 31, 2018.

In terms of various debt conversion notices received between January 16, 2019 and June 14, 2019, the Company issued an aggregate of 59,547,004 shares of common stock in settlement of $495,335 of convertible notes, resulting in a net loss on conversion of $551,059.

The Company did not repay a convertible note issued to Labrys Fund, LP prior to the maturity date, which resulted in the returnable commitment shares being retained by Labrys Fund, LP. The 825,718 shares of common stock was expensed as a commitment fee, valued at $165,254 on April 25, 2019.

b) Preferred Stock

The Company has authorized 25,000,000 shares of preferred stock with a par value of $0.0001 authorized, no preferred stock is issued and outstanding as of June 30, 2019.

c) Warrants

The warrants outstanding and exercisable at June 30, 2019 are as follows:

	Warrants outstanding			Warrants exercisable	
Exercise price	No. of shares	Weighted average remaining years	Weighted average exercise price	No. of shares	Weighted average exercise price
$ 0.625	6,219,200	1.26		6,219,200	
$ 0.20	2,308,513	1.00		2,308,513	
	8,527,713	1.19	$ 0.51	8,527,713	$ 0.51

The warrants outstanding have an intrinsic value of $0 and $0 as of June 30, 2019 and December 31, 2018, respectively.

d) Stock options

On June 18, 2018, the Company established its 2018 Stock Incentive Plan. The purpose of the plan is to promote the interests of the Company and the stockholders of the Company by providing directors, officers, employees and consultants of the Company with appropriate incentives and rewards to encourage them to enter into and continue in the employ or service of the Company, to acquire a proprietary interest in the long-term success of the Company and to reward the performance of individuals in fulfilling long-term corporate objectives. The plan terminates after a period of ten years in June 2028.

The Plan is administered by the Board of Directors or a Committee appointed by the Board of Directors who have the authority to administer the Plan and to exercise all the powers and authorities specifically granted to it under the Plan.

The maximum number of securities available under the plan is 8,000,000 shares of common stock. The maximum number of shares of common stock awarded to any individual during any fiscal year may not exceed 1,000,000 shares of common stock.

11 STOCKHOLDERS' EQUITY (continued)

d) Stock options (continued)

The options outstanding and exercisable at June 30, 2019 are as follows:

	Options outstanding			Options exercisable	
Exercise price	No. of shares	Weighted average remaining years	Weighted average exercise price	No. of shares	Weighted average exercise price
$ 0.04	2,000,000	9.5	$ 0.04	2,000,000	$ 0.04

The options outstanding have an intrinsic value of $0 and $0 as of June 30, 2019 and December 31, 2018, respectively.

12 REVENUE

Revenue is derived from the following sources:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Sales of services	$ 2,778,737	$ 1,670,208	$ 3,984,874	$ 3,113,315
Payment processing fees	9,215	16,450	18,449	21,744
Kiosk sales	(5,432)	11,117	-	11,117
Other	50,897	3,988	66,296	20,375
	$ 2,833,417	$ 1,701,763	$ 4,069,619	$ 3,166,551

13 NET LOSS PER SHARE

Basic loss per share is based on the weighted-average number of common shares outstanding during each period. Diluted loss per share is based on basic shares as determined above plus common stock equivalents. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share. For the three and six months ended June 30, 2019 and 2018, all convertible debt and warrants, were excluded from the computation of diluted net loss per share.

Dilutive shares which could exist pursuant to the exercise of outstanding stock instruments and which were not included in the calculation because their effect would have been anti-dilutive are as follows:

	Three Months and six months ended June 30, 2019 (Shares)	Three Months and six months ended June 30, 2018 (Shares)
Convertible debt	433,007,492	5,828,930
Stock Options	2,000,000	—
Warrants	8,527,713	8,527,713
	443,535,205	14,356,643

14 RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties:

LOANS PAYABLE

Description	Interest Rate	Maturity Date	June 30, 2019	December 31, 2018
Vladimir Skigin				
Equipment funding	36%	On Demand	$ 91,188	$ 81,316
Promissory note	15%	January 11, 2020	59,199	55,474
Notes payable – Related parties			$ 150,377	$ 136,790

Interest expense totaled $6,814 and $32,898 for the three months ended June 30, 2019 and 2018, respectively and $13,598 and $102,646 for the six months ended June 30, 2019 and 2018, respectively.

Vladimir Skigin

Vladimir Skigin has personally advanced the Company equipment funding. Mr. Skigin is considered to be a related party as his shareholding and that of the Company's under his control exceeds 5%.

Equipment funding

The Company entered into an agreement with Gibbs, whereby the importation of kiosks and accessories was arranged and funded by Gibbs, Skigin funded a portion of the kiosks and accessories purchased under the same terms and conditions of the agreement entered into with Gibbs. In terms of the agreement, a 5% margin has been added to the cost of the kiosks and accessories purchased and to the liability outstanding. The amount was due on November 1, 2017. The amount has not been paid to date. The agreement does not provide for any default provisions and management is currently negotiating the terms of repayment with Skigin. A penalty interest rate has been provided for on the loan.

The balance of the note plus accrued interest at June 30, 2019 is $91,188.

