

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10 – Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **September 30, 2018**

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number **333-192877**

**QPAGOS**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or  
organization)

**33-1230229**  
(I.R.S. Employer Identification Number)

**Paseo del la Reforma 404 Piso 15 PH**  
**Col. Juarez, Del. Cuauhtemoc**  
**Mexico, D.F. C.P. 06600**  
(Address of principal executive offices including zip code)

**+52 (55)-110-110**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 (section 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 84,202,187 shares of common stock, \$0.0001 par value per share as of November 14, 2018.

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## 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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# QPAGOS

## Index

	<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>	
<a href="#">Item 1. Condensed Consolidated Financial Statements (unaudited)</a>	<b>F-1</b>
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	1
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risks</a>	6
<a href="#">Item 4. Controls and Procedures</a>	6
<b>PART II. OTHER INFORMATION</b>	
<a href="#">Item 1. Legal Proceedings</a>	7
<a href="#">Item 1A. Risk Factors</a>	7
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	7
<a href="#">Item 3. Defaults Upon Senior Securities</a>	8
<a href="#">Item 4. Mine Safety Disclosures</a>	8
<a href="#">Item 5. Other Information</a>	8
<a href="#">Item 6. Exhibits</a>	9

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**Item 1.**

**QPAGOS**

TABLE OF CONTENTS

September 30, 2018

<a href="#"><u>Condensed Consolidated Balance Sheets as of September 30, 2018 (unaudited) and December 31, 2017</u></a>	F-2
<a href="#"><u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u></a>	F-3
<a href="#"><u>Condensed Consolidated Statements of Changes in Stockholders' Deficit as of January 1, 2018 to September 30, 2018, (unaudited)</u></a>	F-4
<a href="#"><u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017, (unaudited)</u></a>	F-5
<a href="#"><u>Notes to the Unaudited Condensed Consolidated Financial Statements</u></a>	F-6–F-40

**QPAGOS**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>Assets</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(unaudited)</b>	
<b>Current Assets</b>		
Cash	\$ 40,253	\$ 19,028
Accounts receivable	34,927	59,628
Inventory	496,555	504,794
Recoverable IVA taxes and credits	296,975	215,990
Other current assets	401,627	288,687
Total Current Assets	<u>1,270,337</u>	<u>1,088,127</u>
<b>Non-Current Assets</b>		
Plant and equipment, net	156,179	160,301
Intangibles, net	93,167	125,417
Investment	3,000	3,000
Other assets	11,155	6,950
Total Non-Current Assets	<u>263,501</u>	<u>295,668</u>
<b>Total Assets</b>	<u>\$ 1,533,838</u>	<u>\$ 1,383,795</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 494,971	\$ 446,032
Loans payable	221,775	—
Loans payable - Related parties	129,527	349,916
Convertible debt, net of unamortized discount of \$813,013 and \$652,563, respectively	625,002	724,776
Convertible debt - Related parties, net of unamortized discount of \$361,492 and \$338,709 respectively	321,611	859,190
Derivative liability	2,031,121	3,277,621
IVA and other taxes payable	17,502	7,178
Advances from customers	172,995	119,597
Total Current Liabilities	<u>4,014,504</u>	<u>5,784,310</u>
<b>Total Liabilities</b>	<u>4,014,504</u>	<u>5,784,310</u>
<b>Stockholders' Deficit</b>		
Preferred stock, \$0.0001 par value, 25,000,000 shares authorized and 0 shares issued and outstanding as of September 30, 2018 and December 31, 2017.	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized, 83,792,313 and 56,207,424 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively.	8,380	5,620
Additional paid-in-capital	14,316,702	8,494,502
Accumulated deficit	(17,246,258)	(13,388,191)
Accumulated other comprehensive income	440,510	487,554
<b>Total Stockholders' Deficit</b>	<u>(2,480,666)</u>	<u>(4,400,515)</u>
<b>Total Liabilities and Stockholders' Deficit</b>	<u>\$ 1,533,838</u>	<u>\$ 1,383,795</u>

See notes to the unaudited condensed consolidated financial statements

**QPAGOS**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	<b>Three months ended September 30, 2018</b>	<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2018</b>	<b>Nine months ended September 30, 2017</b>
Net Revenue	\$ 1,944,466	\$ 931,318	\$ 5,111,017	\$ 2,889,458
Cost of Goods Sold	<u>1,931,715</u>	<u>935,033</u>	<u>5,049,774</u>	<u>2,807,058</u>
<b>Gross profit (loss)</b>	12,751	(3,715)	61,243	82,400
General and administrative	437,506	682,207	1,581,949	1,629,674
Depreciation and amortization	12,488	17,311	37,241	55,784
<b>Total Expense</b>	<u>449,994</u>	<u>699,518</u>	<u>1,619,190</u>	<u>1,685,458</u>
<b>Loss from Operations</b>	(437,243)	(703,233)	(1,557,947)	(1,603,058)
Other expense	(51,020)	(39,272)	(3,510,974)	(46,855)
Interest expense, net	(517,779)	(792,676)	(2,329,283)	(1,264,383)
Derivative liability movements	1,169,205	165,196	3,441,118	283,668
Foreign currency gain (loss)	109,382	(27,825)	99,019	303,504
<b>Profit (Loss) before Provision for Income Taxes</b>	<u>272,545</u>	<u>(1,397,810)</u>	<u>(3,858,067)</u>	<u>(2,327,124)</u>
Provision for Income Taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net income (loss)</b>	<u>\$ 272,545</u>	<u>\$ (1,397,810)</u>	<u>\$ (3,858,067)</u>	<u>\$ (2,327,124)</u>
<b>Net income (loss) Per Share - Basic</b>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>
<b>Net income (loss) Per Share – Diluted</b>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>
<b>Weighted Average Number of Shares Outstanding - Basic</b>	<u>83,554,285</u>	<u>55,736,849</u>	<u>76,006,930</u>	<u>55,555,930</u>
<b>Weighted Average Number of Shares Outstanding - Diluted</b>	<u>97,762,968</u>	<u>55,736,849</u>	<u>76,006,930</u>	<u>55,555,930</u>
<b>Other Comprehensive (loss) gain</b>				
Foreign currency translation adjustment	<u>(133,770)</u>	<u>18,397</u>	<u>(47,044)</u>	<u>(269,935)</u>
<b>Total Comprehensive gain (loss)</b>	<u>138,775</u>	<u>(1,379,413)</u>	<u>(3,905,111)</u>	<u>(2,597,059)</u>

See notes to the unaudited condensed consolidated financial statements

QPAGOS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' DEFICIT  
FOR THE PERIOD JANUARY 1, 2018 TO SEPTEMBER 30, 2018**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>		<u>Accumulated</u>		<u>Accumulated</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Capital</u>	<u>Deficit</u>	<u>Income</u>	<u>Other</u>	<u>Comprehensive</u>	<u>Stockholders'</u>
											<u>Deficit</u>
<b>Balance as of January 1, 2018</b>	—	\$ —	56,207,424	\$ 5,620	\$ 8,494,502	\$ (13,388,191)	\$	487,554	\$	(4,400,515)	
Conversion of debt to equity	—	—	27,349,094	2,736	5,738,285	—	—	—	—	5,741,021	
Stock based compensation	—	—	120,000	12	49,188	—	—	—	—	49,200	
Shares issued for services	—	—	115,795	12	34,727	—	—	—	—	34,739	
Translation adjustment	—	—	—	—	—	—	—	(47,044)	—	(47,044)	
net loss	—	—	—	—	—	(3,858,067)	—	—	—	(3,858,067)	
<b>Balance as of September 30, 2018</b>	—	\$ —	83,792,313	\$ 8,380	\$14,316,702	\$ (17,246,258)	\$	440,510	\$	(2,480,666)	

See notes to unaudited condensed consolidated financial statements

QPAGOS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	(3,858,067)	(2,327,124)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	31,108	80,648
Amortization expense	32,250	32,250
Derivative liability movements	(3,441,118)	(283,667)
Amortization of debt discount	2,011,383	1,148,429
Loss on conversion of debt to equity	3,510,041	44,464
Convertible notes issued for services	(221,820)	—
Shares issued for services	34,739	—
Stock based compensation	49,200	—
<b>Changes in Assets and Liabilities</b>		
Accounts receivable	27,001	(23,195)
Inventory	32,737	(304,605)
Recoverable IVA taxes and credits	(68,389)	136,240
Other current assets	(96,632)	(80,227)
Other assets	(3,759)	(398)
Accounts payable and accrued expenses	46,383	55,205
IVA and other taxes payable	9,715	(191,068)
Advances from customers	46,209	75,176
Interest accruals	178,481	77,138
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,680,538)</b>	<b>(1,560,734)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(19,244)	(367)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(19,244)</b>	<b>(367)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loans payable	267,491	—
Proceeds from short term notes and convertible notes	1,833,912	1,619,149
Proceeds from short term notes and convertible notes - related parties	—	369,915
Repayment of convertible notes	(279,818)	(235,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,821,585</b>	<b>1,754,064</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(100,578)</b>	<b>(231,618)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>21,225</b>	<b>(38,655)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>19,028</b>	<b>46,286</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 40,253</b>	<b>\$ 7,631</b>
<b>CASH PAID FOR INTEREST AND TAXES:</b>		
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest	\$ 48,818	\$ 57,172
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Notes payable including interest thereon converted to convertible notes payable	\$ (405,735)	\$ (592,623)
Convertible notes payable arising from conversion of notes payable	\$ (221,820)	\$ 592,623
Conversion of convertible debt to equity	\$ 5,741,021	\$ 100,145

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.

