

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2018

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 814-00175

TimefireVR Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

86-0490034
(I.R.S. Employer Identification No.)

7150 E. Camelback Rd.
Suite 444
Scottsdale, AZ
(Address of principal executive offices)

85251
(Zip Code)

(602) 617-8888
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:

Title of each class: Common Stock, \$.001 par value
Name of each exchange on which registered: N/A

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$936,180.

As of March 29, 2019, there were 235,460,470 shares of the issuer's \$0.001 par value common stock issued and outstanding.

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PART I

Item 1. Description of Business

General

TimefireVR Inc. (“we”, “us”, “our” the “Company” and “Timefire”) is a Nevada corporation, which was originally incorporated in the State of Colorado on February 16, 1984. On November 21, 2016, we changed our name to TimefireVR Inc.

Sale of Our Existing Business

Effective September 13, 2016, the Company acquired Timefire, LLC (“TLLC”), a Phoenix-based virtual reality content developer which was an Arizona limited liability company. As consideration for the acquisition, the Company issued the equity holders of TLLC a total of 41,400,000 shares of the Company’s common stock and 2,800,000 five-year warrants, which constituted a change of control of the Company (the “Merger”).

On January 3, 2018, the Company effected the sale of TLLC to a group which included its former owners including two of our former executive officers and directors. The Company received: (i) \$100,000 in cash and (ii) a secured promissory note in the principal amount of \$120,000 bearing 6% annual interest that matured in September 2018. The promissory note is in default. Additionally, the buyers of TLLC assumed certain of the Company’s liabilities totaling \$510,599. The Company’s business model in the virtual reality business was not successful and the Company was unable to continue to finance its business due to a loss of confidence in the virtual reality business by the Company’s investors and threats of resignation from the Company’s officers, directors and lead technologist and TLLC employees. While shareholder approval was required by Nevada law, the purchasers refused to fund TLLC unless we closed immediately. Certain investors that had financed the Company had agreed to provide further funding if we sold TLLC and received a release from key liabilities including past due promissory notes. Rather than cease operations and have no working capital, we adhered to the TLLC purchasers’ demands and closed the sale. Pending finalization of the sale of TLLC over the year-end holidays, these investors lent us approximately \$669,000 on December 22, 2017 and cancelled past due notes held by the investors on January 3, 2018 as explained in the following paragraph. Because we needed to eliminate state law liabilities, we opted to get irrevocable proxies which would permit us to seek shareholder ratification. On November 29, 2018, a majority of the shares of common stock voting for the proposal ratified that sale of TLLC at a shareholders meeting.

As described below, in 2018 we entered the cryptocurrency mining business which business we continue to engage in despite the very sharp decline in the prices of Bitcoin and other cryptocurrencies, which has negatively impacted the mining business.

Effective January 3, 2018, the Company entered into an Exchange Agreement (the “Exchange”) with certain of the Company’s investors pursuant to which the Company issued 303,714 shares of the Company’s new Convertible Series E Preferred Stock in exchange for the cancellation of the Company’s Series A Convertible Preferred Stock, Series A-1 Convertible Preferred Stock, Series C Convertible Preferred Stock, Senior Convertible Notes issued March 3, 2017, Senior Convertible Notes issued August 21, 2017, and certain of the Company’s outstanding Warrants. This Exchange had the effect of simplifying our capital structure and eliminating past due secured debt while substantially increasing future potential dilution. Effective December 21, 2017, we closed a private placement with our principal investors in which we borrowed \$668,750 and issued the investors \$703,747.38 in 5% Original Issue Discount Senior Secured Convertible Notes which Notes were due January 18, 2018, convertible at \$0.03 per share and pay 8% per annum interest. The short-term nature was designed to ensure the TLLC sale closed in early January. On March 6, 2018, we borrowed \$1 million from these same investors and issued them \$1,052,632 new 5% Original Issue Discount Senior Secured Convertible Notes (the “March Notes”) which are due on April 15, 2019. The March Notes pay 8% per annum interest and are convertible at \$0.03 per share. On the maturity date, we must pay 120% of the principal of the March Notes. The March Notes are secured by a first lien on the Company’s assets. For information on the warrants we issued, see Item 8 “Financial Statements” Note 10. Also on March 6, 2018, the investors extended their other Convertible Notes to April 15, 2019.

In August 2018, we borrowed an additional \$150,000 issuing an investor a \$156,250 8% convertible note due April 15, 2019. This note is convertible at \$0.03 per share (well above current market) and upon maturity is payable at a 120% premium. On November 21, 2018, we borrowed \$75,000 and issued the investor a \$75,000 5% promissory note which was due February 19, 2019 and is in default.

Proposed Acquisition

We do not have the capital to pay these obligations when due and have been unable to raise further capital on any terms to support our current business. Further, while we have been engaged in the mining of cryptocurrency as described in “Summary of 2018 Developments” below, we have an oral understanding to acquire a drone and blockchain company based in Puerto Rico (the “Target”). As of the date of this Report, we do not have any written term sheet or other agreements with regard to this proposed acquisition. If we and the Target can each obtain the necessary financing, the equity owners of the Target will own approximately 83.3% of our common stock on a fully diluted basis and our shareholders shall own the balance. Among other things, all of our outstanding preferred stock and indebtedness will be required to convert into either common stock or another series of preferred stock with no preferences or limitations other than a 4.99% beneficial ownership limitation. If we close the proposed acquisition with the Target, we are required to have no accounts payable or indebtedness except ordinary course liabilities which have not yet come due. Further, the Target must have at least \$1 million of unrestricted cash and no liabilities except ordinary course liabilities which have not come due. Our Chief Executive Officer will remain a director of the Company and upon closing of the acquisition the Target will be entitled to designate three members to our board of directors subject to compliance with Rule 14f-1 under the Securities Exchange Act of 1934. Further, our Chief Executive Officer shall become a consultant to the Company for a six-month period following the closing. As described later in this Report, our Chief Executive Officer reduced his compensation to \$5,000 per month effective March 1, 2019 and has become a full-time executive of another corporation. See Item 10. “Directors, Executive Officers and Corporate Governance.”

Because of all these contingencies, there can be no assurances that we will close any transaction with the Target or obtain the necessary financing. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Summary of 2018 Developments

On January 3, 2018, we announced our entry into the cryptocurrency business. In order to enter the cryptocurrency mining business, we entered into an Advisory Agreement with two parties on March 16, 2018. Under the Advisory Agreement, the parties provided consulting services to us concerning cryptocurrency mining and other opportunities in the cryptocurrency business. The parties to the Advisory Agreement also provided us with an engineer who will provide half-time services to us in the mining business under which he will provide logistical advice and mining oversight including designing, and building overhead operating proprietary software, and monitoring operations of the mining systems. Under the Advisory Agreement, we agreed to reimburse one party \$5,000 per month for the services of the mining engineer. Assuming we entered into the mining business within 90 days, we agreed to pay a sales royalty as additional consideration. Further we issued 6,666,666 shares of common stock which will vest quarterly subject to the Advisory Agreement remaining in effect on each applicable vesting date and an additional 6,666,666 three-year warrants exercisable at \$0.05 with the same vesting provisions. We terminated the Advisory Agreement effective December 15, 2018.

Our Bitcoin Mining Business

In late March 2018 we entered into a co-location arrangement with an unaffiliated third party in the mining business. We ordered high speed computer servers and in the Spring after delivery of the servers, initiated our mining of Bitcoin. The intent of this purchase and location was to allow us to solidify, test and validate our hardware and software operating systems prior to expanding our mining operations. See the general discussion of mining beginning on page 5 of this Report.

In December 2018, we sold large mining servers (representing 80% of our mining capacity) in order to provide the working capital to remain operational. Our remaining servers are being operated to mine Bitcoin by a co-location company that we have used since we entered the mining business in 2018. For their services from March 21 through December 31, 2019, we owe this company \$15,000 and have agreed to net the amount against the balance they owe us for their purchase of the miners.

In the ordinary course of business, the Company has acquired and sold Bitcoin, Ether, and other cryptocurrencies. In our Form 10-K for the year ended December 31, 2017, we disclosed negotiations to acquire Cryptogram, LLC. Those discussions terminated in Spring 2018.

Bitcoins and the Bitcoin Network

A Bitcoin is one type of cryptocurrency that is issued by, and transmitted through, an open source, math-based protocol platform using cryptographic security that is known as the "Bitcoin Network." The Bitcoin Network is an online, peer-to-peer user network that hosts the public transaction ledger, known as the "Blockchain," and the source code that comprises the basis for the cryptography and math-based protocols governing the Bitcoin Network. Bitcoins can be used to pay for goods and services or can be converted to fiat currencies, such as the US Dollar. Bitcoins are the initial and leading cryptocurrency and therefore offer the greatest mining opportunity.

Bitcoin transactions and ownership are recorded and reflected on the digital transaction ledger known as the "Blockchain," which is a digital file stored in a decentralized manner on the computers of each Bitcoin Network user. The Blockchain records the transaction history of all Bitcoins in existence and, through the transparent reporting of transactions, allows the Bitcoin Network to verify the association of each Bitcoin with the digital wallet that owns them. Users keep their Bitcoins in an electronic computer file known as a digital wallet.

