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

**FORM 10-Q**

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from ___________ to ___________

Commission File Number **333-192877**

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

| **Nevada** | **33-1230229** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |

| **Paseo del la Reforma 404 Piso 15 PH**<br>**Col. Juarez, Del. Cuauhtemoc**<br>**Mexico, D.F. C.P.** | **06600** |
|---|---|
| Address of Principal Executive Offices | Zip Code |

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

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

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

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

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

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

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

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

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

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

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

Number of shares of common stock outstanding as of May 15, 2019 was 132,534,858.

**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 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.

**QPAGOS**

**Index**

**Item 1.**

**QPAGOS**

TABLE OF CONTENTS

March 31, 2019

QPAGOS

CONDENSED CONSOLIDATED BALANCE SHEETS

| Assets | | March 31, 2019 (unaudited) | | December 31, 2018 |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash | $ | 72,137 | $ | 71,294 |
| Accounts receivable | | 57,140 | | 60,523 |
| Inventory | | 335,295 | | 330,632 |
| Recoverable IVA taxes and credits | | 119,108 | | 98,493 |
| Other current assets | | 56,737 | | 179,139 |
| Total Current Assets | | 640,417 | | 740,081 |
| **Non-Current Assets** | | | | |
| Plant and equipment, net | | 214,971 | | 228,103 |
| Intangibles, net | | 71,667 | | 82,417 |
| Right of use asset | | 25,174 | | - |
| Investment | | 3,000 | | 3,000 |
| Other assets | | 12,508 | | 10,373 |
| Total Non-Current Assets | | 327,320 | | 323,893 |
| **Total Assets** | $ | 967,737 | $ | 1,063,974 |
| **Liabilities and Stockholders' Deficit** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable | $ | 605,089 | $ | 548,891 |
| Loans payable | | 300,762 | | 233,203 |
| Loans payable - Related parties | | 143,574 | | 136,790 |
| Convertible debt, net of unamortized discount of $782,732 and $1,039,459, respectively | | 1,465,271 | | 1,251,033 |
| Convertible debt - Related parties, net of unamortized discount of $0 and $0 respectively | | 132,808 | | 128,872 |
| Operating lease liability | | 25,275 | | — |
| Derivative liability | | 1,576,031 | | 1,833,672 |
| IVA and other taxes payable | | 26,395 | | 18,969 |
| Advances from customers | | 79,758 | | 120,909 |
| Total Current Liabilities | | 4,354,963 | | 4,272,339 |
| **Total Liabilities** | | 4,354,963 | | 4,272,339 |
| **Stockholders' Deficit** | | | | |
| Preferred stock, $0.0001 par value, 25,000,000 shares authorized and 0 shares issued and outstanding as of March 31, 2019 and December 31, 2018. | | | | |
| Common stock, $0.0001 par value; 500,000,000 shares authorized, 113,215,382 and 88,839,218 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively. | | 11,322 | | 8,884 |
| Additional paid-in-capital | | 15,533,294 | | 14,857,769 |
| Accumulated deficit | | (19,322,768) | | (18,455,925) |
| Accumulated other comprehensive income | | 390,926 | | 380,907 |
| **Total Stockholders' Deficit** | | (3,387,226) | | (3,208,365) |
| **Total Liabilities and Stockholders' Deficit** | $ | 967,737 | $ | 1,063,974 |

See notes to the unaudited condensed consolidated financial statements

**QPAGOS**

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

| | Three months Ended March 31, 2019 | Three months Ended March 31, 2018 |
|---|---|---|
| Net Revenue | $ 1,236,202 | $ 1,464,789 |
| Cost of Goods Sold | 1,224,184 | 1,520,666 |
| **Gross Profit (Loss)** | 12,018 | (55,877) |
| General and administrative | 412,971 | 560,078 |
| Depreciation and amortization | 11,303 | 12,406 |
| **Total Expense** | 424,274 | 572,484 |
| **Loss from Operations** | (412,256) | (628,361) |
| Other (expense) income | (360,672) | (2,478,599) |
| Interest expense, net | (631,237) | (1,245,786) |
| Derivative liability movements | 542,525 | 2,531,332 |
| Foreign currency (loss) gain | (5,203) | 152,931 |
| **Loss before Provision for Income Taxes** | (866,843) | (1,668,483) |
| Provision for Income Taxes | — | — |
| **Net Loss** | $ (866,843) | $ (1,668,483) |
| **Net Loss Per Share - Basic and Diluted** | **$ (0.01)** | **$ (0.03)** |
| **Weighted Average Number of Shares Outstanding - Basic and Diluted** | **100,070,725** | **62,511,646** |
| **Other Comprehensive Income (Loss)** | | |
| Foreign currency translation adjustment | 10,019 | (78,321) |
| **Total Comprehensive loss** | (856,824) | (1,746,804) |

See notes to the unaudited condensed consolidated financial statements

## QPAGOS

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

## FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (Unaudited)

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2018** | **—** | **$ —** | **88,839,218** | **$ 8,884** | **$ 14,857,769** | **$ (18,455,925)** | **$ 380,907** | **$ (3,208,365)** |
| Conversion of debt to equity | — | — | 24,376,164 | 2,438 | 675,525 | — | — | **677,963** |
| Translation adjustment | — | — | — | — | — | — | 10,019 | **10,019** |
| Net loss | — | — | — | — | — | (866,843) | — | **(866,843)** |
| **Balance as of March 31, 2019** | **—** | **$ —** | **113,215,382** | **$ 11,322** | **$ 15,533,294** | **$ (19,322,768)** | **$ 390,926** | **$ (3,387,226)** |