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 Electronics 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, our 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 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 nine months ended September 30, 2018 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, 2017, included in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the “SEC”) on April 17, 2018.

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 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 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, 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### h) Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement.

The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement.

##### Removals

The following disclosure requirements were removed from Topic 820:

1. The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.
2. The policy for timing of transfers between levels.
3. The valuation processes for Level 3 fair value measurements.
4. For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

##### Modifications

The following disclosure requirements were modified in Topic 820:

1. In lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities.
2. For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse *only* if the investee has communicated the timing to the entity or announced the timing publicly.
3. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

##### Additions

The following disclosure requirements were added to Topic 820; however, the disclosures are not required for nonpublic entities:

1. The changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period.
2. The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

In addition, the amendments eliminate *at a minimum* from the phrase *an entity shall disclose at a minimum* to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements.

The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date.

The Company does not anticipate that the implementation of this guidance would have a material impact on the Company.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### h) Recent Accounting Pronouncements (continued)

In August, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other Internal – Use Software (Subtopic 350-40).

The amendments in this Update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this Update.

The amendments in this Update require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. Costs to develop or obtain internal-use software that cannot be capitalized under Subtopic 350-40, such as training costs and certain data conversion costs, also cannot be capitalized for a hosting arrangement that is a service contract. Therefore, an entity (customer) in a hosting arrangement that is a service contract determines which project stage (that is, preliminary project stage, application development stage, or postimplementation stage) an implementation activity relates to. Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary project and postimplementation stages are expensed as the activities are performed.

The amendments in this Update also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The term of the hosting arrangement includes the non-cancellable period of the arrangement plus periods covered by (1) an option to extend the arrangement if the customer is reasonably certain to exercise that option, (2) an option to terminate the arrangement if the customer is reasonably certain not to exercise the termination option, and (3) an option to extend (or not to terminate) the arrangement in which exercise of the option is in the control of the vendor. The entity also is required to apply the existing impairment guidance in Subtopic 350-40 to the capitalized implementation costs as if the costs were long-lived assets. The amendments in this Update clarify that the capitalized implementation costs related to each module or component of a hosting arrangement that is a service contract are also subject to the guidance in Subtopic 360-10 on abandonment.

The amendments in this Update also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented.

The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for all entities.

The amendments in this Update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

The Company does not anticipate that the implementation of this guidance would have a material impact on the Company.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### h) Recent Accounting Pronouncements (continued)

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities.

Under the amendments in this Update, a private company (reporting entity) may elect not to apply Variable Interest Entity (“VIE”) guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. The accounting alternative provides an accounting policy election that a private company will apply to all current and future legal entities under common control that meet the criteria for applying this alternative. In other words, the alternative cannot be applied to select common control arrangements that meet the criteria for applying this accounting alternative. If the alternative is elected, a private company should continue to apply other consolidation guidance, particularly the voting interest entity guidance, unless another scope exception applies.

Under the accounting alternative, a private company should provide detailed disclosures about its involvement with and exposure to the legal entity under common control. Effectively, the amendments in this Update expand the private company alternative provided by Accounting Standards Update No. 2014-07, *Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements*, not to apply the VIE guidance to qualifying common control leasing arrangements. Because the private company accounting alternative in this Update applies to all common control arrangements that meet specific criteria and not just leasing arrangements, the amendments in Update 2014-07 are superseded by the amendments in this Update.

##### **Decision-Making Fees**

Indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE.

For entities other than private companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this Update are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

The Company does not anticipate that the implementation of this guidance would have a material impact on the Company.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### i) 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.

##### j) 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 September 30, 2018 and December 31, 2017, 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 September 30, 2018 and December 31, 2017, cash balances in the United States did not exceed the federally insured limit.

##### k) 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 nine months ended September 30, 2018 and December 2017.

##### l) 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 September 30, 2018 and December 31, 2017.

##### m) 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.

##### n) 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### o) 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.

##### p) Intangibles

All of the Company's intangible assets are subject to amortization. The Company evaluates 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, the Company recognizes 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 income statement 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 the Company expects to derive a benefit from the underlying license agreements.

##### q) 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### r) 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.

The Company has analyzed its revenue transaction pursuant to ASC 606, Revenue, and it has no material impact as a result of the transition from ASC 605 to 606. The Company's 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.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

##### r) 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 its 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 \$17,246,258 as of September 30, 2018 and has not generated sufficient revenue to cover its operating expenditures, raising substantial doubt about the Company's ability to continue as a going concern for one year from the issuance of the financial statements. 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 by deploying more kiosks through various channels, thereby increasing revenues. In addition, the Company 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.

**QPAGOS**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**4 INVENTORY**

Inventory consisted of the following:

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Kiosks and accessories	\$ 496,555	\$ 504,794
	<u>\$ 496,555</u>	<u>\$ 504,794</u>

**5 PLANT AND EQUIPMENT**

Plant and Equipment consisted of the following:

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Kiosks	\$ 296,380	\$ 263,709
Computer equipment	77,439	73,448
Office equipment	10,408	9,911
Leasehold improvement	9,040	8,608
Total cost	<u>393,267</u>	<u>355,676</u>
Less: accumulated depreciation and amortization	<u>(237,088)</u>	<u>(195,375)</u>
Plant and equipment, net	<u>\$ 156,179</u>	<u>\$ 160,301</u>

Depreciation expense totaled \$8,959 and \$16,301 for the three months ended September 30, 2018 and 2017, respectively, and \$31,108 and \$80,648 for the nine months ended September 30, 2018 and 2017, respectively.

**6 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.

Intangibles consisted of the following:

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Software Localization Agreement	\$ 215,000	\$ 215,000
Total cost	215,000	215,000
Less: accumulated amortization	<u>(121,833)</u>	<u>(89,583)</u>
Intangibles, net	<u>\$ 93,167</u>	<u>\$ 125,417</u>

Amortization expense was \$10,750 and \$10,750 for the three months ended September 30, 2018 and 2017, respectively, and \$32,250 and \$32,250 for the nine months ended September 30, 2018 and 2017, respectively.

**QPAGOS**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**7 LOANS PAYABLE**

Loans payable consist of the following:

<b>Description</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Strategic IR	—		168,000	—
Viktoria Akhmetova	18%	January 11, 2019	53,775	—
<b>Notes payable</b>			<b>\$ 221,775</b>	<b>\$ —</b>

***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 and matures on February 10, 2019. The note may be prepaid at anytime without premium or penalty.

***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.

The balance of the note plus accrued interest at September 30, 2018 was \$53,775.

QPAGOS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 CONVERTIBLE NOTES PAYABLE

Convertible notes payable consists of the following:

Description	Interest rate	Maturity Date	Principal	Accrued interest	Unamortized debt discount	September 30, 2018 Balance, net	December 31, 2017 Balance, net
Power Up Lending Group	8%	April 20, 2018	—	—	—	—	54,017
	8%	June 30, 2018	—	—	—	—	25,034
	8%	August 30, 2018	—	—	—	—	9,165
	8%	October 30, 2018	—	—	—	—	—
	8%	January 15, 2019	—	—	—	—	—
	8%	March 15, 2019	63,000	1,781	(32,856)	31,925	—
	8%	April 30, 2019	63,000	994	(47,028)	16,966	—
Labrys Fund, LP	8%	June 14, 2018	—	—	—	—	7,577
	8%	August 12, 2018	—	—	—	—	—
	8%	December 22, 2018	150,000	3,288	(68,033)	85,255	—
JSJ Investments, Inc.	8%	November 29, 2018	—	—	—	—	7,101
	8%	July 26, 2019	100,000	1,447	(81,918)	19,529	—
GS Capital Partners, LLC	8%	May 22, 2018	—	—	—	—	23,112
	8%	June 16, 2018	—	—	—	—	65,909
	8%	May 3, 2019	105,000	3,452	(61,849)	46,603	—
	8%	May 11, 2019	80,000	2,490	(48,877)	33,613	—
	8%	August 14, 2019	150,000	1,545	(130,685)	20,860	—
	8%	August 14, 2019	150,000	625	(141,543)	9,082	—
	8%	September 19, 2019	70,698	170	(68,567)	2,301	—
	8%	September 19, 2019	33,252	80	(32,250)	1,082	—
Strategic IR	15%	December 8, 2018	10,000	1,815	—	11,815	10,693
	15%	December 8, 2018	20,164	3,646	—	23,810	21,548
	15%	December 26, 2018	53,740	9,320	—	63,060	57,031
	15%	December 26, 2018	115,535	20,037	—	135,572	122,610
	8%	October 23, 2018	—	—	—	—	2,709
	8%	January 9, 2019	—	—	—	—	—
	8%	February 14, 2019	—	—	—	—	—
	8%	February 14, 2019	—	—	—	—	—
	8%	February 15, 2019	—	—	—	—	—
Viktorina Akhmetova	15%	December 8, 2018	20,164	3,646	—	23,810	21,548
	8%	October 20, 2018	—	—	—	—	10,893
	8%	August 24, 2018	—	—	—	—	41,782
	8%	September 18, 2018	—	—	—	—	20,234
	8%	September 26, 2018	—	—	—	—	5,387
	8%	January 31, 2019	—	—	—	—	—
	8%	February 26, 2019	—	—	—	—	—
Joseph W and Patricia G Abrams	15%	December 10, 2018	26,247	4,724	—	30,971	28,027
	15%	January 27, 2019	3,753	602	—	4,355	3,379
Roman Shefer	15%	December 24, 2018	10,000	1,742	—	11,742	10,621
Crown Bridge Partners, LLC	8%	August 14, 2018	—	—	—	—	30,846
	8%	February 27, 2019	37,475	2,503	(15,401)	24,577	—
	8%	May 14, 2019	27,500	838	(17,027)	11,311	—
	8%	June 12, 2019	27,500	663	(19,212)	8,951	—
	8%	July 26, 2019	27,500	398	(22,527)	5,371	—

	8%	August 31, 2019	27,500	181	(25,240)	2,441	—
<b>BOBA</b>							
Management	8%	August 31, 2018	—	—	—	—	30,768
	8%	October 3, 2018	—	—	—	—	12,155
	8%	December 24, 2017	—	—	—	—	102,630
	8%	March 26, 2019	—	—	—	—	—
	8%	March 26, 2019	—	—	—	—	—
Anna Mosk	8%	January 9, 2019	—	—	—	—	—
616796BC Ltd.	8%	June 20, 2019	—	—	—	—	—
<b>Total convertible notes payable</b>			<b>\$ 1,372,028</b>	<b>\$ 65,987</b>	<b>\$ (813,013)</b>	<b>\$ 625,002</b>	<b>\$ 724,776</b>

Interest expense, together with amortized debt discount totaled \$396,478 and \$641,495 for the three months ended September 30, 2018 and 2017, respectively and \$1,748,183 and \$1,108,782 for the nine months ended September 30, 2018 and 2017, respectively.

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 September 30, 2018 and 2017 was \$621,950 and \$385,862, respectively, and for the nine months ended September 30, 2018 and 2017 was \$1,785,883 and \$238,507 respectively.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### **Power Up Lending Group Ltd.**

On July 10, 2017, the Company, entered into a Securities Purchase Agreement pursuant to which the Company issued a Convertible Promissory Note in the aggregate principal amount of \$83,000 to Power Up Lending Group Ltd. The note had a maturity date of April 20, 2018 and the Company had agreed to pay interest on the unpaid principal balance of the note at the rate of eight percent per annum from the date on which the note was issued until the same became due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. The Company had the right to prepay the note in terms of agreement. The outstanding principal amount of the note was convertible at any time and from time to time at the election of the purchaser during the period beginning on the date that is 180 days following the issue date into shares of the Company's common stock at a conversion price equal to 58% of the average lowest three closing bid prices of the Company's common stock for the ten trading days prior to conversion. On January 9, 2018, in terms of an assignment agreement entered into with Anna Mosk, the \$83,000 convertible note plus accrued interest thereon of \$3,329 was exchanged for a new note with a principal sum of \$86,329 bearing interest at 8% per annum with the maturity date extended to January 9, 2019.

On September 14, 2017, the Company, entered into a Securities Purchase Agreement pursuant to which the Company issued a Convertible Promissory Note in the aggregate principal amount of \$63,000 to Power Up Lending Group Ltd. The note had a maturity date of June 30, 2018 and the Company had agreed to pay interest on the unpaid principal balance of the note at the rate of eight percent per annum from the date on which the note was issued until the same became due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. The Company had the right to prepay the note in terms of agreement. The outstanding principal amount of the note was convertible at any time and from time to time at the election of the purchaser during the period beginning on the date that is 180 days following the issue date into shares of the Company's common stock at a conversion price equal to 58% of the average lowest three closing bid prices of the Company's common stock for the ten trading days prior to conversion. On March 26, 2018, in terms of a debt purchase agreement entered into with Boba Management Corp., the \$63,000 convertible note plus accrued interest thereon of \$2,513 was exchanged for a new note with a principal sum of \$65,513 bearing interest at 8% per annum with the maturity date extended to March 26, 2019.

On November 14, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$53,000 to Power Up Lending Group LTD. The note had a maturity date of August 30, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On May 14, 2018, the Company repaid the convertible promissory note together with interest and early settlement penalty interest thereon for gross proceeds of \$74,373.

On January 24, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$68,000 to Power Up Lending Group LTD. The note had a maturity date of October 30, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On July 25, 2018, the Company repaid the convertible promissory note together with interest and early settlement penalty interest thereon for gross proceeds of \$95,402.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Power Up Lending Group Ltd. (continued)

On March 26, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$68,000 to Power Up Lending Group LTD. The note had a maturity date of January 15, 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 was 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. 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 of \$68,000 plus accrued interest thereon of \$2,698 was exchanged for a new note with a principal sum of \$70,698 bearing interest at 8% per annum with the maturity date extended to September 19, 2019.

On May 24, 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 March 15, 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 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.

The balance of the note plus accrued interest at September 30, 2018 was \$31,925, net of unamortized discount of \$32,856.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$16,966, net of unamortized discount of \$47,028.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Labrys Fund, LP

On December 14, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$78,000 to Labrys Fund, LP. The note had a maturity date of June 14, 2018 and a coupon of 8% per annum. In connection with the issuance of the note, the Company was required to issue 231,591 shares of common stock as a commitment fee valued at \$76,537. The shares were returnable to the Company if no Event of Default had occurred prior to the date the note was fully repaid. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On June 14, 2018, \$15,000 of the outstanding principal was converted into 118,483 shares of common stock at a conversion price of \$0.1266 per share. On June 20, 2018, a further \$23,000 of the principal outstanding together with interest of \$3,184 was converted into 199,269 shares of common stock at a conversion price of \$0.1314 per share. Labrys Fund LP returned 115,796 of the commitment shares to the Company and exercised the remaining 115,795 shares of common stock.

On June 20, 2018, the remaining principal of \$40,000 together with interest thereon of \$44 was repaid.

On February 12, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$88,000 to Labrys Fund, LP. The note has a maturity date of August 12, 2018 and a coupon of 8% per annum. In connection with the issuance of the note, the Company was required to issue 440,000 shares of common stock as a commitment fee valued at \$70,400. The shares are returnable to the Company if no Event of Default has occurred prior to the date the note is fully repaid. Management had determined that it is probable that the Company would meet the conditions under the note and therefore it more likely than not that the Company would not be in Default as defined in the note. As a result, management has concluded that it was probable that the shares would be returned and therefore the value of the 440,000 shares was not recorded. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On August 14, 2018, \$18,000 of the principal together with interest of \$3,520 was converted into 170,769 shares of common stock at a conversion price of \$0.126 per share. On the same day the balance of the principal of \$70,000 was repaid thereby extinguishing the note.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$85,255, net of unamortized discount of \$68,033.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### **JSJ Investments Inc.**

On November 29, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$75,000 to JSJ Investments, Inc. The note had a maturity date of November 29, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On June 4, 2018, \$40,000 of the outstanding principal was converted into 328,407 shares of common stock at a conversion price of \$0.1218 per share. On June 21, 2018, the remaining \$35,000 of the principal outstanding together with interest of \$3,210 was converted into 288,943 shares of common stock at a conversion price of \$0.1322 per share.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$19,529, net of unamortized discount of \$81,918.

##### **GS Capital Partners, LLC**

On May 22, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$75,000 to GS Capital Partners, LLC., ("GS Capital"). The note had a maturity date of May 22, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note, provided it made a pre-payment penalty as specified in the note. The outstanding principal amount of the note was 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. On November 11, 2017, GS Capital converted \$20,000 of the principal amount of the convertible note into equity at a conversion price of \$0.1023 per share for an aggregate 203,516 shares of common stock. On December 13, 2017, GS Capital converted a further \$20,000 of the principal amount of the convertible note into equity at a conversion price of \$0.1240 per share for an aggregate 168,466 shares of common stock. On January 17, 2018, GS Capital converted a further \$18,000 principal, plus accrued interest thereon of \$939 of the convertible note into equity at a conversion price of \$0.0778 per share for an aggregate 243,400 shares of common stock. On February 14, 2018, in terms of a debt purchase agreement entered into with Strategic IR, the remaining \$17,000 convertible note plus accrued interest thereon of \$984 was exchanged for a new note with a principal sum of \$17,984 bearing interest at 8% per annum with the maturity date extended to February 14, 2019.