Promissory note

On April 17, 2018, the Company issued a Promissory Note in the aggregate principal amount of $49,491 to Vladimir Skigin. The note has a maturity date of September 13, 2018 and a coupon of eighteen percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. On September 13, 2018, the maturity date of the note was extended to January 11, 2019. On February 21, 2019 the maturity date was extended to September 13, 2019, with the interest rate changed to 15%.

The balance of the note plus accrued interest at June 30, 2019 is $59,199.

14 RELATED PARTY TRANSACTIONS (continued)

CONVERTIBLE NOTES PAYABLE

Description	Interest rate	Maturity Date	Principal	Accrued interest	Unamortized debt discount	June 30 2019 Balance, net	December 31 2018 Balance, net
Cobbolo Limited	15%	December 26, 2019	53,438	15,263	—	68,701	64,726
	15%	December 26, 2019	52,959	15,126	—	68,085	64,146
Total convertible notes payable			**$ 106,397**	**$ 30,389**	**$ —**	**$ 136,786**	**$ 128,872**

Interest expense, together with amortized debt discount totaled $3,979 and $7,968 for the three months ended June 30, 2019 and 2018, respectively and $7,914 and $515,579 for the six months ended June 30, 2019 and 2018, respectively.

The convertible notes above have a fixed conversion price of $0.20 per common share.

Vladimir Skigin

Vladimir Skigin is the principal and has control over Cobbolo Limited and has also personally advanced the Company funds.

- **Cobbolo Limited**

On June 29, 2017, the Company exchanged a note issued to Cobbolo Limited with a principal amount of $50,000, together with accrued interest thereon of $3,438, totaling $53,438, for a convertible note, principal amount of $53,438, bearing interest at 12% per annum and matured on December 26, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 26, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 26, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $68,701.

On June 29, 2017, the Company exchanged a note issued to Cobbolo Limited with a principal amount of $50,000, together with accrued interest thereon of $2,959, totaling $52,959, for a convertible note, principal amount of $52,959, bearing interest at 12% per annum and matured on December 26, 2017. In terms of an agreement entered into with the note holder, the maturity date was extended to December 26, 2018 and the interest rate was increased to 15% per annum. On February 21, 2019 the maturity date was extended to December 26, 2019, with the interest rate remaining unchanged. The note is convertible into common shares of the Company at a conversion price of $0.20 per share.

The balance of the note plus accrued interest at June 30, 2019 was $68,085.

In connection with the Convertible notes above, the Company issued a warrant to purchase 531,987 common shares of the Company at a variable exercise price of $0.20 per share, if the convertible note above is converted into common shares prior to its maturity date or $0.30 per share if the convertible note is not converted prior to its maturity date.

15 COMMITMENTS AND CONTINGENCIES

The Company operates from an office facility in Mexico. The office is leased under a three (3) year non-cancellable operating lease, which ends on December 16, 2019. Refer to Note 6 above for future minimum operating lease commitments.

16 SUBSEQUENT EVENTS

Conversion of convertible notes into equity

On July 10, 2019, the Company received a notice of conversion from GS Capital Partners, converting $12,000 of capital and $768 of interest into 3,777,514 shares of common stock at a conversion price of $0.00338 per share. The Company incurred a loss on conversion of $8,424.

On July 16, 2019, Boba Management Corp entered into a debt purchase agreement with JSJ Investments, Inc., whereby the remaining balance of the October 8, 2018 convertible note in the aggregate principal amount of $12,000 plus accrued interest thereon of $4,862, was acquired for gross proceeds of $16,862. In addition to this Boba Management Corp paid additional settlement costs of $6,800 including an early settlement penalty to JSJ Investments, Inc.

On July 16, 2019, the Company issued Boba Management Corp a Convertible Promissory Note in the aggregate principal amount of $6,800. The note had a maturity date of July 26, 2020 and a coupon of 8% per annum. The Company has the right to prepay the note provided it makes a prepayment penalty as set forth in the note. The outstanding principal amount of the note is convertible at any time into shares of the Company's common stock at a conversion price equal to 60% of the average of the lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received.

On July 30, 2019, the Company received notices of conversion from Boba Management Corp, converting the following: (i) the convertible note acquired from JSJ Investments, Inc. in the aggregate principal amount of $12,000 plus accrued interest thereon of $4,911 into 5,752,981 shares of common stock at a conversion price of $0.003 per share; and (ii) the convertible promissory note in the aggregate principal amount of $6,800 plus accrued interest thereon of $19 into 2,319,982 shares of common stock at a conversion price of $0.003 per share, thereby extinguishing both notes.

On July 24, 2019, the Company received a notice of conversion from Alex Pereira, converting $10,692 into 3,414,786 shares of common stock at a conversion price of $0.003131 per share. The Company incurred a loss on conversion of $9,797.

On July 30, 2019, the Company received a notice of conversion from Global Consulting Alliance, converting $87,565 into 28,823,153 shares of common stock at a conversion price of $0.00304 per share. The Company incurred a loss on conversion of $88,256.

On July 30, 2019, the Company received a notice of conversion from Global Consulting Alliance, converting $35,016 into 12,158,241 shares of common stock at a conversion price of $0.00288 per share. The Company incurred a loss on conversion of $39,150.

On July 30, 2019, the Company received a notice of conversion from Boba Management Corp, converting $96,710 into 32,894,528 shares of common stock at a conversion price of $0.003 per share. The Company incurred a loss on conversion of $103,947.