The Bitcoin Network is decentralized and does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of Bitcoins. Rather, Bitcoins are created and allocated by the Bitcoin Network protocol through a "mining" process subject to a strict, well-known issuance schedule.

Overview of the Bitcoin Network's Operations

In order to own, transfer or use Bitcoins, a person generally must have internet access to connect to the Bitcoin Network. Bitcoin transactions between parties occur very rapidly (within several seconds) and may be made directly between end-users without the need for a third-party intermediary, although there are entities that provide third-party intermediary services. To prevent the possibility of double-spending a single Bitcoin, a user must notify the Bitcoin Network of the transaction by broadcasting the transaction data to its network peers. The Bitcoin Network provides confirmation against double-spending by memorializing every transaction in the Blockchain, which is publicly accessible and transparent. This memorialization and verification against double-spending is accomplished through the Bitcoin mining process, which adds "blocks" of data, including recent transaction information, to the Blockchain.

Transaction Verification (Mining)

The process by which Bitcoins are "mined" results in new blocks being added to the Blockchain and new Bitcoins being issued to the miners. Miners engage in a set of prescribed complex mathematical calculations in order to add a block to the Blockchain and thereby confirm Bitcoin transactions included in that block's data. Miners that are successful in adding a block to the Blockchain are automatically awarded a fixed number of Bitcoins for their effort; we also refer to this process of receiving the aforementioned award as transaction verification services. This reward system is the method by which new Bitcoins enter into circulation to the public and is accomplished in the added block through the notation of the new Bitcoin creation and their allocation to the successful miner's digital wallet. To begin mining, a user can download and run Bitcoin Network mining software, which, like regular Bitcoin Network software programs, turns the user's computer into a "node" on the Bitcoin Network that validates blocks. Due to the enhanced investor interest in Bitcoin, there has been large increases in, and a scarcity of, computer servers needed for mining. Additionally, since these high-speed servers use vast amounts of electricity, there has been a spike in the prices of electricity in the areas where mining has been prevalent. These areas were selected for their then low prices. The "poster boy or girl" for mining is Bitcoin mining which uses huge amounts of electricity to operate the computer servers. Miners sought out areas where electric power was relatively inexpensive. This has caused electricity prices to spike in these areas. Locations such as East Wenatchee, Washington have witnessed a swell in occupants and business as miners relocate to areas with cheap electricity. The mining industry has witnessed a change from small miners operating from their homes to large mining "farms" operated by companies with substantial capital, computer resources and other capabilities and competitive advantages. As electricity prices have risen as a result of mining, local officials have become alarmed because area residents are forced to pay more for their electricity. Last year, Plattsburg, NY banned certain aspects of mining.

Alternative cryptocurrencies

Bitcoins are not the only type of cryptocurrency founded on math-based algorithms and cryptographic security, although it was considered the most prominent as of March 2018. Over 1,500 other cryptocurrencies, have been developed since the Bitcoin Network's inception, including Ether, Ripple, Litecoin, Dash, and Monero. The Bitcoin Network, however, possesses the "first-to-market" advantage and thus far has captured the majority of the industry's market share and is secured by a mining network with significantly more processing power than that of any other cryptocurrency. The Company is examining and will continue to examine these other cryptocurrencies, subject to financing, existing market conditions and regulatory compliance.

In 2017, Bitcoin and other cryptocurrencies experienced substantial price increases particularly in the late fall with extreme volatility beginning in the second half of December:

As the price of Bitcoin and other cryptocurrencies rose, the speculative fever brought substantial competition to the business both from established companies, early stage entrants and bad actors. The effect was to make existing and new businesses much more expensive due to the growing demand and relatively limited supply. Since 2018, the market for cryptocurrency has been weak. As a result, the Company began exploring other opportunities since the cryptocurrency mining business on a limited basis with current market prices is not feasible for a public company encumbered by the overhead that cannot be eliminated.

Competition

In the mining business, we face substantial competition and a myriad of other risks. We have one part-time contractor, our Chief Executive Officer, who oversees our mining activities and relatively limited financial and other resources. See the "Risk Factors" that are at the end of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Factors."

Cryptocurrency

The Company's cryptocurrency initiatives compete with other industry participants that focus on investing in and mining of Bitcoin, Ether, and other cryptocurrencies. Market and financial conditions, and other conditions beyond the Company's control, currently make the cryptocurrency business unattractive. Companies have raised substantial capital seeking to enter the cryptocurrency business. Our lack of capital is a competitive disadvantage.

Mining

The business of mining of Bitcoin and other cryptocurrency is extremely competitive. Over the last several years as costs have spiked and the price of Bitcoin increased, large sources of capital have entered the mining business. This factor, as well as the prior experience and technical capabilities of our competitors, puts us at a competitive disadvantage.

Employees

We have no employees and two contractors, our Chief Executive Officer and our Chief Financial Officer who offer part-time services.

Regulation

Because we will buy, hold, and sell cryptocurrency, we are subject to numerous federal and state laws around the world regarding cryptocurrency. The scope of these regulations are continuing to evolve, and they may be inconsistent among the locations in which we operate and our users reside. Compliance with these rules may be difficult and costly, and if we fail to comply, we could face liability under these statutes and legal or administrative actions by government entities and private litigants. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors" below, for further discussion of the risks we face.

Facilities

See Item 2. "Description of Property."

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act") and are not required to provide the information under this item. See the Risk Factors we voluntarily disclose at the end of Item 7 of this Report.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Description of Property

The Company's principal office is located at 7150 E. Camelback Rd. Suite 444 Scottsdale AZ 85251 for which the Company pays monthly rent in the amount of \$822.

Item 3. Legal Proceedings

From time to time, we may be party to, or otherwise involved in, legal proceedings arising in the normal and ordinary course of business. As of the date of this Report, we are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The common stock of the Company is quoted on the OTC Pink under the symbol of TFVR.

Dividends

We have not paid cash dividends on our common stock and do not plan to pay such dividends in the foreseeable future. Our board of directors (the "Board") will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, general business conditions, and state law regulating the payment of dividends.

Shareholders

As of March 29, 2019, there were 235,460,470 shares of common stock outstanding, held by 557 shareholders of record. In addition, as of March 29, 2019, there were 122,190 shares of Series E Convertible Preferred Stock outstanding. We also have 100 shares of non-convertible super voting preferred stock outstanding.

Transfer Agent

The Transfer Agent for the Company's Common Stock is Equity Stock Transfer, 237 W 37th Street, Suite 601, New York, New York 10018.

Recent Sales of Unregistered Securities

We have previously disclosed all sales of securities without registration under the Securities Act of 1933.

Purchases of Equity Securities by the Registrant and Affiliated Purchasers

We did not repurchase any shares of our common stock during the fiscal year ended December 31, 2018.

Item 6. Selected Financial Data

None

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the other sections contained herein, including the risk factors and the consolidated financial statements and the related exhibits contained herein. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Report as well as other matters over which we have no control. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth in this Report. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Company Overview

In 2018, the Company focused its efforts on the cryptocurrency business primarily in cryptocurrency mining. This business has not been successful, and the Company sold 80% of our unprofitable mining assets late in the year to reduce ongoing losses and to generate cash to remain operational. The co-location company that hosts our servers continues to host our remaining servers.

Results of Operations

Total revenue for the years ended December 31, 2018 and 2017 was \$105,129 and \$0, respectively. The revenue in 2018 was from cryptocurrency mining. The Statement of Operations does not include the operations of TLLC, which is treated as discontinued operations.

Operating expenses in the year ended December 31, 2018 amounted to \$1,833,817 as compared to \$1,092,214 for the year ended December 31, 2017. The increase in operating expenses is from our mining business which began in 2018 as well as increased officer compensation expense as a result of the issuance of options to our Chief Executive Officer. Other expenses for 2018 totaled \$1,233,030 versus other income of \$3,849,020 in 2017. In 2018 the principal items were a loss of \$522,917 on the disposal of mining equipment, the creation of an allowance of \$100,000 from the inability to collect from TLLC and \$500,182 in non-cash interest expense. In 2017, we had a non-cash gain of \$4,193,081 in the change of fair value of our derivative liabilities due to significant drop in our common stock price.

For the year ended December 31, 2018 the Company had a net loss from continuing operations of \$3,313,561 as compared to income from continuing operations of \$2,756,806 in 2017 which was impacted by the change in fair value discussed above. Our net loss for the year was \$2,643,313 after accrual of a gain from sale of TLLC of \$670,248 in 2018. After deducting the loss of \$1,627,979 from TLLC, our net income for 2017 was \$1,128,827.

Liquidity and Capital Resources

As of March 29, 2019 we had approximately \$30,000 in cash and Bitcoin. We can not pay our liabilities including our indebtedness of approximately \$2.7 million due April 15, 2019 or the smaller past due note. Assuming we close the acquisition with the Target, we will need to obtain additional financing in order to pay our liabilities or accounts payable as envisioned by the oral understanding. If we are unable to close the acquisition with the Target, we will likely cease operations since we do not have any working capital.