On June 16, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$112,500 to GS Capital Partners, LLC. The note had a maturity date of June 16, 2018 and a coupon of 8% per annum. The Company had 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 was 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. On February 22, 2018, GS Capital converted \$27,500 principal, plus accrued interest thereon of \$1,477 of the convertible note into equity at a conversion price of \$0.0752 per share for an aggregate 385,456 shares of common stock. On March 12, 2018, GS Capital converted \$29,000 principal, plus accrued interest thereon of \$1,672 of the convertible note into equity at a conversion price of \$0.0784 per share for an aggregate 391,070 shares of common stock. On April 18, 2018 the remaining principal of \$56,000 together with interest thereon of \$3,682 was converted into 518,930 shares of common stock at a conversion price of \$0.1150 per share.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### GS Capital Partners, LLC (continued)

On May 3, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$105,000 to GS Capital Partners, LLC. The note has a maturity date of May 3, 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.

The balance of the note plus accrued interest at September 30, 2018 was \$46,603, net of unamortized discount of \$61,849.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$33,613, net of unamortized discount of \$48,877.

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 September 30, 2018 was \$20,860 net of unamortized discount of \$130,685.

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 September 30, 2018 was \$9,082 net of unamortized discount of \$141,543.

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 above. 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 September 30, 2018 was \$1,082 net of unamortized discount of \$32,250.

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 the maturity date extended to 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.

The balance of the note plus accrued interest at September 30, 2018 was \$2,301, net of unamortized discount of \$68,567.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Strategic IR

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. 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 September 30, 2018 was \$11,815.

On June 11, 2017, the Company exchanged a note issued to Strategic 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. 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 September 30, 2018 was \$23,810.

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. 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 September 30, 2018 was \$63,060.

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. 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 September 30, 2018 was \$135,572.

On October 23, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$14,298 to Strategic. The note had a maturity date of October 23, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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 was received. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 192,216 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$14,298 and accrued interest thereon of \$7, thereby extinguishing the note.

On January 9, 2018, in terms of an additional payment made by Strategic IR to Power Up Lending Group to settle outstanding early settlement penalties and interest thereon, related to the assignment agreement entered into between Anna Mosk and Power up Lending Group, the Company issued a convertible promissory note to Strategic IR in the aggregate principal amount of \$40,521. The note had a maturity date of January 9, 2019 and a coupon of 8% per annum. The Company had 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 was 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 was received. On March 13, 2018, in terms of a conversion notice received, the Company issued 479,587 shares of common stock at a conversion price of \$0.0856 in settlement of the principal of \$40,521 and accrued interest thereon of \$551, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Strategic IR (continued)

On February 14, 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 \$17,984 in exchange for a convertible promissory note in the aggregate amount of \$17,000 plus accrued interest thereon of \$984. The note had a maturity date of February 14, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note, provided it made a pre-payment penalty as specified in the note. The outstanding principal amount of the note was 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. On March 13, 2018, in terms of a conversion notice received, the Company issued 211,188 shares of common stock at a conversion price of \$0.0856 in settlement of the principal of \$17,984 and accrued interest thereon of \$102, thereby extinguishing the note.

On February 14, 2018, in terms of an additional payment made by Strategic IR to GS Capital Partners, LLC to settle outstanding early settlement penalties and interest thereon, related to the convertible note mentioned above, the Company issued a convertible promissory note in the aggregate principal amount of \$7,610. The note had a maturity date of February 14, 2019 and a coupon of 8% per annum. The Company had 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 was 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. On March 13, 2018, in terms of a conversion notice received, the Company issued 89,367 shares of common stock at a conversion price of \$0.0856 in settlement of the principal of \$7,610 and accrued interest thereon of \$43, thereby extinguishing the note.

On February 15, 2018, in terms of a Securities Purchase Agreement, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$72,969 to Strategic IR. The note had a maturity date of February 15, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note, provided it made a pre-payment penalty as specified in the note. The outstanding principal amount of the note was 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 lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion is received. The proceeds of the convertible note was used to purchase \$50,000 of the principal of the Crown Bridge Capital Partners note dated August 14, 2017 plus accrued interest thereon of \$1,994 and early settlement penalty of \$20,975. On March 13, 2018, in terms of a conversion notice received, the Company issued 856,715 shares of common stock at a conversion price of \$0.0856 in settlement of the principal of \$72,969 and accrued interest thereon of \$400, thereby extinguishing the note.

##### Viktorija Akhmetova

On June 11, 2017, the Company exchanged a note issued to Viktorija 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. 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 September 30, 2018 was \$23,810.

On October 31, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$50,000 to Viktorija Akhmetova. The note had a maturity date of October 20, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note within the first 180 days at a premium of 110% of the sum of the accrued interest and principal. The outstanding principal amount of the note was 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. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 687,968 shares of common stock at a conversion price of \$0.074 in settlement of the principal of \$50,000 plus accrued interest thereon of \$910, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Viktoria Akhmetova (continued)

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on August 24, 2017 with the Company to Viktoria Akhmetova. The note had an aggregate principal amount of \$113,845 and accrued interest thereon of \$1,547. The note has a maturity date of August 24, 2018 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 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 October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,329,044 shares of common stock at a conversion price of \$0.0868 in settlement of the principal of \$113,845 plus accrued interest thereon of \$1,547, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on September 18, 2017 with the Company to Viktoria Akhmetova. The note had an aggregate principal amount of \$69,047 and accrued interest thereon of \$560. The note has a maturity date of September 18, 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 935,324 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$69,047 plus accrued interest thereon of \$560, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on September 26, 2017 with the Company to Viktoria Akhmetova. The note had an aggregate principal amount of \$20,000 and accrued interest thereon of \$127. The note had a maturity date of September 26, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 270,453 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$20,000 plus accrued interest thereon of \$127, thereby extinguishing the note.

On January 31, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$30,000 to Viktoria Akhmetova. The note had a maturity date of January 31, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note within the first 180 days at a premium of 110% of the sum of the accrued interest and principal. The outstanding principal amount of the note was 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. On April 18, 2018, in terms of a conversion notice received, the Company issued 235,691 shares of common stock at a conversion price of \$0.1287 in settlement of the principal of \$30,000 plus accrued interest thereon of \$329, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### **Viktoria Akhmetova (continued)**

On February 26, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$37,000 to Viktoria Akhmetova. The note had a maturity date of February 26, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note within the first 180 days at a premium of 110% of the sum of the accrued interest and principal. The outstanding principal amount of the note was 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. On April 18, 2018, in terms of a conversion notice received, the Company issued 292,325 shares of common stock at a conversion price of \$0.1287 in settlement of the principal of \$37,000 plus accrued interest thereon of \$616, thereby extinguishing the note.

##### **Joseph W and Patricia G Abrams**

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. 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 September 30, 2018 was \$30,971.

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. 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 September 30, 2018 was \$4,355.

##### **Roman Shefer**

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. The note is convertible into common shares at a conversion price of \$.20 per share.

The balance of the note plus accrued interest at September 30, 2018 was \$11,742.

##### **Crown Bridge Partners LLC**

On August 14, 2017, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$75,000 to Crown Bridge Partners. The note had a maturity date of August 14, 2018 and a coupon of eight percent (8%) per annum. The Company had 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 was 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 February 15, 2018, the Company repurchased \$50,000 of the principal outstanding plus accrued interest thereon of \$1,994, after paying an early settlement penalty of \$20,975 out of the proceeds of a note issued to Strategic IR. On March 6, 2018, Crown Bridge Partners converted \$9,501 of the principal outstanding into equity at a conversion price of \$0.0685 per share for an aggregate 146,000 shares of common stock. On April 5, 2018, Crown Bridge Partners converted \$9,356 of the principal outstanding into equity at a conversion price of \$0.0616 per share for an aggregate of 160,000 shares of common stock. On June 19, 2018, Crown Bridge Partners converted the remaining principal of \$6,143, together with interest thereon of \$3,293, at a conversion price of \$0.1002 per share for an aggregate of 94,183 shares of common stock, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### Crown Bridge Partners LLC (continued)

On February 27, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$55,000 to Crown Bridge Partners. The note has a maturity date of February 27, 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 September 7, 2018, in terms of a conversion notice received, the Company issued 206,000 shares of common stock at a conversion price of \$0.0875 in settlement of the principal of \$17,525.

The balance of the note plus accrued interest at September 30, 2018 was \$24,577 net of unamortized discount of \$15,401.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$11,311 net of unamortized discount of \$17,027.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$8,951 net of unamortized discount of \$19,212.

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.

The balance of the note plus accrued interest at September 30, 2018 was \$5,371 net of unamortized discount of \$22,527.