On July 30, 2019, the Company received a notice of conversion from Strategic IR, converting $108,882 of the April 25, 2018 convertible note acquired from Labrys Fund LP, into 37,034,605 shares of common stock at a conversion price of $0.003 per share.

On July 31, 2019, the Company received a notice of conversion from GS Capital Investments, converting $18,000 of principal and $1,215 of interest into 6,158,692 shares of common stock at a conversion price of $0.00312 per share. The Company incurred a loss on conversion of $19,585.

16 SUBSEQUENT EVENTS (continued)

Conversion of convertible notes into equity (continued)

On August 7, 2019, the Company received a notice of conversion from Crown Bridge Partners converting $9,750 of principal into 5,000,000 shares of common stock at a conversion price of $0.00205 per share. The Company incurred a loss on conversion of $18,750.

On August 12, 2019, the Company received a notice of conversion from GS Capital Partners converting $25,000 of principal and $1,972.60 of interest into 7,699,857 shares of common stock at a conversion price of $0.003503 per share. The Company incurred a loss on conversion of $34,626.

Settlement of loans payable

On July 15, 2019, the Company entered into Securities Purchase Agreements with Boba Management Corp whereby $65,000 previously advanced to the Company during the period April 12 to May 23, 2019, was converted into 6,500,000 shares of common stock at a conversion price of $0.01 per share.

On July 30, 2019, the holders of loans payable by the Company, entered into debt exchange agreements, whereby the aggregate principal amount of the loans payable, together with accrued interest thereon until July 30, 2019 were exchanged for shares of common stock at an exchange price of $0.0063 per share.

In terms of settlement agreements entered into, the following loans payable are to be settled by the issuance of shares of common stock:

Description	Interest rate	Maturity Date	Principal	Accrued interest	Amount settled	Common Shares issued
Strategic IR	15%	February 10, 2020	168,000	28,307	196,307	31,662,395
Viktoria Akhmetova	15%	January 11, 2020	50,000	10,425	60,425	9,745,913
Boba Management Corporation	10%	February 20, 2020	20,000	866	20,866	3,365,444
	10%	March 1, 2020	20,000	827	20,827	3,359,258
	10%	March 26, 2020	20,000	690	20,690	3,337,163
Vladimir Skigin	36%	On Demand	55,296	19,366	74,662	12,042,335
	15%	January 11, 2020	49,491	10,319	59,810	9,646,698

Settlement of fixed price convertible notes

On July 30, 2019, the holders of convertible notes with a $0.20 fixed price conversion feature, entered into debt exchange agreements with the Company, whereby the aggregate principal amount of the convertible notes, together with accrued interest thereon until July 30, 2019 were exchanged for shares of common stock at an exchange price of $0.0063 per share.

16 SUBSEQUENT EVENTS (continued)

In terms of agreements entered into, the following fixed price convertible notes are to be settled by the issuance of shares of common stock:

Description	Interest rate	Maturity Date	Principal	Accrued interest	Amount settled	Common Shares issued
Strategic IR	15%	December 8, 2019	10,000	3,060	13,060	2,106,452
	15%	December 8, 2019	20,164	6,157	26,321	4,245,391
	15%	December 26, 2019	53,740	16,011	69,751	11,250,198
	15%	December 26, 2019	115,535	34,423	149,958	24,186,730
Viktoria Akhmetova	15%	December 8, 2019	20,164	6,157	26,321	4,245,391
Joseph W and Patricia G Abrams	15%	December 10, 2019	26,247	7,992	34,239	5,522,496
	15%	January 27, 2019	3,753	1,069	4,822	777,759
Roman Shefer	15%	December 24, 2019	10,000	2,988	12,988	2,094,786
Gibbs International Holdings	15%	December 16, 2019	52,494	15,856	68,350	11,024,118
Delinvest Commercial, LTD	15%	December 16, 2019	20,000	6,041	26,041	4,200,177
	15%	December 26, 2019	54,123	16,126	70,249	11,330,494
Cobbolo Limited	15%	December 26, 2019	53,438	15,922	69,360	11,187,107
	15%	December 26, 2019	52,959	15,779	68,738	11,086,734

Settlement of other payables

Between June 18 and July 12, 2019, Strategic IR has advanced the Company $35,400 in funds to pay certain liabilities. On August 8, 2019, the Company entered into Securities Purchase Agreements with Strategic IR whereby it settled the amount outstanding of $35,400 by the issuance of 6,103,448 shares at an issue price of $0.0058 per share.

Proposed Sale of Qpagos Corporation to Vivi Holdings, Inc.

On August 5, 2019, the Company entered into a Stock Purchase Agreement (“SPA”) with Vivi Holdings, Inc., a Delaware corporation (“Vivi Holdings”), to sell Qpagos Corporation, a Delaware corporation (“QPAG Sub”), which operates the Company’s business in Mexico as the holding company for QPagos, S.A.P.I. de C.V. and Redpag Electrónicos S.A.P.I. de C.V., to Vivi Holdings for 2,250,000 shares of common stock of Vivi Holdings (the “Stock Sale”) ”), of which nine percent (9%) is to be allocated to Gaston Pereira (5%), Andrey Novikov (2.5%), Joseph Abrams (1.5%). The SPA provides that the Stock Sale is subject to customary conditions, including the Company’s receipt of a final fairness opinion and the approval of the Company’s shareholders. Upon consummation of the Stock Sale, the Company will no longer have any business operations in Mexico. The Company will retain its U.S. operations based in Calabasas, California

Other than disclosed above, The Company has evaluated subsequent events through the date of the unaudited condensed consolidated financial statements were available to be issued and has concluded that no such events or transactions took place that would require disclosure herein.