Going Concern

The Company has incurred losses since inception and requires additional funding for future operating activities. The Company's activities are not generating a level of revenue sufficient to fund its current operating activities. These factors create an uncertainty as to how the Company will fund its operations and maintain sufficient cash flow to operate as a going concern. The combination of these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to meet its cash requirements in the next year is dependent upon obtaining additional financing. If this is not achieved, the Company may be unable to obtain sufficient cash flow to fund its operations and obligations, and as a result there is substantial doubt the Company will be able to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, and accordingly, do not include any adjustments relating to the recoverability and classification of recorded asset amounts; nor do they include adjustments to the amounts and classification of liabilities that might be necessary should the Company be unable to continue operations or be required to sell its assets.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to invest in our Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

You should recognize that we have been unable to generate material revenues from our cryptocurrency business, a business which is subject to special risks described below

Risks Relating to Our Financial Condition

If we cannot complete a transaction in the near future, we will be required to cease operations.

We have no working capital and no understandings with any investors to finance our business as of the date of this Report. We intend to focus on attempting to close the acquisition of the Target and have had discussions with our principal investors about providing the appropriate financing in order pay our accounts payable and be in a position to close the acquisition. The investors have also orally agreed to convert their preferred stock and notes into a new series of preferred stock with no preferences or limitations other than a 4.99% blocker. If we are unable to complete the acquisition, we will likely cease operations.

Our ability to continue as a going concern is in doubt unless we obtain adequate new debt or equity financing and achieve sufficient sales levels.

As noted above, we have incurred significant net losses to date. We anticipate that we will continue to lose money for the foreseeable future. Additionally, we have negative cash flows from operations and no expectations of revenue in the near future. Our continued existence is dependent upon generating sufficient working capital and obtaining adequate new debt or equity financing. Because of our continuing losses, without improvements in our cash flow from operations or new financing, we may have to continue to restrict our expenditures. Working capital limitations may impinge on our day-to-day operations, which may contribute to continued operating losses.

Because of the recent declines in the price of our common stock, third parties have declined to do business with us.

As of the close of business on March 29, 2019, the price of our common stock was .00194 as reported on the OTC Pink. The holders of our Series E Preferred Stock may convert their Series E Preferred Stock into a large number of shares of our common stock which may cause the price of our common stock to stay below \$0.01. Because of the recent large decline in the price of our common stock, we have faced the loss of pending business opportunities and reluctance by third parties to enter into business with us. As a result of our low stock price, we may continue to lose business opportunities in the future.

Risk of Future Cryptocurrency Legislation and Regulation

Because of sharp run ups in the price of Bitcoin and other cryptocurrencies and the recent declines, as well as a number of fraudulent and other wrongful campaigns affecting cryptocurrency, the Securities and Exchange Commission (the "SEC") and, other federal regulators and state regulators, and foreign authorities have recently increased their focus on cryptocurrency issuances and trading and it is likely that there will be future legislation and new rules, which may adversely affect the business of the Company.

In public speeches, the Chairman of the SEC has focused substantial attention and concerns related to the issuance and trading of cryptocurrency. The SEC has also filed lawsuits, suspended trading of cryptocurrency companies, taken administrative action to stop an initial coin offering ("ICO") and is reportedly issuing subpoenas relating to promotion of ICOs. While the Company cannot predict what kind of legislation and regulation may be enacted in the future, it is possible that any such legislation and regulation may adversely affect the Company which could cause our stock price to fall sharply.

If regulatory changes or interpretations require the regulation of cryptocurrency under the Act and the Company under the Investment Company Act of 1940 (the “1940 Act”) by the SEC, we may be required to register and comply with such regulations, which may result in extraordinary, non-recurring expenses to us.

Current and future legislation, the SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrency is treated for classification and clearing purposes. The SEC’s July 25, 2017 Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO (the “Report”) expressed its view that cryptocurrencies may be securities depending on the facts and circumstances. We are not aware of any rules that have been proposed to regulate cryptocurrency as securities. We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrency under the law. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

To the extent that cryptocurrencies we may own are deemed by the SEC to fall within the definition of a security, we may be required to register and comply with additional regulation under the 1940 Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. To date, the SEC has concluded that Bitcoin, and Ether which we previously owned, are not securities.

Additionally, one or more states may conclude that Ether, Bitcoin and the other cryptocurrencies we may own are a security under state securities laws which would require registration under state laws including merit review laws which would adversely impact us since we would likely not comply. Some states including California define the term “investment contract” more strictly than the SEC. Such additional registrations may result in extraordinary, non-recurring expenses of our Company, thereby materially and adversely impacting an investment in our Company. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease all or certain parts of our operations. Any such action would likely adversely affect an investment in us and investors may suffer a complete loss of their investment.

If regulatory changes or actions occur, it may restrict the use of virtual currency in a manner that adversely affects an investment in us.

Until recently, little or no regulatory attention has been directed toward Bitcoin, other cryptocurrencies and the markets where they trade by U.S. federal and state governments, foreign governments and self-regulatory agencies. As Bitcoin and other cryptocurrency have grown in popularity and in market size and ICOs which tend to be securities, the SEC, Federal Reserve Board, U.S. Congress and certain other U.S. agencies (e.g., the CFTC, the Financial Crimes Enforcement Network (“FinCEN”) and the Federal Bureau of Investigation) have questioned whether ICOs and cryptocurrencies are securities. Based on enforcement actions brought by the SEC and speeches by its Chairman, it seems clear that ICOs are, in almost all cases, securities. The Company does not intend to acquire ICOs because they are securities and, with one exception not applicable to the Company, sold in violation of the federal securities laws.

On July 25, 2017, the SEC issued its Report which concluded that cryptocurrencies issued for the purpose of raising funds may be securities within the meaning of the federal securities laws. The Report focused on the activities of a virtual organization which offered tokens in exchange for Ether which is the second largest reported cryptocurrency. The Report emphasized that whether a cryptocurrency is a security is based on the facts and circumstances. Although the Company’s activities are not focused on using cryptocurrency to raise capital or assisting others that do so, the federal securities laws are very broad, and there can be no assurances that the SEC will not take enforcement action against the Company in the future including for the sale of unregistered securities in violation of the Act or acting as an unregistered investment company in violation of the 1940 Act. The SEC has taken various actions against persons or entities misusing Bitcoin in connection with fraudulent schemes (i.e., Ponzi scheme), inaccurate and inadequate publicly disseminated information, and the offering of unregistered securities. More recently, the SEC suspended trading a number of cryptocurrencies public companies. To the extent Bitcoin is determined to be a security or to the extent that a US or foreign government or quasi-governmental agency exerts regulatory authority over the trading and ownership, trading or ownership in Bitcoin, an investment in us may be adversely affected. Very recently there has been much discussion concerning the need for legislation and underlying regulation to address these concerns.

Local state regulators such as the New York State Department of Financial Services (the “NYSDDFS”) have also initiated examinations of Bitcoin, the Bitcoin Network and the regulation thereof. In 2015 the NYSDDFS issued its final BitLicense regulatory framework. The BitLicense regulates the conduct of businesses that are involved in “virtual currencies” in New York or with New York customers and prohibits any person or entity involved in such activity to conduct activities without a license. As more states regulate cryptocurrency investing and trading, we may be required to comply with these regulations or cease operation.

A similar message is being expressed overseas by regulators. While the Company cannot predict what kind of legislation and regulation may be enacted in the future, it is possible that any such legislation and regulation may adversely affect the Company which could cause our stock price to fall sharply.

Bitcoin currently faces an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions. Certain countries such as Bulgaria, Belgium, Finland and the United Kingdom wish to tax and regulate the use of Bitcoin, however these countries have not yet figured out the most effective way to create a regulatory environment that is not only supportive of the cryptocurrency, but also allows for it to be accurately taxed and regulated to prevent money laundering, extortion and criminal fraud. Other countries such as China, Russia, Bolivia, Columbia, and Ecuador have banned either the trading or possession of bitcoin, making it illegal to use Bitcoin for any service within these countries. Other countries such as Germany are open to Bitcoin, the country has created a hybrid system where bitcoin is considered legal but taxed differently depending upon whether the authorities are dealing with exchanges, miners, enterprises or users. Initial coin offerings (ICOs) are increasingly being viewed as a controversial method of crowdfunding a company through cryptocurrency. ICOs have been a mixed bag internationally, with countries such as China, undertaking a full ban and others like Singapore or Malta using ICOs to boost the flow of digital cash into their economies. However, there’s no synchronized regulation effort between countries, and given the borderless nature of blockchain, the risks of money laundering, extortion, and criminal fraud remain a constant concern. . While certain governments have issued guidance as to how to treat Bitcoin, most regulatory bodies have not yet issued official statements regarding intention to regulate or determinations on regulation of Bitcoin, the Bitcoin Network and Bitcoin users.

The effect of any future regulatory change on us, Bitcoins, or other cryptocurrency is impossible to predict, but such change could be substantial and adverse to us and could adversely affect an investment in us.