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 September 30, 2018 was \$2,441 net of unamortized discount of \$25,240.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### BOBA Management

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on August 31, 2017 with the Company to BOBA Management. The note had an aggregate principal amount of \$88,847 and accrued interest thereon of \$1,071. The note had a maturity date of August 31, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,208,251 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$88,847 plus accrued interest thereon of \$1,071, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on October 3, 2017 with the Company to BOBA Management. The note had an aggregate principal amount of \$48,880 and accrued interest thereon of \$236. The note had a maturity date of October 3, 2018 and a coupon of eight percent (8%) per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 659,980 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$48,880 plus accrued interest thereon of \$236, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a previously unclassified amount due to Strategic, subsequently classified as a Convertible Promissory Note on June 27, 2017 with an aggregate principal amount of \$100,000 and accrued interest thereon of \$2,630, to BOBA Management. The note has a maturity date of December 24, 2017 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 60% of the average of the lowest three trading bid prices during the previous ten (10) trading days. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,379,067 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$100,000 plus accrued interest thereon of \$2,630, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 8 CONVERTIBLE NOTES PAYABLE (continued)

##### **BOBA Management (continued)**

On March 26, 2018, in terms of a debt purchase agreement entered into with Power Up Lending Group, the Company issued Boba Management Corp a new note with as principal sum of \$65,513. The note had a maturity date of March 26, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note, provided it made a pre-payment penalty as specified in the note. The outstanding principal amount of the note was 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. On April 18, 2018, in terms of a conversion notice received, the Company issued 511,571 shares of common stock at a conversion price of \$0.1287 in settlement of the principal of \$65,313 plus accrued interest thereon of \$316, thereby extinguishing the note.

On March 26, 2018, in terms of a Securities Purchase Agreement, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$31,618 to BOBA Management Corp. The note had a maturity date of March 26, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note, provided it made a pre-payment penalty as specified in the note. The outstanding principal amount of the note was 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 lowest three trading bid prices during the previous ten (10) trading days, including the date the notice of conversion was received. The proceeds of the convertible note were used to pay early settlement penalties and fees associated with the Power Up lending note above. On April 18, 2018, in terms of a conversion notice received, the Company issued 246,899 shares of common stock at a conversion price of \$0.1287 in settlement of the principal of \$31,618 plus accrued interest thereon of \$152, thereby extinguishing the note.

##### **Anna Mosk**

On January 9, 2018, in terms of an assignment agreement entered into with Power Up Lending Group, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$86,329 to Anna Mosk. The note had a maturity date of January 9, 2019 and a coupon of 8% per annum. The Company had the right to prepay the note within the first 180 days at a premium of 110% of the sum of the accrued interest and principal. The outstanding principal amount of the note was 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. On March 13, 2018, in terms of a conversion notice received, the Company issued 1,021,745 shares of common stock at a conversion price of \$0.0856 in settlement of the principal of \$86,329 and accrued interest thereon of \$1,173, thereby extinguishing the note.

##### **616796 BC Ltd.**

On June 20, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$50,000 to 616796 BC, Ltd. The note had a maturity date of June 20, 2019 and a coupon of 8% per annum. The outstanding principal amount of the note was 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 20, 2018, in terms of a conversion notice received, the Company issued 302,480 shares of common stock at a conversion price of \$0.1653 in settlement of the principal of \$50,000, thereby extinguishing the note.

**QPAGOS**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**9 DERIVATIVE LIABILITY**

Certain of the short-term convertible notes disclosed in note 8 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 September 30, 2018 and September 30, 2017 and \$3,441,118 and \$283,668 was credited to the statement of operations and 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:

	<b>Nine months ended September 30, 2018</b>
Conversion price	\$ 0.08 to 0.25
Risk free interest rate	1.78 to 2.81%
Expected life of derivative liability	3 to 12 months
Expected volatility of underlying stock	176.4 to 230.55%
Expected dividend rate	0%

The movement in derivative liability is as follows:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Opening balance	\$ 3,277,621	\$ 113,074
Derivative financial liability arising from convertible note	2,194,618	2,834,413
Fair value adjustment to derivative liability	(3,441,118)	330,134
Closing balance	<u>\$ 2,031,121</u>	<u>\$ 3,277,621</u>

**10 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 83,792,313 and 56,207,424 shares of common stock as of September 30, 2018 and December 31, 2017, respectively.

In terms of various debt conversion notices received between January 17, 2018 and September 7, 2018, the Company issued an aggregate of 27,349,094 shares of common stock in settlement of \$2,230,980 of convertible notes, resulting in a net loss on conversion of \$3,510,039.

On June 6, 2018, 115,795 of the commitment shares issued to Labrys Fund, LLP, were recorded as issued as the Company had not repaid the note by the due date of June 16, 2018. The remaining 115,796 commitment shares were returned to the Company and were cancelled.

On June 29, 2018, in terms of a share option plan recently implemented by the Company, 120,000 restricted shares were issued to a director as compensation for services rendered.

**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 September 30, 2018.

**QPAGOS**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10 STOCKHOLDERS' EQUITY (continued)**

**c) Warrants**

The warrants outstanding and exercisable at September 30, 2018 are as follows:

<u>Exercise price</u>	<u>Warrants outstanding</u>		<u>Warrants exercisable</u>		
	<u>No. of shares</u>	<u>Weighted average remaining years</u>	<u>Weighted average exercise price</u>	<u>No. of shares</u>	<u>Weighted average exercise price</u>
\$0.625	6,219,200	2.00		6,219,200	
\$0.20	2,308,513	1.74		2,308,513	
	<u>8,527,713</u>	<u>1.94</u>	<u>\$ 0.51</u>	<u>8,527,713</u>	<u>\$ 0.51</u>

The warrants outstanding have an intrinsic value of \$0 and \$0 as of September 30, 2018 and December 31, 2017, respectively.

**c) Stock option plan**

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 either 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.

On June 29, 2018, the Company granted a director 120,000 shares of restricted common stock in terms of the Stock Incentive Plan. These shares were valued at \$49,200 on the date of grant and were vested immediately. The number of securities available under the plan as of September 30, 2018 is 7,880,000 shares of common stock.

**11 REVENUE**

Revenue is derived from the following sources:

	<u>Three months ended September 30, 2018</u>	<u>Three months ended September 30, 2017</u>	<u>Nine months ended September 30, 2018</u>	<u>Nine months ended September 30, 2017</u>
Sales of services	\$ 1,900,838	\$ 924,573	\$ 5,014,153	\$ 2,735,913
Payment processing fees	75	3,138	21,818	20,532
Kiosk sales	27,219	—	38,336	113,921
Other	16,334	3,607	36,710	19,092
	<u>\$ 1,944,466</u>	<u>\$ 931,318</u>	<u>\$ 5,111,017</u>	<u>\$ 2,889,458</u>

QPAGOS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 EQUITY BASED COMPENSATION

Equity based compensation is made up of the following:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Shares issued for services	\$ —	\$ —	\$ 34,739	\$ —
Incentive stock awards	—	—	49,200	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 83,939</u>	<u>\$ —</u>

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 months ended September 30, 2018, the calculation of diluted income per share is as follows:

	Amount	Number of shares	Per share amount
<b>Basic earnings per share</b>			
Net income per share	\$ 272,545	83,554,285	\$ -
<b>Effect of dilutive securities</b>			
Warrants	-	-	
Convertible debt	310,852	14,208,683	
<b>Diluted earnings per share</b>			
Net income per share	<u>\$ 583,397</u>	<u>97,762,968</u>	<u>\$ -</u>

For the nine months ended September 30, 2018 and the three and nine months ended September 30, 2017, all convertible debt and warrants, were excluded from the computation of diluted net loss per share, as the result would have been anti-dilutive. 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:

	Nine months ended September 30, 2018 (Shares)	Three Months and nine months ended September 30, 2017 (Shares)
Convertible debt	17,102,973	21,491,850
Warrants	8,527,713	8,527,713
	<u>25,630,686</u>	<u>30,019,563</u>

**QPAGOS**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**14 RELATED PARTY TRANSACTIONS**

The following transactions were entered into with related parties:

**LOANS PAYABLE TO RELATED PARTIES**

<b>Description</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Gibbs International Holdings – Equipment funding	36%	On demand	\$ —	294,620
Vladimir Skigin – Equipment funding	36%	On demand	76,299	55,296
Vladimir Skigin	18%	January 11, 2019	53,228	—
<b>Notes payable – Related parties</b>			<b>\$ 129,527</b>	<b>\$ 349,916</b>

Interest expense totaled \$25,279 and \$0 for the three months ended September 30, 2018 and 2017, respectively and \$135,854 and \$0 for the nine months ended September 30, 2018 and 2017, respectively.

***Jimmy Gibbs***

Jimmy Gibbs is the principal and has control over Gibbs Investment Holdings and Gibbs International Holdings. Mr Gibbs is considered to be a related party due to his shareholding and the shareholding under his control in the company exceeds 5%.