Item 2.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with and is qualified in its entirety by our audited annual financial statements and the related notes thereto, each of which appear on Form 10-K filed with the SEC on April 9, 2019. This discussion contains certain forward-looking statements that involve risks and uncertainties, as described under the heading "Forward-Looking Statements" in this Quarterly Report on Form 10-Q. Actual results could differ materially from those projected in the forward-looking statements. The Management Discussion and Analysis of Financial Condition and Results of Operations below is based upon only the financial performance of Qpagos.

Overview and Financial Condition

We are a provider of next generation physical and virtual payment services that we initially introduced to the Mexican market in the third quarter of 2014 and expanded to the United States during 2019. We have a ten-year renewable exclusive license agreement for the use of technology that can be used to perform services that are similar to services that have been successfully deployed with this technology in several European, Asian, North and South American countries.

We provide an integrated network of kiosks, terminals and payment channels that enable consumers to deposit cash, convert it into a digital form and remit the funds to any merchant in our network quickly and securely. We help consumers and merchants connect more efficiently in markets and consumer segments, such as Mexico, that are largely cash-based and lack convenient alternatives for consumers to pay for goods and services in physical, online and mobile environments. For example, we license technology that can be used to pay bills, add minutes to mobile phones, purchase transportation tickets, shop online, buy digital services or send money to third parties.

Since 2014, our focus had been on Mexico which remains a cash-dominated society for retail consumer payments with approximately 80% of the value of personal payments exchanged in cash (Bank of Mexico). The penetration of electronic payment services, such as credit and debit cards and point of sale terminals, significantly lags behind more developed economies. We believe that opportunities for our services in Mexico are vast. With over 109 million mobile subscribers in Mexico, 85% of which are under prepaid plans, mobile top-up alone, was a $13 billion business in 2017 as reported by the Competitive Intelligence Unit (the "CIU"). We believe that there is opportunity for growth in the Mexican market and we have expanded to service providers beyond the mobile telephone operators to service provides of electricity, transportation, utilities, municipal services and taxes, consumer credit installments, insurance premiums, and many more.

Our primary strategy in Mexico to date has been the attraction of service providers as well as the deployment of kiosks through Redpag Electrónicos, our kiosk management subsidiary. During the six months ended June 30, 2019 we generated net revenues of $4,069,619 as compared to $3,166,551 for the six months ended June 30, 2018, an increase of $903,068 or 28.5%. Our primary source of revenue are fees we receive for processing payments made by consumers to service providers. We also generate revenue from non-payment services such as kiosk sales. Qpagos Corporation currently has in excess of 140 service providers integrated into its payment gateway, which includes all mobile phone providers in Mexico as well as most utility companies, financial services, entertainment venues, the national lottery's Pronosticos and others. As of June 30, 2019, Qpagos Corporation deployed over 224 kiosks and terminals and we service an additional 440 kiosks of independent distributors. Our kiosks and terminals can be found at convenience stores, next to metro stations, retail stores, airport terminals, education centers, and malls in major urban centers, as well as many small and rural towns. However, due to the significant expenses associated with our operations in Mexico, we have been unable to generate sufficient revenue to cover our expenses. Although, we do believe that the Mexican market presents opportunities, we do not believe that our current resources and infrastructure can support and successfully profit from such operations.

As a result, on August 5, 2019 we entered into the SPA with Vivi Holdings to sell to Vivi Holdings QPAG Sub for 2,250,000 shares of common stock of Vivi Holdings (the "Stock Sale"), of which nine percent (9%) is to be allocated to Gaston Pereira (5%), Andrey Novikov (2.5%), Joseph Abrams (1.5%). The SPA provides that the Stock Sale is subject to customary conditions, including QPAGOS's receipt of a final fairness opinion and the approval of our shareholders. Upon consummation of the Stock Sale, QPAGOS will no longer have any business operations in Mexico. QPAGOS will retain its U.S. operations based in Calabasas, California.

In making our decision to enter into the SPA, we took into account, among other things: the business outlook of QPAG Sub's business; our inability to raise sufficient capital from the public market; the current and future competitive environment for QPAG Sub's business; our current weak financial viability; and the weak public market to raise necessary capital to further develop our business and fulfill our business plan.

Upon consummation of the acquisition with Vivi Holdings, we intend to continue to expand our operations in the United States with a focus initially on southern California. We are also exploring acquisition opportunities that we believe will be accretive to our business. Although we have identified several acquisition opportunities, to date, we have not entered into any negotiations with any acquisition targets and there can be no assurance that we will be able to consummate any acquisitions.

Management Discussion and Analysis of financial condition

The discussion and analysis of our financial condition and results of operations is based upon the unaudited condensed consolidated financial statements as of June 30, 2019 and 2018, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions.