If cryptocurrencies such as Bitcoin and Ether are found to be securities, our business model may not be successful.

Bitcoin is the oldest and most well-known form of cryptocurrency. Bitcoin, Ether, and other forms of cryptocurrencies have been the source of much regulatory consternation, resulting in differing definitional outcomes without a single unifying statement. When the interests of investor protection are paramount, for example in the offer or sale of ICO tokens, the SEC has no difficulty concluding that the token offerings are securities under the “Howey” test as stated by the United States Supreme Court. As such, ICO offerings would require registration under the Act or an available exemption therefrom for offers or sales in the United States to be lawful. Section 5 of the Act provides that, unless a registration statement is in effect as to a security or it is exempt, it is unlawful for any person, directly or indirectly, to engage in the offer or sale of securities. In September 2018, a federal district court ruled that the ICO in question was a security. This ruling aligns with the position of the SEC’s Chairman who has stated that all ICOs of which he is aware involve the sale of a security. While the SEC has concluded that Bitcoin and Ether are not securities, we do not know if other cryptocurrencies we acquired in 2018 are deemed to be securities, although we believe that since we were awarded these instruments as a result of our mining, they are not securities. However, a state securities regulator may challenge our position, and we may face regulation under state securities laws. Such regulation or the inability to meet the requirements to continue operations, would have a material adverse effect on our business and operations.

If we acquire cryptocurrencies which are securities, even unintentionally, we may violate the 1940 Act and incur potential third-party liabilities.

The Company intends to comply with the 1940 Act in all respects. To that end, if the Company acquires cryptocurrencies which are determined to constitute investment securities of a kind that subject the Company to registration and reporting under the 1940 Act, the Company will limit its holdings of securities to less than 40% of its assets (excluding cash). Section 3(a)(1)(C) of the 1940 Act defines “investment company” to mean any issuer that is engaged in the business of investing in securities, having a value exceeding 40% of the value of such issuer’s total assets (exclusive of cash). If we violate this 40% limit, we will have one-year to cure by getting our investment securities below the 40% test. However, we may only do this every three years. What complicates this is (i) we may inadvertently surpass the 40% limit due to a spike in the price of a security we own or (ii) a court or the SEC administratively may rule that cryptocurrencies we own are securities. If we ever are required to register as an investment company, we may be required to cease operations.

If regulatory changes or interpretations of our activities require our registration as a money services business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or under state regulations, we may be required to register and comply with such regulations, the required registrations, licensure and regulatory compliance steps may result in extraordinary, non-recurring expenses to us or cause us to cease operating in the area which requires registration.

The Company is engaged in a business activity that involves transmitting cryptocurrency. Although the Company does not feel this business activity categorizes it as a Money Services Business (“MSB”) or Money Transmitter (“MT”) under regulations promulgated by the Financial Crimes Enforcement Network (“FinCEN”) under the Bank Secrecy Act or any other applicable state MSB or MT law changing regulations or regulatory interpretations of the Company’s business activities may require it to register and comply with MSB and/or MT regulations. In the event the Company is required to register as a MSB or MT, the Company may be required to obtain MSB or MT licensure and take regulatory compliance steps including implementing anti-money laundering programs, reporting to FinCEN or a state regulatory authority regarding the Company’s MSB or MT business, and maintaining certain records. Additionally, in the event that companies that we do business with are not properly registered, our business will be adversely affected and we may be liable for being an unlicensed MSB or MT.

Currently, multiple states have finalized or proposed regulatory frameworks for businesses conducting cryptocurrency business activities and have made public statements indicating cryptocurrency businesses may be required to seek licenses as MSBs or MTs in the near future. The effect of any future regulatory change on us, Bitcoins, or other cryptocurrencies is impossible to predict, but such change could be substantial and adverse to us and could adversely affect an investment in us.

To the extent that the activities of the Company cause it to be deemed a MSB or MT or equivalent designation the Company may be required to seek a license or otherwise register with the U.S. Department of Treasury or a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, maintenance of certain records and other operational requirements. In addition to New York’s BitLicense framework for businesses that conduct “cryptocurrency business activity,” the Conference of State Bank Supervisors has proposed a model form of state level “cryptocurrency” regulation and additional state regulators including those from California, Idaho, Virginia, Kansas, Texas, South Dakota and Washington have made public statements indicating that cryptocurrency businesses may be required to seek licenses as MSBs or MTs. In July 2016, North Carolina updated the law to define “cryptocurrency” and the activities that trigger licensure in a business-friendly approach that encourages companies to use cryptocurrency and blockchain technology. Specifically, the North Carolina law does not require miners or software providers to obtain a license for multi-signature software, smart contract platforms, smart property, colored coins and non-hosted, non-custodial wallets. Starting January 1, 2016, New Hampshire requires anyone who exchanges a cryptocurrency for another currency must become a licensed and bonded MT. Washington recently passed legislation requiring that cryptocurrency exchanges be registered as MSBs or MTs, that cryptocurrency exchanges agree to third-party security audits of their transmission systems, and that they post surety bonds to cover the cost of certain customer claims. In numerous other states, including Connecticut and New Jersey, legislation is being proposed or has been introduced regarding the treatment of Bitcoin and other cryptocurrencies. The Company will continue to monitor for developments in such legislation, guidance or regulations.

Regulators in Missouri and New York have brought cases against businesses or individuals for operating unlicensed MSBs or MTs relating to the transmission of cryptocurrency. Additionally, federal regulators have investigated and prosecuted cases in Ohio and Michigan relating to unlicensed MSBs or MTs. FinCEN recently announced that mining and investing in cryptocurrency for personal use does not constitute activity requiring a MSB or MT license.

If we are deemed to be a MSB or MT, the Company may decide to cease operations or may not be capable with complying with certain federal or state regulatory obligations applicable to MSBs and MTs. Any termination of Company operations in response to changed regulatory circumstances or interpretations at the federal or state levels will adversely affect our business and your investment in the Company.

It may be illegal now, or in the future, to acquire, own, hold, sell or use cryptocurrencies in one or more countries, and ownership of, holding or trading in our securities may also be considered illegal and subject to sanction.

Although cryptocurrencies are currently not regulated or are lightly regulated in most countries, including the United States, one or more countries such as China, South Korea or Russia may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use cryptocurrencies or to exchange cryptocurrencies for fiat currency. Such an action may also result in the restriction of ownership, holding or trading in our securities. Some countries such as Kyrgyzstan, Nepal, and Cambodia have banned the trading or possession of cryptocurrencies or have issued reports that possessing cryptocurrencies may not be legal. Such restrictions may adversely affect an investment in us, if we elect to do business outside of the United States.

If federal or state legislatures or agencies initiate or release tax determinations that change the classification of cryptocurrency as property for tax purposes (in the context of when such Bitcoins are held as an investment), such determination could have a negative tax consequence on our Company or our shareholders.

Current Internal Revenue Service (“IRS”) guidance indicates that cryptocurrency such as Bitcoin should be treated and taxed as property, and that transactions involving the payment of Bitcoin for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for any circumstance where the ownership of the cryptocurrency passes from one person to another, usually by means of cryptocurrency transactions (including off-blockchain transactions), it preserves the right to apply capital gains treatment to those transactions.

On December 5, 2014, the New York State Department of Taxation and Finance issued guidance regarding the application of state tax law to cryptocurrency such as Bitcoin. The agency determined that New York State would follow the IRS guidance with respect to the treatment of cryptocurrency such as Bitcoin for state income tax purposes. Furthermore, they defined cryptocurrency such as Bitcoin to be a form of “intangible property,” meaning the purchase and sale of Bitcoin for fiat currency is not subject to state income tax (although transactions of Bitcoin for other goods and services may be subject to sales tax under barter transaction treatment). It is unclear if other states will follow the guidance of the IRS and the New York State Department of Taxation and Finance with respect to the treatment of cryptocurrency such as Bitcoin for income tax and sales tax purposes. If a state adopts a different treatment, such treatment may have negative consequences including the imposition of a greater tax burden on investors in Bitcoin or imposing a greater cost on the acquisition and disposition of Bitcoin, generally; in either case potentially having a negative effect on prices in the cryptocurrency exchange market and may adversely affect an investment in our Company.

Foreign jurisdictions may also elect to treat cryptocurrency such as Bitcoin differently for tax purposes than the IRS or the New York State Department of Taxation and Finance. To the extent that a foreign jurisdiction with a significant share of the market of Bitcoin users imposes onerous tax burdens on Bitcoin users, or imposes sales or value added tax on purchases and sales of Bitcoin for fiat currency, such actions could result in decreased demand for Bitcoin in such jurisdiction, which could impact the price of Bitcoin or other cryptocurrency and negatively impact an investment in our Company.

Since there has been limited precedent set for financial accounting or taxation of cryptocurrencies it is unclear how we will be required to account for cryptocurrency transactions and the taxation of our businesses.

There is currently no authoritative literature under accounting principles generally accepted in the United States which specifically addresses the accounting for cryptocurrency. Therefore, by analogy, we intend to record cryptocurrency similar to financial instruments under ASC 825, Financial Instruments, because the economic nature of these cryptocurrency is most closely related to a financial instrument such as an investment in a foreign currency.