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Income | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2017** | **—** | **$ —** | **56,207,424** | **$ 5,620** | **$ 8,494,502** | **$ (13,388,191)** | **$ 487,554** | **$ (4,400,515)** |
| Conversion of debt to equity | — | — | 23,675,144 | 2,368 | 4,253,945 | — | — | **4,256,313** |
| Translation adjustment | — | — | — | — | — | — | (78,321) | **(78,321)** |
| Net loss | — | — | — | — | — | (1,668,483) | — | **(1,668,483)** |
| **Balance as of March 31, 2018** | **—** | **$ —** | **79,882,568** | **$ 7,988** | **$ 12,748,447** | **$ (15,056,674)** | **$ 409,233** | **$ (1,891,006)** |

See notes to unaudited condensed consolidated financial statements

**QPAGOS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net loss | (866,843) | (1,668,483) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation expense | 15,619 | 11,561 |
| Amortization expense | 10,750 | 10,750 |
| Impairment movement | (1,643) | — |
| Derivative liability movements | (542,525) | (2,531,332) |
| Amortization of debt discount | 541,612 | 1,143,583 |
| Loss on conversion of debt to equity | 367,704 | 2,477,791 |
| Profit on disposal of kiosks | (1,645) | — |
| Convertible debt issued for services | 4,423 | 100,724 |
| Non-cash operating lease liability movements | 101 | — |
| **Changes in Assets and Liabilities** | | |
| Accounts receivable | 4,274 | 33,040 |
| Inventory | — | 5,886 |
| Recoverable IVA taxes and credits | (19,400) | (41,083) |
| Other current assets | 125,851 | (16,453) |
| Other assets | (2,006) | (3,586) |
| Accounts payable and accrued expenses | 63,274 | (33,257) |
| IVA and other taxes payable | 7,223 | 8,415 |
| Advances from customers | (43,243) | 91,492 |
| Interest accruals | 82,065 | 102,203 |
| **CASH USED IN OPERATING ACTIVITIES** | (254,409) | (308,749) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Proceeds on disposal of property and equipment | 4,166 | — |
| Purchase of property and equipment | — | (1,800) |
| **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** | 4,166 | (1,800) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from loans payable | 60,000 | 155,500 |
| Proceeds from convertible debt | 192,000 | 346,000 |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | 252,000 | 501,500 |
| | | |
| **Effect of exchange rate changes on cash and cash equivalents** | (914) | (155,954) |
| | | |
| NET INCREASE IN CASH | 843 | 34,997 |
| CASH AT BEGINNING OF PERIOD | 71,294 | 19,028 |
| **CASH AT END OF PERIOD** | $ 72,137 | $ 54,025 |
| | | |
| **CASH PAID FOR INTEREST AND TAXES:** | | |
| Cash paid for income taxes | — | $ — |
| Cash paid for interest | $ — | $ 61,007 |
| **NON-CASH INVESTING AND FINANCING ACTIVITIES** | | |
| Conversion of convertible debt to equity | $ 677,963 | $ 4,256,313 |

See notes to the unaudited condensed consolidated financial statements

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 ORGANIZATION AND DESCRIPTION OF BUSINESS

**a) Organization**

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

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

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

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

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

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

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

**b) Description of the business**

QPAGOS Corporation, through its subsidiaries Qpagos S.A.P.I de C.V. ("Qpagos") and Redpag Electronicos S.A.P.I de C.V. ("Redpag"), provides physical and virtual payment services to the Mexican market. The Company provides an integrated network of kiosks, terminals and payment channels that enable consumers in Mexico to deposit cash, convert it into a digital form and remit the funds to any merchant in our network quickly and securely. The Company helps consumers and merchants connect more efficiently in markets and consumer segments, such as Mexico, that are largely cash-based and lack convenient alternatives for consumers to pay for goods and services in physical, online and mobile environments. For example, 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.

## 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 ended March 31, 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, 2018, included in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the "SEC") on April 9, 2019.

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

### b) Principles of Consolidation

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

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

### c) Mexican Operations

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

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

### d) Use of Estimates

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

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

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

**e) Contingencies**

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

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

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

**f) Fair Value of Financial Instruments**

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

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

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

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

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

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

**g) Risks and Uncertainties**

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

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

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

**h) Adoption of accounting standards**

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

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

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

**i) Recent accounting pronouncements**

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

**j) Reporting by segment**

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

**k) Cash and Cash Equivalents**

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

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

**l) Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues, which may impact the collectability of these receivables or reserve estimates. Revisions to the allowance for doubtful accounts estimates are recorded as an adjustment to bad debt expense. Receivables deemed uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. There were no recoveries during the three months ended March 31, 2019.

## 2 ACCOUNTING POLICIES AND ESTIMATES (continued)

### m) Cost Method Investments

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

### n) Inventory

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

### o) Advances received from customers

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

### p) Plant and equipment

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

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

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

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

**q) Intangibles**

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

**i) License Agreements**

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

**ii) Amortization**

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

**r) Long-Term Assets**

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

**s) Revenue Recognition**

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

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

i. identify the contract with a customer;

ii. identify the performance obligations in the contract;

iii. determine the transaction price;

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

v. recognize revenue as the performance obligation is satisfied.

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

**s) Revenue Recognition (continued)**

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

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

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

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

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

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

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

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

**3 GOING CONCERN**

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a loss since inception resulting in an accumulated deficit of $19,322,768 as of March 31, 2019 and has not generated sufficient revenue to cover its operating expenditure, raising substantial doubt about the Company's ability to continue as a going concern. In addition to operational expenses, as the Company executes its business plan, additional capital resources will be required. The Company will need to raise capital in the near term in order to continue operating and executing its business plan. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company's plan is to expand its market penetration 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 for at least the next twelve months from the date the financial statements were issued.