Results of Operations for the Three Months Ended June 30, 2019 and June 30, 2018

Net revenue

Net revenues in our Mexican operations were $2,833,417 and $1,701,763 for the three months ended June 30, 2019 and 2018, respectively, an increase of $1,131,654 or 66.5%. Our primary revenue generating operations are based in Mexico and our functional currency is the Mexican Peso. Our revenue in Mexican Pesos increased to MXN54,193,196 from MXN33,064,715 for the three months ended June 30, 2019 and 2018, respectively, an increase of MXN 21,128,481 or 63.9%. The increase in revenue in MXN Pesos terms is primarily due to an increase in the value of prepaid airtime sold of MXN 20,696,172. The average US$ exchange rate has weakened against the MXN Pesos over the prior comparable period, from $19.4297 to $19,1266 or 1.6%, which results in a higher revenue growth in US$ terms of $44,200.

Cost of goods sold

Cost of goods sold in our Mexican operations were $2,756,802 and $1,597,393 for the three months ended June 30, 2019 and 2018, respectively, an increase of $1,159,409 or 72.6%. Our cost of sales from our Mexican operations, in Mexican Pesos increased to MXN 52,728,230 from MXN 31,036,853 for the three months ended June 30, 2019 and 2018, respectively, an increase of MXN 21,691,377 or 69.3%. The increase in cost of sales in MXN terms is primarily due to the increase in the amount of prepaid airtime sold. Cost of goods consists primarily of services acquired from third parties, such as prepaid airtime and the cost of the kiosks and any retrofitted components. Also included in cost of goods sold is depreciation related to kiosks that are used in the production of income. Depreciation expense was $15,109 and $9,259, for the three months ended June 30, 2019 and 2018, respectively, an increase of $5,849. The average US$ exchange rate has weakened against the MXN Pesos over the prior comparable period, from $19.4297 to $19,1266 or 1.6%, which results in a higher cost of sales in US $ terms of $42,848.

Gross profit (loss)

Gross profit in our Mexican operations was $76,593 and $104,370 for the three months ended June 30, 2019 and 2018, respectively, a decrease of $27,777 or 26.6%. The components of gross (loss) profit include the following:

- Gross profit on sales of services was $41,761 and $102,534, for the three months ended June 30, 2019 and 2018, respectively, a decrease of $60,773 or 59.3%. The decrease in gross profit was due to higher costs associated with airtime sales.
- Gross profit on kiosk sales was ($3,668) and $9,074 for the three months ended June 30, 2019 and 2018, respectively, a decrease of $12,742. A sale which took place in the previous quarter was reversed in the current quarter.
- Commissions earned on services was $9,215 and $16,450 for the three months ended June 30, 2019 and 2018, respectively, a decrease of $7,235 or 44.0% due to a shift towards volume based wholesale sales.
- Other gross profit includes other revenue of $50,897 and $3,988 for the three months ended June 30, 2019 and 2018 and cost of sales expense of $6,480 and $18,417 for the three months ended June 30, 2019 and June 30, 2018. The cost of sales expense consists primarily of repairs and maintenance expenditure on kiosks and is dependent on the amount of activity during the quarter, trends in this expense are not easily identifiable as the majority of the repair work in on a need only basis.
- Included in gross profit is depreciation related to those kiosks that are used in the production of income. Depreciation expense was $15,109 and $9,259 for the three months ended June 30, 2019 and 2018, respectively, an increase of $5,850 or 63.2%.

General and administrative expenses

General and administrative expenses were $494,683 and $584,367 for the three months ended June 30, 2019 and 2018, respectively, a decrease of $89,684 or 15.3%. We incur operating expenditure both in Mexico and in the US, where we maintain a corporate office and incur certain expenditure on consultants, licensing and public reporting activities.

i. The general and administrative expenditure in Mexico decreased to MXN 2,319,321 ($121,262) from MXN 3,304,299 ($170,064) for the three months ended June 30, 2019 and 2018, respectively, a decrease of MXN 984,978 ($48,802) or 29.8%. The decrease is primarily due to a concerted effort to reduce administrative costs.

ii. The general administrative expenses incurred in the US, during the three months ended June 30, 2019 and 2018 were $373,424 and $414,300, respectively, a decrease of $40,876 or 9.9%, primarily due to stock-based compensation expense for shares issued to a director of $49,200 in the prior year.

Depreciation and amortization

Depreciation and amortization expense were $11,306 and $12,347 for the three months ended June 30, 2019 and 2018, respectively, a decrease of $1,041 or 8.4%. The decrease is primarily due to a lower depreciation charge in our Mexican operations as the bulk of the depreciation charge is allocated to cost of sales.

Other expense

Other expense was $188,514 and $981,356 for the three months ended June 30, 2019 and 2018, respectively. Other expense during the current period includes a loss realized on the conversion of convertible notes into equity at conversion prices ranging from 38% to 40% below current market prices. During the current period, $185,076 of convertible notes were converted to equity compared to $641,096 in the prior period.

Interest expense, net

Interest expense was $579,646 and $565,717 for the three months ended June 30, 2019 and 2018, respectively, an increase of $13,929 or 2.5%. The increase consists primarily of penalty interest of $34,510 compared to $21,139 for the three months ended June 30, 2019 and 2018, respectively, an increase of $13,371, the net decrease after penalty interest is due to a reduction in the net debt outstanding due to conversion of convertible notes.