In 2014, the IRS issued guidance in Notice 2014-21 that classified cryptocurrency as property, not currency, for federal income tax purposes. But according to the requirements of the Fair Trade and Accurate Credit Transactions Act, which requires foreign financial institutions to provide the IRS with information about accounts held by U.S. taxpayers or foreign entities controlled by U.S. taxpayers, cryptocurrency exchanges, in the ordinary course of doing business, are considered financial institutions.

On November 30, 2016, a federal judge in the Northern District of California granted an IRS application to serve a “John Doe” summons on Coinbase Inc., which operates a cryptocurrency wallet and exchange business. The summons asked Coinbase to identify all U.S. customers who transferred convertible cryptocurrency from 2013 to 2015. The IRS is trying to get cryptocurrency owners to report the value of their wallets to the federal government and the IRS is treating cryptocurrency as both property and currency.

We believe that all of our cryptocurrency activities will be accounted for on the same basis regardless of the form of cryptocurrency. A change in regulatory or financial accounting standards or interpretation by the IRS or accounting standards or the SEC could result in changes in our accounting treatment, taxation and the necessity to restate our financial statements. Such a restatement could negatively impact our business, prospects, financial condition and results of operation. Further, actions by the IRS or other regulators which impinge on the anonymity of cryptocurrency may adversely affect our future business and prospects and reduce the value of our cryptocurrency.

Risks Concerning Cryptocurrency Mining

Because we do not have any employees or consultants who have any expertise in cryptocurrency mining, we may be unable to engage in further mining activities.

Cryptocurrency mining is not like riding a bike. We are relying upon a third party for our mining activities. If they decide our limited mining activities do not justify continuing to serve us, they may terminate their services. In that event, unless we will be able to obtain financing for this activity, we will not be able to expand our mining activities.

Because of a supply shortage, we may be unable to purchase adequate computer equipment to mine cryptocurrency at a competitive level.

Mining cryptocurrency requires running high-end computers which process complex algorithms to add to the blockchain. Because mining cryptocurrency requires large amounts of computer processing power, there is a worldwide shortage for computer components which can successfully mine cryptocurrency. There is a worldwide shortage for high-end graphics cards which can be enabled to function as computer processors for mining cryptocurrency. Further, other types of computer components, which can be used for mining, are in short supply. As more individuals enter the mining business the demand for components rises. Additionally, as more miners engage in mining the ability to successfully mine cryptocurrency requires more powerful components. If we are unable to obtain adequate components to mine cryptocurrency we will be unable to engage in mining. As such, we may be unable to acquire the components we need to successfully mine cryptocurrency which could have an adverse price on our stock.

If we cannot secure affordable electric power, our mining business will not be successful.

Mining cryptocurrency requires a substantial amount of electricity in order to power the computers, commonly referred to as mining rigs, which mine cryptocurrency. Locations offering cheap mining electricity, both within the United States and internationally, have been historically targeted by groups of people interested in mining. The mining industry has witnessed a change from small miners operating from their homes to large mining “farms” operated by companies with substantial capital, computer resources and other capabilities and competitive advantages. The surge in population to these areas caused by new mining activity has caused electricity prices to increase for local residents. In reaction to electricity prices rising, local officials in some areas have taken action to ban or restrict certain aspects of mining. If we are unable to locate areas with cheap electricity costs which are feasible for mining or if the electricity costs where we have a mining rig increase in value or if the area in which we operate a mining rig passes ordinances which restrict our mining activities we may be unable to mine cryptocurrency in a way that is profitable which could have an adverse price on our stock.

If a malicious actor or botnet obtains control in excess of 50% of the processing power active on the Bitcoin network, it is possible that such actor or botnet could manipulate the blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin network, including the Bitcoin network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks and could control, exclude or modify the ordering of transactions, though it could not generate new Bitcoin or transactions using such control.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin ecosystems do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining in excess of 50% of the processing power on the Bitcoin network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact an investment in us.

If the award of Bitcoin for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending hashrate to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the hashrate expended by miners on the Bitcoin network could increase the likelihood of a malicious actor obtaining control in excess of 50% of the aggregate hashrate active on such network or the blockchain, potentially permitting such actor to manipulate the blockchain in a manner that adversely affects an investment in us.

Bitcoin miners record transactions when they solve for and add blocks of information to the blockchain. When a miner solves for a block, it creates that block. Typically, Bitcoin transactions will be recorded in the next chronological block if the spending party has an internet connection and at least one minute has passed between the transaction's data packet transmission and the solution of the next block. If a transaction is not recorded in the next chronological block, it is usually recorded in the next block thereafter.

As the award of new Bitcoin for solving blocks declines, and if transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Any reduction in confidence in the confirmation process or aggregate speed of completing transactions on the Bitcoin network (the hashrate) may negatively impact the value of Bitcoin, which will adversely impact an investment in us.

To the extent Bitcoin mining operations experience low profit margins, their operators are more likely to immediately sell their Bitcoin earned by mining in the Bitcoin exchange market, resulting in a reduction in the price of Bitcoin that could adversely impact an investment in us.

Over the past two years, professionalized Bitcoin mining operations have largely replaced individual users mining with computer processors, graphics processing units and first-generation servers. Professionalized mining operations are of a greater scale than prior miners and have more defined, regular expenses and liabilities. These regular expenses and liabilities may require professionalized mining operations to immediately sell Bitcoin earned from mining operations on the Bitcoin exchange market, which is different than individual miners in past years who didn't face pressures to immediately divest of their Bitcoin. The immediate selling of newly mined Bitcoin greatly increases the supply of Bitcoin on the Bitcoin exchange market, creating downward pressure on the price of each Bitcoin.

The extent to which the value of Bitcoin mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined Bitcoin rapidly if it is operating at a low profit margin—and it may partially or completely cease operations if its profit margin is negative. Lower Bitcoin prices could result in further tightening of profit margins, particularly for professionalized mining operations with higher costs and more limited capital reserves, creating a network effect that may further reduce the price of Bitcoin until mining operations with higher operating costs become unprofitable and remove mining power from the respective Bitcoin network. The network effect of reduced profit margins resulting in greater sales of newly mined Bitcoin could result in a reduction in the price of Bitcoin that could adversely impact an investment in us.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in that cryptocurrency network, which could adversely impact an investment in us.

To the extent that any miners cease to record transaction in solved blocks, such transactions will not be recorded on the blockchain. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools forcing Bitcoin users to pay transaction fees as a substitute for or in addition to the award of new Bitcoins upon the solving of a block), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the blockchain. Any systemic delays in the recording and confirmation of transactions on the blockchain could result in greater exposure to double-spending transactions and a loss of confidence in certain or all cryptocurrency networks, which could adversely impact an investment in us.

The acceptance of cryptocurrency network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in any cryptocurrency network could result in a “fork” in the respective blockchain, resulting in the operation of two separate networks until such time as the forked blockchains are merged. The temporary or permanent existence of forked blockchains could adversely impact an investment in us.

Cryptocurrency networks are open source projects and, although there is an influential group of leaders in, for example, the Bitcoin network community known as the “Core Developers,” there is no official developer or group of developers that formally controls the Bitcoin network. Any individual can download the Bitcoin network software and make any desired modifications, which are proposed to users and miners on the Bitcoin network through software downloads and upgrades, typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of the Bitcoin network. Since the Bitcoin network's inception, changes to the Bitcoin network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin network remains a coherent economic system; however, a developer or group of developers could potentially propose a modification to the Bitcoin network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin network. In such a case, and if the modification is material and/or not backwards compatible with the prior version of Bitcoin network software, a fork in the blockchain could develop and two separate Bitcoin networks could result, one running the pre-modification software program and the other running the modified version (i.e., a second “Bitcoin” network). Such a fork in the blockchain typically would be addressed by community-led efforts to merge the forked blockchains, and several prior forks have been so merged. This kind of split in the Bitcoin network could materially and adversely impact an investment in us and, in the worst case scenario, harm the sustainability of the Bitcoin network's economy.

Because there is a limited supply of Bitcoin, miners may not have an adequate incentive to continue mining Bitcoin and the Company may be unable to use its mining equipment to mine other cryptocurrencies.

The current fixed reward for solving a new Bitcoin block is 12.5 Bitcoin per block; the reward decreased from 25 Bitcoin in July 2016. The reward for adding a block to the Bitcoin protocol is halved every 210,000 blocks and it is estimated that it will halve again in about four years. The current Bitcoin protocol permits a total of 21 million Bitcoin to exist. As the number of Bitcoin remaining for mining decreases the processing power required to record new blocks on the blockchain increases. Eventually the processing power required to add a block to the blockchain may exceed the value of the reward for adding a block. Further, at some point, there will be no Bitcoin to mine.

Once the processing power required to add a block to the blockchain exceeds the value of the reward for adding a block the Company may need to use its mining equipment to mine other types of cryptocurrency. If the Company is unable to successfully mine other types of cryptocurrency, the Company may have to discontinue its mining operations and sell the Company's mining equipment which may result in a net loss to the Company's mining business.