## 4 INVENTORY

Inventory consisted of the following:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Kiosks and accessories | $ 335,295 | $ 330,632 |
| | $ 335,295 | $ 330,632 |

## 5 PLANT AND EQUIPMENT

Plant and Equipment consisted of the following:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Kiosks | $ 414,555 | $ 409,990 |
| Computer equipment | 74,822 | 73,781 |
| Office equipment | 10,056 | 9,916 |
| Leasehold improvement | 8,735 | 8,615 |
| Total cost | 508,168 | 502,302 |
| Less: accumulated depreciation and amortization | (293,197) | (274,199) |
| Plant and equipment, net | $ 214,971 | $ 228,103 |

Depreciation expense totaled $15,619 and $11,561 for the three months ended March 31, 2019 and 2018, respectively.

## 6 LEASES

**Adoption of ASC Topic 842, "Leases"**

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

**Practical Expedients and Elections**

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

**Discount Rate**

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

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

**6 LEASES (continued)**

**Right of use assets**

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

| | March 31, 2019 |
|---|---|
| **Non-current assets** | |
| Right of use assets, operating leases, net of amortization | $ 25,174 |

**Total Lease Cost**

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

| | Three months ended March 31, 2019 |
|---|---|
| **Operating lease expense** | $ 8,813 |

**Maturity of Operating Leases**

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

| | Amount |
|---|---|
| **Undiscounted minimum future lease payments** | |
| Remainder of 2019 | $ 26,304 |
| Deferred rental on straight line amortization | 101 |
| Imputed interest | (1,130) |
| **Total operating lease liability** | **$ 25,275** |
| **Disclosed as:** | |
| Current portion | $ 25,275 |
| Non-current portion | — |
| | **$ 25,275** |

**7 INTANGIBLES**

**License**

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

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

Intangibles consisted of the following:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Software Localization Agreement | $ 215,000 | $ 215,000 |
| Total cost | 215,000 | 215,000 |
| Less: accumulated amortization | (143,333) | (132,583) |
| Intangibles, net | $ 71,667 | $ 82,417 |

Amortization expense was $10,750 and $10,750 for the three months ended March 31, 2019 and 2018, respectively.

## 8 LOANS PAYABLE

Loans payable consist of the following:

| Description | Interest Rate | Maturity | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Strategic IR | 15% | February 10, 2020 | $ 182,430 | $ 177,159 |
| Victoria Akhmetova | 15% | January 11, 2020 | 57,938 | 56,044 |
| Boba Management Corporation | 10% | February 20, 2020 | 20,203 | — |
| | 10% | March 1, 2020 | 20,164 | — |
| | 10% | March 26, 2020 | 20,027 | — |
| Total loans payable | | | $ 300,762 | $ 233,203 |

***Strategic IR***

Strategic IR advanced the Company $168,000 between January 16 and June 15, 2018. This loan was formalized into a written note on October 13, 2018 and bears interest at the rate of 10% per annum. The note had a maturity date of February 10, 2019. On March 18, 2019 the note was extended to February 10, 2020, and the interest rate was changed to 15%. The note may be prepaid at any time without premium or penalty. The balance of the note plus accrued interest at March 31, 2019 was $182,430.

***Viktoria Akhmetova***

On April 17, 2018, the Company issued a Promissory Note in the aggregate principal amount of $50,000 to Viktoria Akhmetova. The note had a maturity date of September 13, 2018 and a coupon of eighteen percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. On September 13, 2018, the maturity date of the note was extended to January 11, 2019. On March 19, 2019, the note was extended to January 11, 2020, and the interest rate changed to 15%. The balance of the note plus accrued interest at March 31, 2019 was $57,938.

***Boba Management Corporation***

***February 20, 2020***
On February 22, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of February 22, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at March 31, 2019 was $20,203.

***March 1, 2020***
On March 1, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of March 1, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at March 31, 2019 was $20,164.

***March 26, 2020***
On March 26, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of March 26, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at March 31, 2019 was $20,027.

9 **CONVERTIBLE NOTES PAYABLE**

Convertible notes payable consists of the following:

| Description | Interest rate | Maturity Date | Principal | Accrued interest | Unamortized debt discount | March 31 2019 Balance, net | December 31, 2018 Balance, net |
|---|---|---|---|---|---|---|---|
| Power Up Lending Group | 8% | April 30, 2019 | — | — | — | — | 38,645 |
| | 8% | September 15, 2019 | 83,000 | 2,365 | (46,792) | 38,573 | 11,869 |
| Labrys Fund, LP | 8% | February 28, 2019 | — | — | — | — | 129,758 |
| | 8% | April 25, 2019 | 300,000 | 10,323 | (64,882) | 245,441 | 126,826 |
| JSJ Investments, Inc. | 8% | July 26, 2019 | — | — | — | — | 46,751 |
| | 8% | October 8, 2019 | 100,000 | 3,814 | (52,329) | 51,485 | 24,855 |
| GS Capital Partners, LLC | 8% | May 11, 2019 | 26,000 | 1,846 | (2,921) | 24,925 | 41,543 |
| | 8% | August 14, 2019 | 150,000 | 7,529 | (55,890) | 101,639 | 61,693 |
| | 8% | August 14, 2019 | 150,000 | 6,608 | (60,534) | 96,074 | 53,056 |
| | 8% | September 19, 2019 | 33,252 | 1,407 | (15,670) | 18,989 | 10,134 |
| | 8% | September 19, 2019 | 47,730 | 2,029 | (22,492) | 27,267 | 14,557 |
| | 8% | February 4, 2020 | 96,000 | 1,157 | (81,534) | 15,623 | — |
| | 8% | February 4, 2020 | 96,000 | 568 | (88,309) | 8,259 | — |
| Strategic IR | 15% | December 8, 2019 | 10,000 | 2,563 | — | 12,563 | 12,193 |
| | 15% | December 8, 2019 | 20,164 | 5,154 | — | 25,318 | 24,573 |
| | 15% | December 26, 2019 | 53,740 | 13,339 | — | 67,079 | 65,091 |
| | 15% | December 26, 2019 | 115,535 | 28,678 | — | 144,213 | 139,940 |
| Viktoria Akhmetova | 15% | December 8, 2019 | 20,164 | 5,154 | — | 25,318 | 24,573 |
| Joseph W and Patricia G Abrams | 15% | December 10, 2019 | 26,247 | 6,688 | — | 32,935 | 31,964 |
| | 15% | January 27, 2020 | 3,753 | 882 | — | 4,635 | 4,496 |
| Roman Shefer | 15% | December 24, 2019 | 10,000 | 2,490 | — | 12,490 | 12,121 |
| Crown Bridge Partners, LLC | 8% | May 14, 2019 | — | — | — | — | 18,796 |
| | 8% | June 12, 2019 | 17,800 | 1,726 | (3,560) | 15,966 | 16,437 |
| | 8% | July 26, 2019 | 27,500 | 1,495 | (8,815) | 20,180 | 12,856 |
| | 8% | August 31, 2019 | 27,500 | 1,278 | (11,527) | 17,251 | 9,927 |
| | 8% | October 16, 2019 | 27,500 | 1,001 | (14,994) | 13,507 | 6,184 |
| Alex Pereira | 8% | November 5, 2019 | 19,250 | 616 | (11,550) | 8,316 | 3,189 |
| Gibbs International Holdings | 15% | On demand | 52,494 | 13,246 | — | 65,740 | 63,798 |
| | 8% | August 31, 2019 | 405,735 | 19,831 | (165,100) | 260,466 | 155,345 |
| Delinvest Commercial, LTD | 15% | December 16, 2019 | 20,000 | 5,047 | — | 25,047 | 24,307 |
| | 15% | December 26, 2019 | 54,123 | 13,434 | — | 67,557 | 65,556 |
| BOBA Management Corporation | 8% | January 23, 2020 | 92,884 | 1,364 | (75,834) | 18,414 | — |
| **Total convertible notes payable** | | | **$ 2,086,371** | **$ 161,632** | **$ (782,732)** | **$ 1,465,271** | **$ 1,251,033** |

Interest expense together with amortized debt discount totaled $612,959 and $484,801 for the three months ended March 31, 2019 and 2018, respectively.

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

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

The total value of the beneficial conversion feature recorded as a debt discount during the three months ended March 31, 2019 and 2018 was $284,884 and $668,545, respectively.

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**Power Up Lending Group Ltd.**

***April, 30, 2019***

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

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

***September 15, 2019***

On November 21, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $83,000 to Power up Lending Group Ltd. The note has a maturity date of September 15, 2019 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days. The balance of the note plus accrued interest at March 31, 2019 was $38,573, net of unamortized discount of $46,792.

**Labrys Fund, LP**

***February 28, 2019***

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

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

***April 25, 2019***

On October 25, 2018, the Company issued a Convertible Promissory Note in the aggregate principal amount of $300,000 to Labrys Fund LP. The note has a maturity date of April 25, 2019 and a coupon of 8% per annum. In connection with the issuance of the note, the Company was required to issue 825,718 shares of common stock as a commitment fee valued at $165,254. The shares are returnable to the Company if no Event of Default has occurred prior to the date the note is fully repaid. 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 and therefore the value of the 825,718 shares was not recorded. 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.

The balance of the note plus accrued interest at March 31, 2019 was $245,441, net of unamortized discount of $64,882.

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**JSJ Investments Inc.**

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

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

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

The balance of the note plus accrued interest at March 31, 2019 was $51,485, net of unamortized discount of $52,329.

**GS Capital Partners, LLC**

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

Between December 27, 2018 and March 20, 2019, the Company received conversion notices converting an aggregate principal amount of $54,000 and interest thereon of $3,239, at an average conversion price of $0.0148 per share, into 3,878,553 shares of common stock. The balance of the note plus accrued interest at March 31, 2019 was $24,925, net of unamortized discount of $2,921.

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

The balance of the note plus accrued interest at March 31, 2019 was $101,639 net of unamortized discount of $55,890.

**9 CONVERTIBLE NOTES PAYABLE (continued)**

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

***August 14, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $96,074 net of unamortized discount of $60,534.

***September 19, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $18,989 net of unamortized discount of $15,670.

***September 19, 2019***

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

On October 9, 2018, the Company received a notice of conversion, converting $23,058, consisting of principal of $22,968 and interest of $90 into 203,874 shares of common stock at a conversion price of $0.1131 per share. The balance of the note plus accrued interest at March 31, 2019 was $27,267 net of unamortized discount of $22,492.

***February 4, 2020***

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

The balance of the note plus accrued interest at March 31, 2019 was $15,623 net of unamortized discount of $81,534.

***February 4, 2020***

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

The balance of the note plus accrued interest at March 31, 2019 was $8,259 net of unamortized discount of $88,309.

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**Strategic IR**

***December 8, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $12,563.

***December 8, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $25,318.

***December 26, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $67,079.

***December 26, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $144,213.

**Viktoria Akhmetova**

***December 8, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $25,318.

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**Joseph W and Patricia G Abrams**

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

The balance of the note plus accrued interest at March 31, 2019 was $32,935.