Derivative liability movements

Derivative liability movements were $319,888 and $(259,419) for the three months ended June 30, 2019 and 2018, respectively. The derivative liability arose due to the issuance of convertible securities with variable conversion prices and no floor conversion price. The charge during the current period represents the mark-to-market of the derivative liability outstanding as of June 30, 2019, the increase in the charge during the current period is primarily due to an increase in the period end share price of the Company.

Foreign currency loss

The foreign currency loss was $795 and $163,293 for the three months ended June 30, 2019 and 2018, respectively, a decrease in loss of $162,498. The decrease is primarily due to the mark to market of foreign currency assets and liabilities due to the relative strengthening in the Mexican Peso during the current period.

Net loss

We incurred a net loss of $878,441 and $2,462,129, for the three months ended June 30, 2019 and 2018, respectively, a decrease in loss of $1,583,688 or 64.3%, primarily due to the decrease in loss realized on debt conversions, the increase in mark- to-market losses on the derivative liabilities and the increase in the amortization of debt discount and interest expense on convertible promissory notes and other loans, during the current period, as discussed above.

Results of Operations for the Six Months Ended June 30, 2019 and June 30, 2018

Net revenue

Net revenues in our Mexican operations were $4,069,619 and $3,166,551 for the six months ended June 30, 2019 and 2018, respectively, an increase of $903,068 or 28.5%. Our primary revenue generating operations are based in Mexico and our functional currency is the Mexican Peso. Our revenue in Mexican Pesos increased to MXN 78,833,951 from MXN 60,510,027 for the six months ended June 30, 2019 and 2018, respectively, an increase of MXN 18,323,924 or 30.3%. The increase in revenue in MXN terms is primarily due to an increase in the amount of prepaid airtime sold of MXN 17,720,463. The average US$ exchange rate has strengthened against the MXN over the prior comparable period, from $19.0832 to 19.1656 or 0.4%, which results in a lower revenue growth in US $ terms of $17,571.

Cost of goods sold

Cost of goods sold in our Mexican operations were $3,980,986 and $3,118,060 for the six months ended June 30, 2019 and 2018, respectively, an increase of $862,926 or 27.7%. Our cost of sales from our Mexican operations, in Mexican Pesos increased to MXN 77,071,504 from MXN 59,529,132 for the six months ended June 30, 2019 and 2018, respectively, an increase of MXN 17,542,372 or 29.5%. The increase in cost of sales in MXN terms is primarily due to the increase in the amount of prepaid airtime sold. Cost of goods consists primarily of services acquired from third parties, such as prepaid airtime and the cost of the kiosks and any retrofitted components. Also included in cost of goods sold is depreciation related to kiosks that are used in the production of income. Depreciation expense was $30,174 and $19,164 for the six months ended June 30, 2019 and 2018, respectively, an increase of $11,010. The average US$ exchange rate has strengthened against the MXN over the prior comparable period, from $19.0832 to 19.1656 or 0.4%, which results in a lower cost of sales growth in US $ terms of $17,145.

Gross profit

Gross profit in our Mexican operations was $88,612 and $48,491 for the six months ended June 30, 2019 and 2018, respectively, an increase of $40,121 or 82.7%. The components of gross profit include the following:

- Gross profit on sales of services was $46,830 and $48,931, for the six months ended June 30, 2019 and 2018, respectively, a decrease of $2,101 or 4.3%. The decrease in gross profit was due to increased wholesale sales at lower margins.
- Gross (loss)/profit on kiosk sales was (1,281) and $4,989 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $6,270 due to the reversal of a sale of kiosks from the prior quarter.
- Commissions earned on services was $18,449 and $21,744 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $3,295 or 15.2% as our business has shifted towards volume based wholesale business.
- Included in gross profit is other income earned on ad hoc repairs of $66,296 and $20,375 for the six months ended June 30, 2019 and 2018, respectively. This income depends on the amount of services undertaken during a period.
- Other cost of sales includes depreciation related to those kiosks that are used in the production of income. Depreciation expense was $30,174 and $19,164 for the six months ended June 30, 2019 and 2018, respectively, an increase of $11,010 or 57%.

General and administrative expenses

General and administrative expenses were $907,654 and $1,144,442 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $236,788 or 20.7%. We incur operating expenditure both in Mexico and in the US, where we maintain a corporate office and incur certain expenditure on consultants, licensing and public reporting activities.

i. The general and administrative expenditure in Mexico decreased to MXN 5,635,622 ($293,944) from MXN 6,600,066 ($345,963) for the six months ended June 30, 2019 and 2018, respectively, a decrease of MXN 964,444 ($52,019) or 14.6%. The decrease is primarily due to lower salary costs and a concerted effort to reduce administrative costs.

ii. The general administrative expenses incurred in the US, during the six months ended June 30, 2019 and 2018 was $613,712 and $798,478, respectively, a decrease of $184,766 or 23.1%, primarily due decreased consulting fees and stock-based compensation expense for shares issued to a director of $49,200 in the prior period.