Risks Related to Cryptocurrency

The further development and acceptance of cryptocurrency networks and other cryptocurrency, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of cryptocurrency systems may adversely affect an investment in us.

Cryptocurrencies, such as Bitcoin, which may be used to buy and sell goods and services are a new and rapidly evolving industry of which the cryptocurrency networks are prominent, but not unique, parts. The growth of the cryptocurrency industry in general, and the cryptocurrency networks of Bitcoin in particular, are subject to a high degree of uncertainty. There is no assurance that a person who accepts cryptocurrency as payment today will continue to do so in the future. The factors affecting the further development of the cryptocurrency industry, as well as the cryptocurrency networks, include:

- continued worldwide growth in the adoption and use of Bitcoin and other cryptocurrency;
- government and quasi-government regulation of Bitcoin and other cryptocurrency and their use, or restrictions on or regulation of access to and operation of the cryptocurrency network or similar cryptocurrency systems;
- the maintenance and development of the open-source software protocol of the Bitcoin network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to cryptocurrency; and
- the impact of regulators focusing on cryptocurrency and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the cryptocurrency networks of Bitcoin or similar cryptocurrency systems, could adversely affect an investment in us.

Because, there is relatively small use of cryptocurrency in the retail and commercial marketplace in comparison to relatively large use by speculators, it may contribute to price volatility that could adversely affect an investment in us.

As relatively new products and technologies, cryptocurrency and the blockchain networks on which they exist have only recently become widely accepted as a means of payment for goods and services by some major retail and commercial outlets, and use of cryptocurrency by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of demand for cryptocurrency is generated by speculators and investors seeking to profit from the short- or long-term holding of such cryptocurrency. A lack of expansion of cryptocurrency into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the price of all or any cryptocurrency, either of which could adversely impact an investment in us.

If significant contributors to the Bitcoin network could propose amendments to the network's protocols and software and the amendments are accepted and authorized by such network, it could adversely affect an investment in us.

With respect to the Bitcoin network, a small group of individuals contribute to the Bitcoin Core project. These individuals can propose refinements or improvements to the Bitcoin network's source code through one or more software upgrades that alter the protocols and software that govern the Bitcoin network and the properties of Bitcoin, including the irreversibility of transactions and limitations on the mining of new Bitcoin. To the extent that a significant majority of the users and miners on the Bitcoin network install such software upgrade(s), the Bitcoin network would be subject to new protocols and software that may adversely affect an investment in us. In the event a developer or group of developers proposes a modification to the Bitcoin network that is not accepted by a majority of miners and users, but that is nonetheless accepted by a plurality of miners and users, two or more competing and incompatible blockchain implementations could result. This is known as a "hard fork" which could materially and adversely affect the perceived value of Bitcoin as reflected on one or both incompatible blockchains, which may adversely affect an investment in us. The same risk applies if we diversify our business in the future and make investments in the blockchain and cryptocurrency business. Other generic cryptocurrency-type risks apply if we diversify our investment portfolio.

Forks in the Bitcoin network may occur in the future which may affect the value of Bitcoin held by us.

On August 1, 2017 Bitcoin's blockchain was forked and Bitcoin Cash was created. The fork resulted in a new blockchain being created with a shared history, and a new path forward. Bitcoin Cash has a block size of 8mb and other technical changes. On October 24, 2017, Bitcoin's blockchain was forked and Bitcoin Gold was created. The fork resulted in a new blockchain being created with a shared history, and new path forward. Bitcoin Gold has a different proof of work algorithm and other technical changes. The value of the newly created Bitcoin Cash and Bitcoin Gold may or may not have value in the long run and may affect the price of Bitcoin if interest is shifted away from Bitcoin to the newly created Bitcoin. If a fork occurs on a Bitcoin Network, it may have a negative effect on the value of Bitcoin and may adversely affect an investment in us.

Because of our involvement in the blockchain and cryptocurrency business, it is more likely that we may be the target of security breaches, computer viruses and computer hacking attacks, which in turn may harm our business and results of operations.

Security breaches, computer malware and computer hacking attacks have become more prevalent in our industry and may occur on our systems in the future. This risk is accentuated because hackers may be more inclined to hack us in anticipation of stealing our cryptocurrency. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and operating results. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our users may harm our reputation and our ability to retain existing users and attract new users.

Because the cryptocurrency exchanges on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated, they may be more exposed to fraud and failure than established, regulated exchanges for other products.

The cryptocurrency exchanges on which Bitcoin trade are new and, in most cases, largely unregulated. Furthermore, many cryptocurrency exchanges (including several of the most prominent United States dollar denominated cryptocurrency exchanges) do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, cryptocurrency exchanges, including prominent exchanges handling a significant portion of the volume of cryptocurrency trading.

For example, over the past several years, a number of Bitcoin exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such Bitcoin exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin exchanges. While smaller Bitcoin exchanges are less likely to have the infrastructure and capitalization that make larger Bitcoin exchanges more stable, larger Bitcoin exchanges are more likely to be appealing targets for hacker and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). In January 2018, it was reported that \$530 million of cryptocurrency were missing from a Japanese exchange. Further, the collapse of the largest Bitcoin exchange in 2014 suggests that the failure of one component of the overall Bitcoin ecosystem can have consequences for both users of a Bitcoin exchange and the Bitcoin industry as a whole.

A lack of stability in the cryptocurrency exchange market and the closure or temporary shutdown of cryptocurrency exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the cryptocurrency networks and result in greater volatility in cryptocurrency values. These potential consequences of a cryptocurrency exchange's failure could adversely affect an investment in us.

If political or economic crises motivate large-scale sales of cryptocurrency, it could result in a reduction in some or all cryptocurrency's values and adversely affect an

investment in us.

As an alternative to fiat currencies that are backed by central governments, cryptocurrency such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrency either globally or locally. Large-scale sales of cryptocurrency would result in a reduction in their value and could adversely affect an investment in us. The recent dramatic drop in the value of Bitcoin and other cryptocurrency seems likely to have resulted from substantially selling and possibly small investor panic.

Because demand for Bitcoin is driven, in part, by its status as the most prominent and secure cryptocurrency, it is possible that cryptocurrency other than Bitcoin could have features that make them more desirable to a material portion of the cryptocurrency user base this could result in a reduction in demand for Bitcoin, which could have a negative impact on the price of Bitcoin and adversely affect an investment in us.

Bitcoin holds a “first-to-market” advantage over other cryptocurrency. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest combined mining power in use to secure their respective blockchains and transaction verification systems. Having a large mining network results in greater user confidence regarding the security and long-term stability of a cryptocurrency network and its blockchain; as a result, the advantage of more users and miners makes a cryptocurrency more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

As of March 6, 2018, there were over 1,500 alternate cryptocurrencies tracked by CoinMarketCap, having a total market capitalization (including the market capitalization of Bitcoin) of approximately \$442 billion, using market prices and total available supply of Bitcoin. Despite the marked first to market advantage of the Bitcoin network over other cryptocurrency networks, it is possible that another cryptocurrency could become materially popular. If a cryptocurrency obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin’s market share as well as other cryptocurrency we may become involved in and have a negative impact on the demand for, and price of, such cryptocurrency and could adversely affect an investment in us.

To the extent that we own cryptocurrency, we are subject to a risk that we will lose the private key necessary to convert it to cash or sell it, or the private key will be hacked.

We own cryptocurrency and expect that we will continue to do so. A private key, which is a complex numeric password is necessary to convert cryptocurrency to cash or sell it. While we have established procedures to safeguard our private key, if our procedures are insufficient or if we are hacked, we will irrevocably lose the value of our cryptocurrency. If a foreign third party has already gained access to our system while using our private key the third party may be able to access and manipulate our cryptocurrency.

Because cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable, any incorrectly executed cryptocurrency transactions could adversely affect an investment in us.

Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on the respective cryptocurrency network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of cryptocurrencies or a theft of cryptocurrencies generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft since the parties are anonymous. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrencies could be transferred from us in incorrect amounts or to unauthorized third parties. To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our cryptocurrencies through error or theft, we will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The damages from any such loss could adversely affect an investment in us.

The Company’s Bitcoin may be subject to loss, damage, theft or restriction on access.

We believe that the Company’s Bitcoin will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal our cryptocurrency. We cannot guarantee that any security software will prevent such loss, damage or theft, whether caused intentionally, accidentally or by act of God. Access to the Company’s Bitcoin or private key could be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). We cannot currently insure the loss of our Bitcoin. While the Company will continue to seek out opportunities to insure or prevent loss of our Bitcoin we cannot ensure that any developments in insurance or technology will reduce the risk of loss of our Bitcoin. The loss or theft of part or all of the Company’s Bitcoin may adversely affect our operations and, consequently, an investment in us.

General Risks

Because our business model is evolving, we cannot assure you that our business model will be successful. Further, because it is very unlikely that shareholder approval will be required, our management and Board will have broad discretion in determining what businesses we may enter, whether in the blockchain/cryptocurrency area or otherwise. We cannot assure you that it will complete any additional acquisitions or if we do, such acquisitions will be successful.