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

The balance of the note plus accrued interest at March 31, 2019 was $4,635.

**Roman Shefer**

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

The balance of the note plus accrued interest at March 31, 2019 was $12,490.

**Crown Bridge Partners**

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

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

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**Crown Bridge Partners (continued)**

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

On March 15, 2019, the Company received a conversion notice, converting an aggregate principal amount of $9,700 and fees thereon of $500, at a conversion price of $0.006, into 1,700,000 shares of common stock. The balance of the note plus accrued interest at March 31, 2019 was $15,966 net of unamortized discount of $3,560.

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

The balance of the note plus accrued interest at March 31, 2019 was $20,180 net of unamortized discount of $8,815.

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

The balance of the note plus accrued interest at March 31, 2019 was $17,251 net of unamortized discount of $11,527.

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

The balance of the note plus accrued interest at March 31, 2019 was $13,507 net of unamortized discount of $14,994.

**Alex Pereira**

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

The balance of the note plus accrued interest at March 31, 2019 was $8,316 net of unamortized discount of $11,550.

## 9 CONVERTIBLE NOTES PAYABLE (continued)

**Gibbs International Holdings**

***On Demand***

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

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

The balance of the note plus accrued interest at March 31, 2019 was $65,740.

***August 31, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $260,466 net of unamortized discount of $165,100.

**Delinvest Commercial, LTD.**

***December 16, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $25,047.

***December 26, 2019***

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

The balance of the note plus accrued interest at March 31, 2019 was $67,557.

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

**9 CONVERTIBLE NOTES PAYABLE (continued)**

**BOBA Management Corporation.**

***January 23, 2020***

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

The balance of the note plus accrued interest at March 31, 2019 was $18,414 net of unamortized discount of $75,834.

**10 DERIVATIVE LIABILITY**

Certain of the short-term convertible notes disclosed in note 9 above and note 14 below, have variable priced conversion rights with no fixed floor price and will re-price dependent on the share price performance over varying periods of time, due to the variable priced conversion rights, all convertible notes and any warrants attached thereto, issued subsequent to the variable priced conversion notes are valued and give rise to a derivative financial liability, which was initially valued at inception of the convertible notes using a Black-Scholes valuation model. The value of this derivative financial liability was re-assessed at March 31, 2019 and 2018, a total of $542,525 and $2,531,332 was credited to the statement of comprehensive loss, respectively. The value of the derivative liability will be re-assessed at each financial reporting period, with any movement thereon recorded in the statement of operations in the period in which it is incurred.

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

| | Three months ended March 31, 2019 |
|---|---|
| Conversion price | $ 0.009 to 0.20 |
| Risk free interest rate | 2.34 to 2.59% |
| Expected life of derivative liability | 1 to 16 months |
| Expected volatility of underlying stock | 173.1% to 174.2% |
| Expected dividend rate | 0% |

The movement in derivative liability is as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Opening balance | $ 1,833,672 | $ 3,277,621 |
| Derivative financial liability arising from convertible notes | 284,884 | 2,685,845 |
| Fair value adjustment to derivative liability | (542,525) | (4,129,793) |
| | $ 1,576,031 | $ 1,833,672 |

## 11 STOCKHOLDERS' EQUITY

### a) Common Stock

The company has authorized 500,000,000 common shares with a par value of $0.0001 each. The Company has issued and outstanding 113,215,382 and 88,839,218 shares of common stock as of March 31, 2019 and December 31, 2018.

In terms of various debt conversion notices received between January 16, 2019 and March 2, 2019, the Company issued an aggregate of 24,376,164 shares of common stock in settlement of $310,259 of convertible notes, resulting in a net loss on conversion of $367,704.

### 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 March 31, 2019.

### c) Warrants

The warrants outstanding and exercisable at March 31, 2019 are as follows:

| | Warrants outstanding | | | Warrants exercisable | |
|---|---|---|---|---|---|
| Exercise price | No. of shares | Weighted average remaining years | Weighted average exercise price | No. of shares | Weighted average exercise price |
| $ 0.625 | 6,219,200 | 1.10 | | 6,219,200 | |
| $ 0.20 | 2,308,513 | 1.24 | | 2,308,513 | |
| | 8,527,713 | 1.44 | $ 0.51 | 8,527,713 | $ 0.51 |

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

### d) Stock options

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

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

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

**11 STOCKHOLDERS' EQUITY (continued)**

**d) Stock options (continued)**

The options outstanding and exercisable at March 31, 2019 are as follows:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| **Exercise price** | **No. of shares** | **Weighted average remaining years** | **Weighted average exercise price** | **No. of shares** | **Weighted average exercise price** |
| $0.04 | 2,000,000 | 9.75 | $ 0.04 | 2,000,000 | $ 0.04 |

The options outstanding have an intrinsic value of $0 as of March 31, 2019.

**12 REVENUE**

Revenue is derived from the following sources:

| | **Three Months Ended March 31, 2019** | **Three Months Ended March 31, 2018** |
|---|---|---|
| Sales of services | $ 1,206,137 | $ 1,443,107 |
| Payment processing fees | 9,234 | 5,294 |
| Kiosk sales | 5,432 | — |
| Other | 15,399 | 16,388 |
| | $ 1,236,202 | $ 1,464,789 |

**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 March 31, 2019 and 2018, all convertible debt and warrants, were excluded from the computation of diluted net loss per share.