- **Gibbs International Holdings (“Gibbs”) – Inventory funding**

The Company entered into an agreement with Gibbs, whereby the importation of kiosks and accessories was arranged and funded by Gibbs. In terms of the agreement entered into with Gibbs, 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. On August 20, 2018 the principal of \$294,620 together with accrued interest of \$111,115 was converted to a convertible promissory note of \$405,735.

***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%.

- **Vladimir Skigin (“Skigin”) – 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 September 30, 2018 was \$76,299.

- **Vladimir Skigin**

On April 17, 2018, the Company issued a Promissory Note in the aggregate principal amount of \$49,941 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.

The balance of the note plus accrued interest at September 30, 2018 was \$53,228.

QPAGOS

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 RELATED PARTY TRANSACTIONS (continued)

CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES

Convertible notes payable to related parties consists of the following:

Description	Interest rate	Maturity Date	Principal	Accrued interest	Unamortized debt discount	September 30, 2018 Balance, net	December 31, 2017 Balance, net
Delinvest Commercial, LTD	15%	December 16, 2018	20,000	3,551	—	23,551	21,307
	15%	December 26, 2018	54,123	9,386	—	63,509	57,437
Gibbs International Holdings	15%	December 16, 2018	52,494	9,319	—	61,813	55,924
	8%	August 31, 2019	405,735	3,646	(361,492)	47,889	—
Cobbolo Limited	15%	December 26, 2018	53,438	9,268	—	62,706	56,710
	15%	December 26, 2018	52,959	9,184	—	62,143	56,202
Vladimir Skigin	8%	January 22, 2018	—	—	—	—	105,034
	8%	October 10, 2018	—	—	—	—	36,395
	8%	September 28, 2018	—	—	—	—	64,809
	8%	January 6, 2018	—	—	—	—	102,245
	8%	February 10, 2018	—	—	—	—	29,675
Beverly Pacific Holdings	8%	March 9, 2018	—	—	—	—	86,411
	8%	November 6, 2017	—	—	—	—	187,041
<b>Total convertible notes payable</b>			<b>\$ 638,749</b>	<b>\$ 44,354</b>	<b>\$ (361,492)</b>	<b>\$ 321,611</b>	<b>\$ 859,190</b>

Interest expense, together with amortized debt discount totaled \$56,698 and \$135,514 for the three months ended September 30, 2018 and 2017, respectively and \$413,168 and \$144,198 for the nine months ended September 30, 2018 and 2017, respectively.

The 15% convertible notes above have a fixed conversion price of \$0.20 per common share.

**Alex Motorin**

Alex Motorin is the principal of Delinvest Commercial LTD. Mr. Motorin is considered to be a related party as his shareholding and that of the Companies under his control exceeds 5%.

• **Delinvest Commercial, LTD.**

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. 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 September 2018 was \$23,551.

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. 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 September 30, 2018 was \$63,509.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 14 RELATED PARTY TRANSACTIONS (continued)

##### CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES (continued)

###### *Jimmy Gibbs*

Jimmy Gibbs is the principal and has control over Gibbs Investment Holdings and Gibbs International Holdings. Mr. Gibbs is considered to be a related party due to his shareholding and the shareholding under his control in the company exceeds 5%.

- **Gibbs International Holdings**

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 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 September 30, 2018 was \$61,813.

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 September 30, 2018 was \$47,889 net of unamortized discount of \$361,492.

###### *Vladimir Skigin*

Vladimir Skigin is the principal and has control over Cobbolo Limited and has also personally advanced the Company inventory and other funding. Mr. Skigin is considered to be a related party as his shareholding and that of the Company's under his control exceeds 5%.

- **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. 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 September 30, 2018 was \$62,706.

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. 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 September 30, 2018 was \$62,143.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 14 RELATED PARTY TRANSACTIONS (continued)

##### CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES (continued)

###### *Vladimir Skigin (continued)*

- **Vladimir Skigin**

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on July 26, 2017 with the Company to Vladimir Skigin. The Note had an aggregate principal amount of \$117,000 and accrued interest thereon of \$2,334. The note had a maturity date of January 22, 2018 and a coupon of 8% per annum. The Company had 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 was 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,603,515 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$117,000 plus accrued interest thereon of \$2,334, thereby extinguishing the note.

On October 11, October 12 and October 26, 2017, the Company received three installments of \$50,000 each from Vladimir Skigin totaling \$150,000 and issued a Convertible Promissory Note in the aggregate principal amount of \$150,000 to him. The note had a maturity date of October 10, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note within the first 180 days at a premium of 110% of the sum of the accrued interest and principal. The outstanding principal amount of the note was 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. On March 7, 2018, in terms of a conversion notice received on January 22, 2018, the Company, after increasing its authorized share capital, issued 2,070,459 shares of common stock at a conversion price of \$0.074 in settlement of the principal of \$150,000 plus accrued interest thereon of \$3,124, thereby extinguishing the note.

On October 25, 2017 in terms of an agreement entered into, Strategic IR assigned a note entered into on September 28, 2017 with the Company to Vladimir Skigin. The note had an aggregate principal amount of \$246,000 and accrued interest thereon of \$1,456. The note has a maturity date of September 28, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 3,325,125 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$246,000 plus accrued interest thereon of \$1,456, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 14 RELATED PARTY TRANSACTIONS (continued)

##### CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES (continued)

###### *Vladimir Skigin (continued)*

- **Vladimir Skigin (continued)**

On October 25, 2017 in terms of an agreement entered into, Strategic IR assigned a note entered into on October 3, 2017, with the Company to Vladimir Skigin. The note had an aggregate principal balance of \$100,000 and accrued interest thereon of \$4,427. The note had a maturity date of January 6, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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.

On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares.

On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,607,070 shares of common stock at a conversion price of \$0.0650 in settlement of the principal of \$100,000 plus accrued interest thereon of \$4,427, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Anna Mosk, the principal of Strategic IR, assigned a note entered into on October 23, 2017 to Vladimir Skigin. The note had an aggregate principal balance of \$33,000 and accrued interest thereon of \$1,324. The note had a maturity date of February 10, 2018 and a coupon of 8% per annum. The Company had the right to prepay the note without penalty for the first 180 days. The outstanding principal amount of the note was 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.

On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares.

On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 461,215 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$33,000 plus accrued interest thereon of \$1,324, thereby extinguishing the note.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 14 RELATED PARTY TRANSACTIONS (continued)

##### CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES (continued)

###### *Beverly Pacific Holdings*

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note entered into on September 18, 2017 with the Company to Beverly Pacific Holdings. The note had an aggregate principal balance of \$100,000 and accrued interest thereon of \$5,041. The note had a maturity date of March 9, 2018 and a coupon of eight percent per annum. The Company had the right to prepay the note, provided it makes a payment to the Purchaser as set forth in the note through the maturity date. The outstanding principal amount of the note was convertible at any time and from time to time at the election of the note holder during the period beginning on the date that is 150 days following the issue date into shares of the Company's common stock, at a conversion price equal to 60% of the average of the last two lowest trading bid prices during the fifteen trading days prior to conversion. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 1,607,608 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$100,000 plus accrued interest thereon of \$5,041, thereby extinguishing the note.

On October 25, 2017, in terms of an agreement entered into, Strategic IR assigned a note dated August 31, 2017, it had purchased from JSJ Investments to Beverly Pacific Holdings. The note had an aggregate principal outstanding of \$176,000 together with interest thereon of \$11,041. The note had a maturity date of November 6, 2017 and a coupon of eight percent per annum. The Company had the right to prepay the note within 180 days of its issue date. After the 180 days, the Company had no right to prepayment. The outstanding principal amount of the note was convertible at any time and from time to time at the election of the note holder during the period beginning on the date that is 180 days following the issue date into shares of the Company's common stock, at a conversion price equal to 60% of the average of the lowest three closing bid prices of the Company's common stock for the ten trading days prior to conversion. On October 25, 2017, the Company received a notice of conversion of the outstanding principal and interest into common shares effective October 25, 2017. The Company had to increase its number of authorized shares in order to give effect to this conversion. The Company received a default waiver from the note holder to allow it to increase its authorized shares. On March 7, 2018, in terms of a conversion notice received on October 25, 2017, the Company, after increasing its authorized share capital, issued 2,513,321 shares of common stock at a conversion price of \$0.0744 in settlement of the principal of \$186,000 plus accrued interest thereon of \$11,041, thereby extinguishing the note.

#### 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. The lease calls for rental payment, including maintenance, of \$3,377 per month, as adjusted for exchange rate changes. The Company also leases space on a month-to-month basis for its data servers at a monthly rate of \$1,766. In addition, Qpagos leases warehouse space on a month-to-month basis for \$1,136 per month.

The future minimum lease installments under the office facility lease agreement as of September 30, 2018 are \$10,131 for the year ended December 31, 2018 and \$40,524 for the period ended December 16, 2019, subject to exchange rate fluctuations.