Depreciation and amortization

Depreciation and amortization expense were $22,609 and $24,753 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $2,144 or 8.7.%. The decrease is primarily due to a lower depreciation charge in our Mexican operations as the bulk of the depreciation charge is allocated to cost of sales.

Other expense

Other expense was $549,186 and $3,459,955 for the six months ended June 30, 2019 and 2018, respectively. Other expense during the current period includes a loss realized on the conversion of convertible notes into equity at conversion prices ranging from 38% to 40% below current market prices. During the current period, $495,335 of convertible notes were converted to equity as compared to $2,191,935 in the prior period.

Interest expense, net

Interest expense was $1,210,883 and $1,811,504 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $600,621 or 33.2%. The decrease consists primarily of the amortization of debt discount on convertible notes of $1,012,537 and $1,622,457 for the six months ended June 30, 2019 and 2018, respectively, a decrease of $609,920 due to the increase in funding through convertible notes during the past year, offset by interest expense of $167,541 (including penalty interest of $57,388) and $189,047 (including penalty interest of $21,139) for the six months ended June 30, 2019 and 2018, respectively.

Derivative liability movements

Derivative liability movements were $862,413 and $2,271,913 for the six months ended June 30, 2019 and 2018, respectively. The derivative liability arose due to the issuance of convertible securities with variable conversion prices and no floor conversion price. The charge during the current period represents the mark-to-market of the derivative liability outstanding as of June 30, 2019.

Foreign currency loss

The foreign currency loss was $(5,998) and $(10,362) for the six months ended June 30, 2019 and 2018, respectively, a decrease of $4,364. The decrease is primarily due to the mark to market of foreign currency assets and liabilities due to the weakness in the Mexican Peso during the current period.

Net loss

We incurred a net loss of $1,745,284 and $4,130,612, for the six months ended June 30, 2019 and 2018, respectively, a decrease in loss of $2,385,328 or 57.8%, primarily due to the decrease in loss realized on debt conversions, offset by other items noted above.

Liquidity and Capital Resources

To date, our primary sources of cash have been funds raised primarily from the sale of our debt securities as well as revenue derived from operations.

We incurred an accumulated deficit of $20,201,209 through June 30, 2019 and incurred negative cash flow from operations of $451,349 for the six months ended June 30, 2019. We have spent, and need to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development effort and will be required to raise additional funding.

We will need to generate additional revenue from operations and/or obtain additional financing to pursue our business strategy, repay our outstanding note obligations and take advantage of business opportunities that may arise. To meet our financing needs, we are considering multiple alternatives, including, but not limited to, additional equity financings and, debt financings and/or funding from partnerships. There can be no assurance that we will be able to complete any such transactions on acceptable terms or otherwise and may have to significantly curtail our operations.

At June 30, 2019, we had cash of $11,727 and a negative working capital of $4,022,394, including a derivative liability of $1,365,652. After eliminating the derivative liability our working capital deficit is $2,656,742. We believe that the current cash balances together with revenue anticipated to be generated from operations will not be sufficient to meet our current working capital needs and as mentioned above, we will seek further funding from either equity issues or further debt funding, should we not be successful, we may have to curtail our operations significantly.

We utilized cash of $451,349 and $947,384 in operating activities for the six months ended June 30, 2019 and 2018, respectively, a decrease of $496,035 or 52.4%%. The decrease is primarily due to the following; (i) the decrease in net loss of $2,395,378 discussed above; (ii) the change in derivative liability movements of $1,409,500 due to lower volatility of stock prices utilized in the calculation and the conversion of debt during the period; offset by (iii) the movement in the loss on conversion of debt to equity of $(2,903,680) due to the amount of debt conversions during the current period declining over the prior period; and (iv) the movement in amortization of debt discount of $609,920, as fewer new notes were issued during the current period.

We had minimal investment in property and equipment for the six months ended June 30, 2019, $5,455 and minimal investment of $1,753 for the six months ended June 30, 2018. During the current period we sold a capitalized kiosk for gross proceeds of $4,183.

During the six months ended June 30, 2019, we funded our operations and increased our cash balances by raising an additional $392,000 through debt issuances.

Other than amounts owed under convertible notes, we have minimal commitments which include the office facility lease agreement with a future commitment as of June 30, 2019 of $17,222 for the remainder of 2019, subject to exchange rate changes.

We entered into an additional ten-year licensing agreement with the Licensor on May 1, 2015, whereby we are committed to pay an annual license fee in quarterly installments of $5,000 ($20,000 per annum) to the Licensor for an exclusive license for the Mexican market of certain revenue payment services.

Our primary financial commitments as of the date hereof are payments owed under the License Agreement. The minimum commitments due under the license agreement is summarized as follows:

	Amount
2019	13,400
2020	20,100
2021	20,100
2022	20,100
2023 and thereafter	47,067
	$ 120,767

Off Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures About Market Risks

None.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") who is also its interim Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO who also serves as its interim CFO concluded that due to a lack of segregation of duties and insufficient controls over review and accounting for certain complex transactions, that the Company's disclosure controls and procedures as of June 30, 2019 were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO, who also serves as its interim CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company intends to retain additional individuals to remedy the ineffective controls. We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

(b) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business.

We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide disclosure regarding risk factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Other than as set forth below or as previously disclosed in our filings with the Securities and Exchange Commission, we did not sell any equity securities during the quarter ended June 30, 2019 in transactions that were not registered under the Securities Act.