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

| | **Three Months Ended March 31, 2019 (Shares)** | **Three Months Ended March 31, 2018 (Shares)** |
|---|---|---|
| Convertible debt | 196,182,830 | 9,227,676 |
| Stock Options | 2,000,000 | — |
| Warrants | 8,527,713 | 8,527,713 |
| | 206,710,543 | 17,755,389 |

## 14 RELATED PARTY TRANSACTIONS

The following transactions were entered into with related parties:

**LOANS PAYABLE**

| Description | Interest Rate | Maturity Date | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Vladimir Skigin | | | | |
| Equipment funding | 36% | On Demand | $ 86,225 | $ 81,316 |
| Promissory note | 15% | January 11, 2020 | 57,348 | 55,474 |
| **Notes payable – Related parties** | | | $ 143,573 | $ 136,790 |

Interest expense totaled $6,784 and $69,748 for the three months ended March 31, 2019 and 2018, respectively.

***Vladimir Skigin***

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

**Equipment funding**

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

The balance of the note plus accrued interest at March 31, 2019 is $86,225.

**Promissory note**

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

The balance of the note plus accrued interest at March 31, 2019 is $57,348.

**14 RELATED PARTY TRANSACTIONS (continued)**

**CONVERTIBLE NOTES PAYABLE**

| Description | Interest rate | Maturity Date | Principal | Accrued interest | Unamortized debt discount | March 31 2019 Balance, net | December 31 2018 Balance, net |
|---|---|---|---|---|---|---|---|
| Cobbolo Limited | 15% | December 26, 2019 | 53,438 | 13,265 | — | 66,703 | 64,726 |
| | 15% | December 26, 2019 | 52,959 | 13,146 | — | 66,105 | 64,146 |
| | | | | | | | |
| **Total convertible notes payable** | | | **$ 106,397** | **$ 26,411** | **$ —** | **$ 132,808** | **$ 128,872** |

Interest expense totaled to $3,935 and $506,865 for the three months ended March 31, 2019 and 2018, respectively.

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

***Vladimir Skigin***

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

- **Cobbolo Limited**

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

The balance of the note plus accrued interest at March 31, 2019 was $66,703.

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

The balance of the note plus accrued interest at March 31,2019 was $66,105.

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

## 15 COMMITMENTS AND CONTINGENCIES

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

## 16 SUBSEQUENT EVENTS

**Conversion of convertible notes into equity**

On April 18, 2019, the Company received a notice of conversion from JSJ investments, converting $35,000 into 5,028,735 shares of common stock at a conversion price of $0.00696 per share. The company made a loss on conversion of $61,853.

On April 29, 2019, the Company received a notice of conversion from Labrys fund, converting $11,967 of interest into 1,869,979 shares of common stock at a conversion price of $0.0063996 per share. The company made a loss on conversion of $24,684.

On April 30, 2019, the Company received a notice of conversion from JSJ investments, converting $35,000 into 5,511,984 shares of common stock at a conversion price of $0.00635 per share. The company made a loss on conversion of $73,309.

On May 6, 2019, the Company received a notice of conversion from GS Capital Partners, converting $26,000 of principal and $2,051 of interest into 4,208,778 shares of common stock at a conversion price of $0.006665 per share. The company made a loss on conversion of $22,454.

On May 13, 2019, the Company received a notice of conversion from Crown Bridge Partners converting $9,760 of principal into 2,700,000 shares of common stock at a conversion price of $0.0038 per share. The company made a loss on conversion of $19,440.

**Convertible notes**

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

**Promissory notes**

On April 12, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note has a maturity date of April 12, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date.

On May 7, 2019, the Company issued a Promissory Note in the aggregate principal amount of $10,000 to Boba Management Corporation. The note has a maturity date of May 7, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date.

On May 13, 2019, the Company issued a Promissory Note in the aggregate principal amount of $15,000 to Boba Management Corporation. The note has a maturity date of May 13, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date.

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

**Item 2.**

**MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

**Overview and Financial Condition**

We are a provider of next generation physical and virtual payment services that we 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 provides of electricity, transportation, utilities, municipal services and taxes, consumer credit installments, insurance premiums, and many more.

Our primary strategy in Mexico to date has been the attraction of service providers as well as the deployment of kiosks through Redpag Electrónicos, our kiosk management subsidiary. During the three months ended March 31, 2019 we generated net revenues of $1,236,022 as compared to $1,464,789 for the three months ended March 31, 2018, a decrease of $228,587 or 15.61%. 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 March 31, 2019, Qpagos Corporation deployed over 224 kiosks and terminals and we service an additional 440 kiosks of independent distributors. Our kiosks and terminals can be found at convenience stores, next to metro stations, retail stores, airport terminals, education centers, and malls in major urban centers, as well as many small and rural towns.

***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 March 31, 2019 and 2018, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis, we review our estimates and assumptions. The estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions.

**Results of Operations for the Three Months Ended March 31, 2019 and March 31, 2018**

**Net revenue**

Net revenues in our Mexican operations were $1,236,202 and $1,464,789 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $228,587 or 15.6%. Our primary revenue generating operations are based in Mexico and our functional currency is the Mexican Peso. Our revenue in Mexican Pesos decreased to MXN 23,740,755 from MXN 27,445,313 for the three months ended March 31, 2019 and 2018, respectively, a decrease of MXN 3,704,558 or 13.5%. The decrease in revenue in MXN Pesos terms is primarily due to a decrease in the value of prepaid airtime sold of MXN 3,875,709 offset by an increase in commissions earned. The average US$ exchange rate has strengthened against the MXN Pesos over the prior comparable period, from $18.7367 to $19.20459 or 2.49%, which results in a lower revenue growth in US$ terms of $30,870.