## QPAGOS

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 16 SUBSEQUENT EVENTS

##### Convertible notes

On October 8, 2018 Crown Bridge Partners LLC issued a notice of conversion whereby \$15,759 consisting of \$15,259 of principal and \$500 of fees on a convertible note issued on February 27, 2018 was converted to 206,000 shares of common stock at a conversion price of \$.0765 per share. The company made a loss on conversion of \$31,621.

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.

On October 8, 2018, Qpagos S.A.P.I de C.V. entered into a joint venture agreement with Surelty Inc. ("Surelty") and incorporated a separate entity; Surelty Mexico S.A. de C.V. ("Surelty Mexico"). Qpagos S.A.P.I de C.V. owns 49.9% of the outstanding equity of Surelty Mexico and Surelty owns the remaining 50.1% of the outstanding equity. Surelty Mexico operates in the short term secured micro loan business with 30 day terms and maximum loans of MXN 4,000 (approximately \$200).

On October 9, 2018, GS Capital Partners LLC issued a notice of conversion whereby \$23,058 consisting of \$22,968 of principal and \$91 of accrued interest on a convertible note issued on September 19, 2018 was converted to 203,874 shares of common stock at a conversion price of \$0.1131 per share. The company made a loss on conversion of \$20,775.

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.

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. 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 November 2, 2018, the Company repaid 50% of the GS Capital convertible note with a principal balance of \$105,000 entered into on May 3, 2018 for gross proceeds of \$70,356 including interest and early settlement penalty thereon.

On November 5, 2018, in terms of a debt purchase agreement entered into between Alex Pereira and GS Capital Partners, the remaining principal amount owing to GS Capital Partners under the convertible promissory note entered into on May 3, 2018, of \$52,500 including accrued interest thereon of \$2,106, was purchased by Alex Pereira.

On November 5, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of \$19,250 to Alex Pereira. 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.

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 17, 2018. 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 introduced to the Mexican market in the third quarter of 2014. 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.

Our current focus is 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 providers 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 nine months ended September 30, 2018 we generated net revenues of \$5,111,017 as compared to \$2,889,458 for the nine months ended September 30, 2017, an increase of \$2,221,559 or 76.9%. 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 September 30, 2018, Qpagos Corporation deployed over 239 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.

## ***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 September 30, 2018 and 2017, 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 September 30, 2018 and September 30, 2017**

#### **Net revenue**

Net revenues in our Mexican operations were \$1,944,466 and \$931,318 for the three months ended September 30, 2018 and 2017, respectively, an increase of \$1,013,148 or 108.8%. Our primary revenue generating operations are based in Mexico and our functional currency is the Mexican Peso. Our revenue in Mexican Pesos increased to MXN36,862,307 from MXN16,597,642 for the three months ended September 30, 2018 and 2017, respectively, an increase of MXN20,264,665 or 122.1%. The increase in revenue in MXN terms is primarily due to an increase in the amount of prepaid airtime sold of MXN19,566,097 and an increase in kiosk sales of MXN516,000, no kiosks were sold during the prior period. The average US\$ exchange rate has strengthened against the MXN over the prior comparable period, from \$17.8127 to \$18.9575 or 6.4%, which results in a lower revenue growth in US \$ terms of \$124,968.

#### **Cost of goods sold**

Cost of goods sold in our Mexican operations were \$1,931,715 and \$935,033 for the three months ended September 30, 2018 and 2017, respectively, an increase of \$996,682 or 106.6%. Our cost of sales from our Mexican operations, in Mexican Pesos increased to MXN36,620,575 from MXN16,663,859 for the three months ended September 30, 2018 and 2017, respectively, an increase of MXN19,956,716 or 119.8%. 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 air time 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 \$7,220 and \$9,740, for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$2,520. The average US\$ exchange rate has strengthened against the MXN over the prior comparable period, from \$17.8127 to \$18.9575 or 6.4%, which results in a lower cost of goods sold growth in US \$ terms of \$124,149.

#### **Gross profit (loss)**

Gross profit (loss) in our Mexican operations was \$12,751 and \$(3,715) for the three months ended September 30, 2018 and 2017, respectively, an increase of \$16,466 or 443.2%. The components of gross (loss) profit include the following:

- Gross profit on sales of services was \$1,657 and \$10,543, for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$8,886 or 84%. The decrease in gross profit was due lower margins earned on a higher volume of airtime sold.
- Gross profit on kiosk sales was \$19,382 and \$0 for the three months ended September 30, 2018 and 2017, respectively, an increase of \$19,382. No kiosks were sold during the prior period.
- Other gross profit includes other cost of sales expense (income) of (\$1,068) and \$11,264 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$12,332 or 109.4%. 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 \$7,220 and \$9,740 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$2,520 or 26%.

### **General and administrative expenses**

General and administrative expenses were \$437,506 and \$682,207 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$244,701 or 35.9%. 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 MXN3,196,018 (\$168,588) from MXN3,407,886 (\$191,221) for the three months ended September 30, 2018 and 2017, respectively, a decrease of MXN211,868 (\$22,633) or 6.2%. 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 three months ended September 30, 2018 and 2017 was \$268,918 and \$490,986, respectively, a decrease of \$222,068 or 45.2%, primarily due to a decrease in debt raising fees of \$149,908, and decrease in legal fees of \$54,849.

### **Depreciation and amortization**

Depreciation and amortization expense was \$12,488 and \$17,311 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$4,823 or 28%. 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 expenses**

Other expenses were \$51,020 and \$39,272 for the three months ended September 30, 2018 and 2017, respectively. Other expense during the current period includes a loss realized on the conversion of convertible notes into equity at conversion prices ranging from 34% to 55% below current market prices. During the current period, \$39,045 of convertible notes were converted to equity.

### **Interest expense, net**

Interest expense was \$517,779 and \$792,676 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$274,897 or 35%. The decrease consists primarily of the amortization of debt discount on convertible notes of \$388,123 and \$721,430 for the three months ended September 30, 2018 and 2017, respectively, a decrease of \$333,307 due to the decrease in funding through convertible notes during the past year and interest expense of \$52,696 (including penalty interest of \$23,689).

### **Derivative liability movements**

Derivative liability movements were \$1,169,205 and \$165,196 for the three months ended September 30, 2018 and 2017, 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 September 30, 2018.

### **Foreign currency gain (loss)**

The foreign currency gain (loss) was \$109,382 and (\$27,825) for the three months ended September 30, 2018 and 2017, respectively, a movement of \$137,207. The decrease is primarily due to the mark to market of foreign currency assets and liabilities due to the strengthening of the Mexican Peso against the US\$ during the current period.

### **Net profit (loss)**

We incurred a net profit (loss) of \$272,545 and (\$1,397,810), for the three months ended September 30, 2018 and 2017, respectively, an increase of \$1,670,355 or 119.5%, primarily due to the increase in mark- to-market gains on the derivative liabilities, a decrease in interest expense on convertible promissory notes and other loans, during the current period, offset by an increase in the amortization of debt discount, as discussed above.

## Results of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

### Net revenue

Net revenues in our Mexican operations were \$5,111,017 and \$2,889,458 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$2,221,559 or 76.9%. Our primary revenue generating operations are based in Mexico and our functional currency is the Mexican Peso. Our revenue in Mexican Pesos increased to MXN97,372,334 from MXN53,673,996 for the nine months ended September 30, 2018 and 2017, respectively, an increase of MXN43,698,338 or 81.4%. The increase in revenue in MXN terms is primarily due to an increase in the amount of prepaid airtime sold of MXN43,742,203 offset by a decrease in kiosk sales of MXN1,424,228. The average US\$ exchange rate has strengthened against the MXN over the prior comparable period, from \$18.9274 to \$19.0473, or 0.6%, which results in a lower revenue growth in US \$ terms of \$32,382.

### Cost of goods sold

Cost of goods sold in our Mexican operations were \$5,049,774 and \$2,807,058 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$2,242,716 or 79.9%. Our cost of sales from our Mexican operations, in Mexican Pesos increased to MXN96,149,707 from MXN52,083,211 for the nine months ended September 30, 2018 and 2017, respectively, an increase of MXN44,066,496 or 84.6%. 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 air time 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 \$26,385 and \$28,062 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$1,677. The average US \$ exchange rate has strengthened against the MXN over the prior period, from \$18.9274 to \$19.0473 or 0.6%, which results in a lower cost of sales in US \$ terms of \$31,994.

### Gross profit

Gross profit in our Mexican operations was \$61,243 and \$82,400 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$21,157 or 25.7%. The components of gross profit include the following:

- Gross profit on sales of services was \$50,588 and \$49,291, for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$1,297 or 3%. The increase in gross profit was due to the increased volume in sales at minimal incremental operating costs.
- Gross profit on kiosk sales was \$24,371 and \$58,818 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$34,447 due to the decrease in the number of kiosks sold over the prior period.
- Other gross profit includes other cost of sales expense of \$12,668 and \$37,272 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$24,604 or 66.0%. The cost of sales expense consists primarily of repairs and maintenance expenditure on kiosks and is dependent on the amount of activity during the nine month period, trends in this expense are not easily identifiable as the majority of the repair work is on a needs only basis.
- Included in gross profit is depreciation related to those kiosks that are used in the production of income. Depreciation expense was \$26,385 and \$28,062 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$1,677 or 6.0%.