In 2018, we engaged in a number of initiatives in the cryptocurrency field including primarily cryptocurrency mining. We generated some limited income but did so with a negative gross profit of \$246,714. Later in the year, in order to remain operational we sold about 80% of our mining equipment for \$150,000 incurring a loss on disposal of this equipment of \$522,917. As of the date of this Report, the Company which had been hosting our remaining mining equipment continues to host our 40 S-9 miners until December 31, 2019. In order to resume large scale mining activities, we will need to raise sufficient capital in order to either hire personnel or engage in partnership or consulting relations to further our mining business. In addition, as the market for cryptocurrency has been depressed, we have been looking at other business opportunities and entered into an oral understanding with respect to an acquisition with the Target. There are a number of uncertainties with respect to that transaction. If we are unable to close that transaction, we may seek a different kind of acquisition. Alternatively, we may simply cease operations.

Because we were not in a position to continue paying our Chief Executive Officer in accordance with his Consulting Agreement, he began looking for other opportunities, and obtained other employment in March 2019 and reduced his compensation with the Company to mirror his part-time status. Because we have such limited management, we may not be able to effectively carry on our business.

Mr. Jonathan Read, our Chief Executive Officer, is a party to an oral Consulting Agreement with us paying him \$240,000 per year. As the cryptocurrency market remained depressed, Mr. Read realized that the Company would not be in a position to continue paying him that compensation level. Accordingly, for personal reasons he began looking for other opportunities and in March 2019, he became an employee of another corporation. As of March 1, 2019, Mr. Read reduced his compensation to \$5,000 per month to reflect his part-time service. His primary duties other than insuring that this Report is filed has been to manage the remaining part of the Company’s business, continue seeking financing and furthering efforts to engage in the acquisition of the Target. We have no other employees or consultants other than a part-time Chief Financial Officer whose duties consist of complying with the financial reporting obligations of the Company under the Securities Exchange Act of 1934. Because of this limited management, we may not be in a position to attract financing if we are unable to close the acquisition and may have to cease operations.

Risks Relating to Our Common Stock

As a result of our financings, we are obligated to issue a substantial number of additional shares of common stock, which will dilute our present shareholders.

In 2018 and 2019 we engaged in a series of borrowings with investors. See Item 8. “Financial Statements”, Note 6. As of the date of this Report, the outstanding principal and accrued interest in all of our obligations for indebtedness that are convertible into common stock is approximately \$2.7 million. In addition, Convertible Preferred Stock and Warrants obligate us to issue shares of common stock. In the future, we may grant additional options, warrants and convertible securities. The exercise, conversion or exchange of options, warrants or convertible securities, including for other securities, will dilute the percentage ownership of our shareholders. The dilutive effect of the exercise or conversion of these securities may adversely affect our ability to obtain additional capital. The holders of these securities may be expected to exercise or convert such options, warrants and convertible securities at a time when we would be able to obtain additional equity capital on terms more favorable than such securities or when our Common Stock is trading at a price higher than the exercise or conversion price of the securities. The exercise or conversion of outstanding warrants, options and convertible securities will have a dilutive effect on the securities held by our shareholders. We have in the past, and may in the future, exchange outstanding securities for other securities on terms that are dilutive to the securities held by other shareholders not participating in such exchange.

Because our common stock is subject to the “penny stock” rules, brokers cannot generally solicit the purchase of our common stock, which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define “penny stock” to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock on the OTCQB is presently less than \$5.00 per share and therefore we are considered a “penny stock” according to SEC rules. Further, we do not expect our stock price to rise above \$5.00 in the immediate future. The “penny stock” designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce the liquidity of the public market for our shares.

Moreover, as a result of apparent regulatory pressure from the SEC and the Financial Industry Regulatory Authority, a growing number of broker-dealers decline to permit investors to purchase and sell or otherwise make it difficult to sell shares of penny stocks. The “penny stock” designation may continue to have a depressive effect upon our common stock price.

Because of their share ownership, our former management may be able to exert control over us to the detriment of minority shareholders.

Our former executive officers and directors beneficially own approximately 21% of our common stock. These shareholders acting together, would be able to control our management and affairs and all matters requiring shareholder approval, including significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing our change in control and might affect the market price of our common stock.

If our common stock becomes subject to a “chill” imposed by the Depository Trust Company (the “DTC”), your ability to sell your shares may be limited.

The DTC acts as a depository or nominee for street name shares that investors deposit with their brokers. DTC in the last several years has increasingly imposed a chill or freeze on the deposit, withdrawal and transfer of common stock of issuers whose common stock trades on the tiers of the OTC Markets like that of the Company. Depending on the type of restriction, a chill or freeze can prevent shareholders from buying or selling shares and prevent companies from raising money. A chill or freeze may remain imposed on a security for a few days or an extended period of time (in at least one instance a number of years). While we have no reason to believe a chill or freeze will be imposed against our common stock in the future, if it were your ability to sell your shares would be limited. In such event, your investment will be adversely affected.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Our completion of a financing;
- Our failure to raise working capital;
- Our completion of the acquisition of the Target or disclosure that negotiations had terminated;
- Regulatory changes including new laws and rules which adversely affect companies in the cryptocurrency business;
- Factors including the cost of high speed computer servers and the cost of electricity which affect the viability of mining;
- Prices of cryptocurrencies we may own;
- Our public disclosure of the terms of any financing which we consummate in the future;
- Our failure to generate increasing material revenues;
- Our failure to become profitable;
- Any acquisitions we may consummate;
- Announcements by us or our competitors of significant contracts, new services, acquisitions, commercial relationships, joint ventures or capital commitments;
- Changes in our management;
- The sale of large numbers of shares of common stock which we may register;
- Short selling activities; or
- Changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management’s time and attention, which would otherwise be used to benefit our business.

Because we may issue preferred stock without the approval of our shareholders and have other anti-takeover defenses, it may be more difficult for a third party to acquire us and could depress our stock price.

In general, our Board may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share, although the Company’s ability to designate and issue preferred stock is currently restricted by covenants under our agreements with prior investors. Without these restrictions, our Board could issue preferred stock to investors who support us and our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

We continue to have material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and could negatively impact our ability to raise capital

As described under “Item 9A – Controls and Procedures,” we have identified control deficiencies which constitute material weaknesses in our internal control over financial reporting. The material weaknesses identified by management could result in a material misstatement to our annual or interim financial statements that would not be prevented or detected. Management has concluded that our internal control over financial reporting was not effective as of December 31, 2018 due to the material weaknesses identified.

Because of our small size and continued lack of capital, we continue to have material weaknesses in our internal controls over financial reporting. As a result, there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Moreover, we cannot assure you that we will not identify additional material weaknesses in our internal control over financial reporting in the future. If we are unable to remediate the material weaknesses, our ability to record, process and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and forms of the SEC could be adversely affected. The occurrence of or failure to remediate the material weaknesses may adversely affect investor confidence in us and could negatively impact our ability to raise capital.

If the SEC Staff investigates us and sues us due to our inability to remediate, or a delay in remediating, identified material weaknesses in our internal control over financial reporting, it may have a material adverse effect on our business and financial condition.

Recently the SEC sued four public companies alleging in part that they had violated Section 13(b) of the Exchange Act resulting from their failure to remediate material weaknesses in their internal control over financial reporting over an extensive period of time. Three of these companies had remediated their material weaknesses at the time the lawsuits were filed. Since we acquired TLLC in September 2016, we have identified and disclosed material weaknesses in internal control over financial reporting beginning with the year ended December 31, 2016 and have not made progress in remediating them. As of December 31, 2018 we had 3 material weaknesses. See “Part II – Item 9a Controls and Procedures” for more information. If the SEC Staff investigates us and following that investigation a lawsuit is filed alleging that we had not remediated our material weaknesses for a number of consecutive annual reporting periods, we will face the following risks:

- It will divert our management's attention from our core business of cryptocurrency mining;
- We will incur substantial legal fees in connection with both the investigation and the lawsuit if it is filed;
- If we are sued, we may be required to pay a civil monetary penalty in addition to other remedies the SEC or a court may impose;
- Any public disclosure may cause investors to sell our stock which may result in a material decline in our stock price that will cause investors to lose money; and
- Our existing stockholders will experience more dilution as we are required to raise capital at a lower price per share.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since these firms cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we require additional capital.

Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.

We have not paid dividends in the past and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

Our Common Stock may be affected by limited trading volume and price fluctuations, which could adversely impact the value of our Common Stock.

There has been limited trading in our Common Stock and there can be no assurance that an active trading market in our Common Stock will either develop or be maintained. Our Common Stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our Common Stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our Common Stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for cryptocurrency will be stable or appreciate over time or that we will close the acquisition.

Offers or availability for sale of a substantial number of shares of our Common Stock may cause the price of our Common Stock to decline.