**Cost of goods sold**

Cost of goods sold in our Mexican operations were $1,224,184 and $1,520,666 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $296,482 or 19.50%. Our cost of sales from our Mexican operations, in Mexican Pesos decreased to MXN 23,509,941 from MXN 28,492,276 for the three months ended March 31, 2019 and 2018, respectively, a decrease of MXN 4,982,337 or 17.49%. The decrease in cost of sales in MXN Pesos terms is primarily due to the decrease in the value of prepaid airtime sold. Cost of goods consists primarily of services acquired from third parties, such as prepaid airtime and the cost of the kiosks and any retrofitted components. Also included in cost of goods sold is depreciation related to kiosks that are used in the production of income. Depreciation expense was $15,065 and $9,905, for the three months ended March 31, 2019 and 2018, respectively, an increase of $5,160. The average US $ exchange rate has strengthened against the MXN Pesos over the prior period, from $18.7367 to $19.20459 or 2.49%, which results in a lower cost of sales in US $ terms of $30,570.

**Gross profit (loss)**

Gross profit (loss) in our Mexican operations was $12,018 and $(55,877) for the three months ended March 31, 2019 and 2018, respectively, an increase of $67,895 or 121.5%. The components of gross profit (loss) include the following:

- Gross profit (loss) on sales of services was $5,069 and ($53,602), for the three months ended March 31, 2019 and 2018, respectively, an increase of $58,671 or 116%. The increase in gross profit was due to an improvements in margins earned due to accounting adjustments made in the prior period affecting the gross profit earned;
- Gross profit (loss) on kiosks was $2,409 and ($4,086) for the three months ended March 31, 2019 and 2018, respectively, an increase of $6,495 or 159%. An inventory adjustment to kiosk cost of sales affected the prior period gross margin.
- Other gross profit was $19,605 and $11,715 for the three months ended March 31, 2019 and 2018, respectively, an increase of $7,890 or 67.3%. 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 needs only basis.
- Included in gross profit is depreciation related to those kiosks that are used in the production of income. Depreciation expense was $15,065 and $9,905, for the three months ended March 31, 2019 and 2018, respectively, an increase of $5,160 or 52.09%. This is primarily due to an increase in the number of kiosks in use.

**General and administrative expenses**

General and administrative expenses were $412,971 and $560,078 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $147,107 or 26.3%. We incur operating expenditure both in Mexico and in the US, where we maintain a corporate office and incur certain expenditure on consultants, licensing and public reporting activities.

i. The general and administrative expenditure in Mexico increased to MXN 3,316,300 ($172,683) from MXN 3,295,768 ($175,899) for the three months ended March 31, 2019 and 2018, respectively, a decrease of MXN 20,532 or 0.6%.

ii. The general administrative expenses incurred in the US, during the three months ended March 31, 2019 and 2018 was $240,289 and $384,179, respectively, a decrease of $143,890 or 37.5%, primarily due to the following:

- capital raising fees of $14,000 and $119,224 for the three months March 31, 2019 and 2018, respectively, a decrease of $105,224 or 88.3%, primarily due to fewer convertible notes issued during the current period.

- Consulting fees of $70,877 and $116,558 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $45,681 or 39.2%, primarily due to the rationalization of expenses to reduce monthly operating costs.

**Depreciation and amortization**

Depreciation and amortization expense were $11,303 and $12,406 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $1,103 or 8.9%. The decrease is primarily due to a lower depreciation charge in our Mexican operations related to non-productive assets. There has been no additions to these assets over the prior period and depreciation has decreased as assets become fully depreciated.

**Other expense**

Other expense was $360,672 and $2,478,599 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $2,117,927 or 85.4%. Other expense consists of losses realized on the conversion of convertible notes into equity at conversion prices ranging from 38% to 40% below current market prices. During the three month period ended March 31, 2019 and 2018, $310,259 and $1,778,521 of convertible notes were respectively converted to equity.

**Interest expense, net**

Interest expense was $631,237 and $1,245,786 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $614,549 or 49.3%. The decrease consists primarily of the amortization of debt discount on convertible notes of $541,146 and $1,143,583 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $602,437 due to the decrease in funding through convertible notes during the past quarter and interest expense of $90,091 and $102,203 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $12,112, the decrease is primarily due to the conversion of high coupon equipment loans in the prior period to cheaper convertible debt, despite overall debt balances increasing over the prior period.

**Derivative liability movements**

Derivative liability movements were $542,525 and $2,531,332 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $1,988,807 or 78.6%. The derivative liability arose due to the issuance of convertible securities with variable conversion prices and no floor conversion price. The credit during the current period represents the mark-to-market of the derivative liability outstanding as of March 31, 2019 and the release of derivative liabilities relating to notes converted during the current period.

**Foreign currency (loss) gain**

The foreign currency (loss) gain was ($5,203) and $152,931 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $158,134 or 103.4%. The decrease is primarily due to the decrease in US$ denominated intercompany balances, as a significant portion of the balance was capitalized in the prior period.

**Net loss**

We incurred a net loss of $866,843 and $1,668,483 for the three months ended March 31, 2019 and 2018, respectively, a decrease of $801,640 or 48.0%, primarily due to the gross profit realized during the quarter, the decreased loss realized on convertible note conversions during the period and amortization of debt discount during the current period, as discussed above.

**Liquidity and Capital Resources**

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

We incurred an accumulated deficit of $19,322,768 through March 31, 2019 and incurred negative cash flow from operations of $131,081 for the three months ended March 31, 2019. We have spent, and need to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development effort and will be required to raise additional funding.