### General and administrative expenses

General and administrative expenses were \$1,581,949 and \$1,629,674 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$47,725 or 2.9%. 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 MXN9,796,084 (\$514,552) from MXN10,899,304 (\$585,997) for the nine months ended September 30, 2018 and 2017, respectively, a decrease of MXN1,103,220 (\$71,445) or 10.1%. 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 nine months ended September 30, 2018 and 2017 was \$1,067,397 and \$1,043,676, respectively, an increase of \$23,721 or 2.3%, primarily due to increase in capital raising fees of \$12,826 due to the issue of several convertible notes during the current period; stock based compensation expense for shares issued to a director of \$49,200; offset by savings incurred due to a concerted effort to reduce admin costs.

## **Depreciation and amortization**

Depreciation and amortization expense was \$37,241 and \$55,784 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$18,543 or 33.2%. 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 \$3,510,474 and \$46,855 for the nine months ended September 30, 2018 and 2017, respectively. Other expense during the current period includes a loss realized on the conversion of convertible notes into equity at conversion prices ranging from 34% to 55% below current market prices. During the current period, \$2,230,980 of convertible notes were converted to equity.

## **Interest expense, net**

Interest expense was \$2,329,283 and \$1,264,383 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$1,064,900 or 84.2%. The increase consists primarily of the amortization of debt discount on convertible notes of \$2,011,383 and \$1,148,430 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$862,953 due to the increase in funding through convertible notes during the past year and interest expense of \$185,857 (including penalty interest of \$45,827) and \$104,550 for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$81,307 primarily due to high interest bearing equipment loans and several high interest bearing loans and convertible loans outstanding during the current period.

## **Derivative liability movements**

Derivative liability movements were \$3,441,118 and \$283,668 for the nine months ended September 30, 2018 and 2017, 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 September 30, 2018, the release of derivative liability during the current period is primarily due to the conversion of \$2,230,980 of convertible debt to equity.

## **Foreign currency gain**

The foreign currency gain was \$99,019 and \$303,504 for the nine months ended September 30, 2018 and 2017, respectively, a decrease of \$204,485. The decrease is primarily due to the mark to market of foreign currency assets and liabilities due to the gradual improvement of the Mexican Peso against the US Dollar during the current period.

## **Net loss**

We incurred a net loss of \$3,858,067 and \$2,327,124, for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$1,530,943 or 65.8%, primarily due to the increase in loss realized on debt conversions, the increase in the amortization of debt discount and interest expense on convertible promissory notes and other loans, during the current period, offset by the decrease in mark- to-market movements on the derivative liabilities as discussed above.

## **Liquidity and Capital Resources**

The accompanying condensed consolidated financial statements have been prepared and presented on a basis assuming we will continue as a going concern. We have sustained significant net losses during the nine months ended September 30, 2018 of \$3,858,067 and \$2,327,124 for the nine months ended September 30, 2017. We incurred an accumulated deficit of \$17,246,258 through September 30, 2018 and net cash used in operating activities was \$1,680,538 for the nine months ended September 30, 2018 compared to net cash used in operating activities of \$1,560,734 for the nine months ended September 30, 2017. We do not currently believe that our existing cash resources are sufficient to meet our anticipated needs over the next twelve months from the date hereof. 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.

Based on our current cash levels and our current rate of cash requirements, we will need to increase revenue and/ or raise additional capital and/or further reduce our expenses from current levels. These factors raise substantial doubt about our ability to continue as a going concern.

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 will need to generate additional revenue from operations and/or obtain additional financing to pursue our business strategy, repay our outstanding note obligations, which, as of September 30, 2018 totaled \$2,472,420 in principal amount and accrued interest thereon, 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. To date, we do not have any commitments for additional funding. 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 September 30, 2018, we had cash of \$40,253 and a negative working capital of \$2,744,167, including a derivative liability of \$2,031,121, after eliminating the derivative liability our working capital deficit is \$713,047. 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 \$1,680,538 and \$1,560,734 in operating activities for the nine months ended September 30, 2018 and 2017, respectively, an increase of \$119,804 or 7.7%. The increase is primarily due to the operating losses generated over the current period.

We had minimal investment in property and equipment of \$19,244 and \$367 for the nine months ended September 30, 2018 and 2017, respectively.

We funded our operations by utilizing our cash balances and raising an additional \$2,101,403 through debt issuances, offset by the repayment of \$279,818 of convertible debt during the period.

Subsequent to September 30, 2018 we raised an additional net proceeds of \$413,250 through convertible debt funding of \$446,750.

Other than amounts owed under convertible notes, we have minimal commitments which include the office facility lease agreement with a future commitment as of September 30, 2018 of \$10,131 for the remainder of 2018 and \$40,524 for 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:

	<u>Amount</u>
2018	20,100
2019	20,100
2020	20,100
2021	20,100
2022 and thereafter	77,067
	<u>\$ 157,467</u>

#### **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 September 30, 2018 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 September 30, 2018 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 September 30, 2018 in transactions that were not registered under the Securities Act.

On July 20, 2018, we 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. We have 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 our 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 July 26, 2018, we 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. We have 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 our common stock at a conversion price equal to 60% of the lowest trading price during the previous ten (10) trading days.

On July 26, 2018, we 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, 2018 and a coupon of 8% per annum. We have 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 our 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 August 14, 2018, in terms of a conversion notice received from Labrys Fund LLP, \$18,000 of principal together with interest of \$3,520 was converted into 170,769 shares of common stock at a conversion price of \$0.126 per share.

On August 14, 2018, we 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. We have 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 our 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.

On August 20, 2018, we 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. We have 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 our 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.

On August 31, 2018, we 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. We have 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 our common stock at a conversion price equal to 60% of the lowest trading price during the previous ten (10) trading days.

On September 7, 2018, in terms of a conversion notice received from Crown Bridge Partners, we issued 206,000 shares of common stock at a conversion price of \$0.0875 in settlement of the principal of \$17,525.

On September 11, 2018, we 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 our 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.

On September 19, 2018, in terms of a debt purchase agreement entered into with GS Capital Partners, LLC, we issued a convertible promissory note in the aggregate amount of \$33,252 in exchange for a convertible promissory note in the aggregate amount of \$28,302 plus legal fees of \$4,950. The note has a maturity date of September 19, 2019 and a coupon of 8% per annum. We have 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 our 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.

On September 19, 2018, in terms of a debt purchase agreement entered into with GS Capital Partners, LLC, we issued a convertible promissory note in the aggregate amount of \$70,698 in exchange for a convertible promissory note with a principal amount of \$68,000 plus accrued interest of \$2,698. The note has a maturity date of September 19, 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 and from time to time at the election of the holder into shares of our 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.

On September 21, 2018, in terms of a debt purchase agreement entered into with GS Capital Partners LLC, a convertible note of \$68,000 plus accrued interest thereon of \$2,698 was exchanged for a new note with Power up Lending group with a principal sum of \$70,698 bearing interest at 8% per annum with the maturity date extended to 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 our 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.

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 (“the Act”), 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 issuance.

The notes issued were issued pursuant to an exemption from registration provided by section 4(a)(2) of the Act, each purchaser represented that it was an accredited investor as defined in Regulation D and was acquiring the note for investment purposes only, and not with a view toward resale.

**Item 3. Defaults upon senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

Item 6. Exhibits

EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-1 (File No. 333-192877) filed with the Securities and Exchange Commission on December 16, 2013)</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Bylaws (Incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on May 13, 2016)</u></a>
<a href="#"><u>3.3</u></a>	<a href="#"><u>Certificate of Amendment to Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on June 2, 2016)</u></a>
<a href="#"><u>3.4</u></a>	<a href="#"><u>Certificate of Amendment to Articles of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on March 6, 2018)</u></a>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Amendment, dated June 29, 2018, to Agreement to Organize and Operate a Joint Venture (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on July 2, 2018)</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Amendment, dated July 16, 2018, to Agreement to Organize and Operate a Joint Venture (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on July 17, 2018)</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Extension of Agreement to Organize and Operate a Joint Venture dated August 17, 2018 (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 333-192877) filed with the Securities and Exchange Commission on August 24, 2018)</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Principal Executive 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</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
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: November 14, 2018

By: /s/ Gaston Pereira  
\_\_\_\_\_  
Gaston Pereira  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
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 September 30, 2018 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. 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: November 14, 2018

/s/ Gaston Pereira

Gaston Pereira

Chief Executive Officer and Interim Chief Financial Officer

*(Principal Executive Officer and Principal Accounting Officer)*

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**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 September 30, 2018 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: November 14, 2018

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

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