Issuance of convertible notes

On April 2, 2019, the company received the proceeds of a convertible promissory note issued to JSJ Investments, Inc. on March 29, 2019, with the aggregate principal amount of $75,000. The note has a maturity date of March 29, 2020 and a coupon of 8% per annum. The Company may prepay the note at a premium ranging from 120% to 140% of the principal plus accrued interest. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 60% of the lowest three trading prices during the previous ten (10) trading days.

Conversion of convertible notes into equity

Between April 17, 2019 and June 3, 2019 the Company received conversion notices from JSJ Investments, converting an aggregate principal amount of $88,000 and fees thereon of $1,500, at an average conversion price of $0.0583, into 14,832,564 shares of common stock.

On April 29, 2019, the Company received a notice of conversion from Labrys fund, converting $11,967 of interest into 1,869,979 shares of common stock at a conversion price of $0.0063996 per share.

On April 30, 2019, the Company received a notice of conversion from JSJ investments, converting $35,000 into 5,511,984 shares of common stock at a conversion price of $0.00635 per share.

On May 6, 2019, the Company received a notice of conversion from GS Capital Partners, converting $26,000 of principal and $2,051 of interest into 4,208,778 shares of common stock at a conversion price of $0.006665 per share.

On June 11, 2019, the Company received a notice of conversion from GS Capital, converting $18,752, consisting of principal of $17,730 and interest of $1,022 into 4,063,278 shares of common stock at a conversion price of $0.004615 per share.

On June 12, 2019, the Company received a notice of conversion from GS Capital, converting an aggregate principal amount of $8,950 and fees of $500, at a conversion price of $0.0035, into 2,700,000 shares of common stock.

Between May 13, 2019 and May 24, 2019, the Company received conversion notices from Crown Bridge Partners converting an aggregate principal amount of $17,800 and interest thereon of $1,896, at an average conversion price of $0.0038 per share, into 5,446,260 shares of common stock.

On May 19, 2019, the Company received a conversion notice from Alex Pereira, converting an aggregate principal amount of $9,660, at a conversion price of $0.0047, into 2,049,981 shares of common stock.

The issuance of the above notes was made in reliance on the exemption provided by Section 4(a)(2) of the Securities Act for the offer and sale of securities not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the securities issued in these transactions. The recipient of the securities was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act.

The shares issued upon conversion of the notes were issued pursuant to an exemption from registration provided by section 3(a)(9) of the Securities Act of 1933, as amended, for the shares were exchanged or issued in a transaction where no commissions or other remuneration was paid or given directly or indirectly for soliciting such exchange or issuances.

See Item 5 below for shares issued subsequent to the quarter ended June 30, 2019 upon conversion of notes. The shares were issued pursuant to an exemption from registration provided by section 3(a)(9) of the Securities Act of 1933, as amended, for the shares were exchanged or issued in a transaction where no commissions or other remuneration was paid or given directly or indirectly for soliciting such exchange or issuances.

Item 3. Defaults upon senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On July 10, 2019, the Company received a notice of conversion from GS Capital Partners, converting $12,000 of capital and $768 of interest into 3,777,514 shares of common stock at a conversion price of $0.00338 per share.

On July 24, 2019, the Company received a notice of conversion from Alex Pereira, converting $10,692 into 3,414,786 shares of common stock at a conversion price of $0.003131 per share.

On July 30, 2019, the Company received a notice of conversion from Global Consulting Alliance, converting $87,565 into 28,823,153 shares of common stock at a conversion price of $0.00304 per share.

On July 30, 2019, the Company received a notice of conversion from Global Consulting Alliance, converting $35,016 into 12,158,241 shares of common stock at a conversion price of $0.00288 per share.

On July 31, 2019, the Company received a notice of conversion from GS Capital Investments, converting $18,000 of principal and $1,215 of interest into 6,158,692 shares of common stock at a conversion price of $0.00312 per share.

On August 7, 2019, the Company received a notice of conversion from Crown Bridge Partners converting $9,750 of principal into 5,000,000 shares of common stock at a conversion price of $0.00205 per share.

On August 12, 2019, the Company received a notice of conversion from GS Capital Partners converting $25,000 of principal and $1,972.60 of interest into 7,699,857 shares of common stock at a conversion price of $0.003503 per share.

The shares issued upon conversion of the notes were issued pursuant to an exemption from registration provided by section 3(a)(9) of the Securities Act of 1933, as amended, for the shares were exchanged or issued in a transaction where no commissions or other remuneration was paid or given directly or indirectly for soliciting such exchange or issuances.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
31.1	Certification of William Corbett, Chief Executive Officer and Interim Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of William Corbett, Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QPAGOS

Date: August 19, 2019

By: /s/ William Corbett
William Corbett
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gaston Pereira, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of QPAGOS;

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: August 19, 2019

/s/ Gaston Pereira

Gaston Pereira
Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Office and Principal 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 Quarterly Report of QPAGOS (the "Registrant") on Form 10-Q for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gaston Pereira, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(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 Registrant.

Date: August 19, 2019

By: /s/ Gaston Pereira
Gaston Pereira
Chief Executive Officer and Interim
Chief Financial Officer (Principal Executive Office
and Principal Financial Officer)