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

At March 31, 2019, we had cash of $72,137 and a negative working capital of $3,714,546, including a derivative liability of $1,576,031, after eliminating the derivative liability our working capital deficit is $2,138,515. 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 $254,409 and $308,749 in operating activities for the three months ended March 31, 2019 and 2018, respectively, a decrease of $54,340 or 17.6%. The decrease is primarily due to the following; (i) the decrease in net loss of $801,640 discussed above; (ii) the decrease in derivative liability movements of $1,988,807 due to lower volatility of stock prices utilized in the calculation and the conversion of debt during the period; (iii) the net movement in working capital of $194,709 due to effective working capital management; offset by (iv) the movement in the loss on conversion of debt to equity of $(2,110,087) due to the amount of debt conversions during the current period declining over the prior period; and (v) the movement in amortization of debt discount of $601,971, as fewer new notes were issued during the current period.

We had no investment in property and equipment for the three months ended March 31, 2019 and minimal investment of $1,800 for the three months ended March 31, 2018. During the current period we sold a capitalized kiosk for gross proceeds of $4,166.

We funded our operations and increased our cash balances by raising an additional $252,000 through debt issuances.

Subsequent to March 31, 2019 we raised an additional $75,000 in convertible debt funding, and an additional $45,000 in promissory notes.

Other than amounts owed under convertible notes, we have minimal commitments which include the office facility lease agreement with a future commitment as of March 31, 2019 of $30,393 for the remainder of 2019, subject to exchange rate changes.

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

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

| | **Amount** |
|---|---|
| 2019 | 20,100 |
| 2020 | 20,100 |
| 2021 | 20,100 |
| 2022 | 20,100 |
| 2023 and thereafter | 47,067 |
| | $ 127,467 |

**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 March 31, 2019 were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO, who also serves as its interim CFO, as appropriate, to allow timely decisions regarding required disclosure. The Company intends to retain additional individuals to remedy the ineffective controls. We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

**(b) Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

### Item 1A. Risk Factors

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

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

Other than as set forth below or as previously disclosed in our filings with the Securities and Exchange Commission, we did not sell any equity securities during the quarter ended March 31, 2019 in transactions that were not registered under the Securities Act.

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

Between January 17, 2019 and February 13, 2019, the Company received conversion notices from Labrys Fund, LP., converting an aggregate principal amount of $129,616 and interest thereon of $1,100, at an average conversion price of $0.0146 per share, into 8,970,334 shares of common stock.

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

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

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

Between February 19, 2019 and March 20, 2019, the Company received conversion notices from GS Capital Partners, converting an aggregate principal amount of $34,000 and interest thereon of $2,231, at an average conversion price of $0.01199 per share, into 3,020,725 shares of common stock.

On February 22, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of February 22, 2020 and a coupon of ten percent per annum.

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

On March 4, 2019, the Company funded a back-end Convertible Promissory Note in the aggregate principal amount of $96,000 from GS Capital Partners LLC. The note has a maturity date of February 4, 2020 and a coupon of 8% per annum. The Company may not prepay the note. The outstanding principal amount of the note is convertible after 180 days, at the election of the holder into shares of the Company's common stock at a conversion price equal to 62% of the lowest three trading prices during the previous ten (10) trading days. The balance of the note plus accrued interest at March 31, 2019 was $8,260 net of unamortized discount of $88,309.

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

On March 26, 2019, the Company issued a Promissory Note in the aggregate principal amount of $20,000 to Boba Management Corporation. The note had a maturity date of March 26, 2020 and a coupon of ten percent per annum. The Company has the right to prepay the note without penalty prior to maturity date. The balance of the note plus accrued interest at March 31, 2019 was $20,027.

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

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

See Item 5 below for shares issued subsequent to the quarter ended March 31, 2019 upon conversion of notes. The shares were issued pursuant to an exemption from registration provided by section 3(a)(9) of the Securities Act of 1933, as amended, for the shares were exchanged or issued in a transaction where no commissions or other remuneration was paid or given directly or indirectly for soliciting such exchange or issuances.

**Item 3. Defaults upon senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

On April 18, 2019, the Company received a notice of conversion from JSJ investments, converting a principal amount of $35,000 into 5,028,735 shares of common stock at a conversion price of $0.0070 per share.

On April 29, 2019, the Company received a notice of conversion from Labrys fund, converting interest of $11,967 into 1,869,979 shares of common stock at a conversion price of $0.00640 per share.

On April 30, 2019, the Company received a notice of conversion from JSJ investments, converting a principal amount of $35,000 into 5,511,984 shares of common stock at a conversion price of $0.0064 per share.

On May 6, 2019, the Company received a notice of conversion from GS Capital Partners, converting principal of $26,000 and interest thereon of $2,051 into 4,208,778 shares of common stock at a conversion price of $0.0067 per share.

On May 13, 2019, the Company received a notice of conversion from Crown Bridge Partners converting a principal amount of $9,760 into 2,700,000 shares of common stock at a conversion price of $0.0038 per share.

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

**Item 6. Exhibits**

**EXHIBIT INDEX**

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

## SIGNATURES

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

**QPAGOS**

Date: May 20, 2019

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

**Exhibit 31.1**

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

I, Gaston Pereira, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 of QPAGOS;

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

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

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

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

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

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

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

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

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

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

Date: May 20, 2019

/s/ Gaston Pereira

Gaston Pereira
Chief Executive Officer and Interim Chief Financial Officer
*(Principal Executive Office and Principal Financial Officer)*

**Exhibit 32.1**

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

In connection with the Quarterly Report of QPAGOS (the "Registrant") on Form 10-Q for the period ending March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gaston Pereira, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: May 20, 2019

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