If our shareholders sell substantial amounts of our outstanding Common Stock preferred stock, convertible notes issuable upon the exercise of outstanding warrants or other convertible securities, it could create a circumstance commonly referred to as an “overhang” and in anticipation of which the market price of our Common Stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could make it difficult to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. The shares of our restricted Common Stock will be freely tradable upon the earlier of: (i) effectiveness of any registration statement covering such shares and (ii) the date on which such shares may be sold without registration pursuant to Rule 144 (or other applicable exemption) under the Securities Act of 1933.

Cautionary Note Regarding Forward Looking Statements

This Report includes forward-looking statements including statements regarding liquidity, anticipated cash flows, future capital-raising activity, our future acquisition of cryptocurrency, and our potential entry into an agreement with the Target. All statements other than statements of historical facts contained in this Report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in “Risk Factors” immediately above. Other sections of this Report may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Report, whether as a result of new information, future events, changed circumstances or any other reason after the date this Report is filed.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable to a smaller reporting Company.

Item 8. Financial Statements and Supplementary Data.

**TimefireVR Inc.
Index to Financial Statements
December 31, 2018**

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To the Shareholders and
Board of Directors of TimefireVR Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of TimefireVR Inc. and its subsidiary (the "Company") as of December 31, 2018 and 2017, the related statements of operations, changes in shareholders' equity (deficit), and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has historically incurred operating losses and negative cash flows from operations, has not reached a level of revenues sufficient to fund their operating activities and requires additional funds for future operating activities. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have served as the Company's auditor since 2016.

/s/ Berkower LLC

Iselin, New Jersey
April 1, 2019

**TIMEFIREVR INC.
BALANCE SHEETS**

	December 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash	\$ 5,787	\$ 558,732
Current assets - discontinued operations	—	543
Cryptocurrencies	32,925	—
Interest receivable	10,430	—
Miscellaneous receivable	100,000	—
Accounts receivable	938	—
Prepaid expenses and other current assets	20,631	131,250
Total current assets	170,711	690,525
Other Assets:		
Property and equipment, net	91,676	—
Assets held for sale	—	59,628
Total Assets	\$ 262,387	\$ 750,153
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 138,954	\$ 144,660
Current liabilities - discontinued operations	—	510,419
Convertible notes payable, net	1,966,571	1,464,814
Notes payable	75,000	—
Notes payable - related party	15,000	—
Accrued interest	494,956	290,497
Total current liabilities	2,690,481	2,410,390
Long Term Liabilities:		
Derivative liabilities	79,088	198,994
Total long term liabilities	79,088	198,994
Total liabilities	2,769,569	2,609,384
Commitments and Contingencies	—	—
Mezzanine Equity		
Preferred Series A stock, par value \$.01 per share, 134,000 shares authorized; 0 and 133,334 shares issued and outstanding at December 31, 2018 and 2017. Stated at redemption value.	—	1,500,004
Shareholders' Equity/(Deficit):		
Preferred Stock, par value \$.01, 10,000,000 shares authorized all series:		
Preferred Series A-1 stock, par value \$.01 per share, 21,000 shares authorized; 0 and 14,923 shares issued and outstanding at December 31, 2018 and 2017, respectively	—	149
New Preferred Series A stock, par value \$.01 per share, 100 shares authorized; 100 and 0 shares issued and outstanding at December 31, 2018 and 2017, respectively	1	—
Preferred Series C stock, par value \$.01 per share, 0 and 502 shares issued and outstanding at December 31, 2018 and 2017, respectively	—	5
Preferred Series E stock, par value \$.01 per share, 122,190 and 0 shares issued and outstanding at December 31, 2018 and 2017, respectively	1,222	—
Common stock, par value \$.001 per share, 500,000,000 shares authorized; 235,460,470 and 47,269,804 shares issued and outstanding at December 31, 2018 and 2017, respectively	235,461	47,270
Obligation to issue common stock	1,000	—
Additional paid-in capital	2,639,005	(666,101)
Accumulated deficit	(5,383,871)	(2,740,558)
Total shareholders' equity/(deficit)	(2,507,182)	(3,359,235)
Total Liabilities and Shareholders' Equity/(Deficit)	\$ 262,387	\$ 750,153

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

TIMEFIREVR INC.
STATEMENTS OF OPERATIONS

	For the Years Ended	
	December 31, 2018	December 31, 2017
Revenues	\$ 105,129	\$ —
Cost of revenues	351,843	—
Gross margin	<u>(246,714)</u>	<u>—</u>
Operating expenses:		
Research and development	—	—
Occupancy	9,945	—
Officer compensation	667,659	170,319
Professional fees	884,515	903,906
Impairment of cryptocurrencies	7,025	—
Other operating expenses	264,673	17,989
Total operating expenses	<u>1,833,817</u>	<u>1,092,214</u>
Loss from operations	(2,080,531)	(1,092,214)
Other income (expense):		
Change in fair value of derivative liabilities	(9,928)	4,193,081
Loss recognized on disposition of cryptocurrencies	(55,597)	—
Loss on sale of equipment	(522,917)	—
Provision for loss on note receivable	(100,000)	—
Reserve for impairment of cryptocurrency mining equipment	(55,000)	—
Interest income	10,594	—
Interest expense	(500,182)	(344,061)
Total other income (expense)	<u>(1,233,030)</u>	<u>3,849,020</u>
Income (loss) from continuing operations	(3,313,561)	2,756,806
Gain on disposal of Timefire, LLC	670,428	—
Loss from discontinued operations	(180)	(1,627,979)
Income (loss) from discontinued operations	<u>670,248</u>	<u>(1,627,979)</u>
Income tax expense	—	—
Net income (loss)	<u>\$ (2,643,313)</u>	<u>\$ 1,128,827</u>
Basic net income (loss) per common share, continuing operations	<u>\$ (0.02)</u>	<u>\$ 0.06</u>
Diluted net income (loss) per common share, continuing operations	<u>\$ (0.02)</u>	<u>\$ 0.04</u>
Basic net income (loss) per common share, discontinued operations	<u>\$ 0.00</u>	<u>\$ (0.04)</u>
Diluted net income (loss) per common share, discontinued operations	<u>\$ 0.00</u>	<u>\$ (0.02)</u>
Basic weighted average common shares outstanding	<u>196,802,751</u>	<u>46,421,363</u>
Diluted weighted average common shares outstanding	<u>196,802,751</u>	<u>69,720,326</u>

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

TIMEFIREVR INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Preferred Stock		Common Stock		Additional Paid in Capital	Common Stock to be Issued	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	20,986	\$ 210	44,520,065	\$ 44,520	\$ (1,518,484)	\$ —	\$ (3,869,385)	\$ (5,343,139)
Preferred Series A-1 stock converted to common stock	(5,448)	(55)	544,736	545	(490)	—	—	—
Preferred Series C stock converted to common stock	(113)	(1)	1,130,000	1,130	(1,129)	—	—	—
Exchange of shares for services	—	—	1,075,000	1,075	241,425	—	—	242,500
Stock options issued for services	—	—	—	—	483,884	—	—	483,884
Restricted stock units issued for services	—	—	—	—	128,693	—	—	128,693
Net income	—	—	—	—	—	—	1,128,827	1,128,827
Balance at December 31, 2017	15,425	154	47,269,801	47,270	(666,101)	—	(2,740,558)	(3,359,235)
Exchange of debt for Preferred Series E	70,493	705	—	—	939,261	—	—	939,966
Exchange of warrants and Preferred stock for Preferred Series E	217,796	2,178	—	—	1,627,660	—	—	1,629,838
Preferred Series E stock converted to common stock	(181,524)	(1,815)	181,524,000	181,524	(179,709)	—	—	—
Exchange of shares for services	—	—	6,666,666	6,667	220,566	1,000	—	228,233
Stock options and warrants issued for services	—	—	—	—	697,329	—	—	697,329
Issuance of New Series A Preferred	100	1	—	—	(1)	—	—	—
Net loss	—	—	—	—	—	—	(2,643,313)	(2,643,313)
Balance at December 31, 2018	<u>122,290</u>	<u>\$ 1,223</u>	<u>235,460,467</u>	<u>\$ 235,461</u>	<u>\$ 2,639,005</u>	<u>\$ 1,000</u>	<u>\$ (5,383,871)</u>	<u>\$ (2,507,182)</u>

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

TIMEFIREVR INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31, 2018	December 31, 2017
Operating Activities:		
Net income (loss) from continuing operations	\$ (3,313,561)	\$ 2,756,806
Net income (loss) from discontinued operations	670,248	(1,627,979)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	154,712	12,607
Common stock issued for services	228,233	242,500
Warrants and options issued for services	697,329	483,884
Change in derivative liabilities	9,928	(4,193,081)
Net cryptocurrencies received in lieu of cash	(103,721)	—
Cryptocurrencies paid in lieu of cash	107,943	—
Loss recognized on disposition of cryptocurrencies	55,597	—
Impairment of cryptocurrencies	7,025	—
Restricted stock units issued for services	—	128,693
Interest expense from amortization of debt discount	64,915	53,564
Deferred rent	—	904
Loss on sale of equipment	522,917	—
Provision for loss on note receivable	100,000	—
Gain on sale of subsidiary	(670,428)	—
Changes in operating assets and liabilities:		
Accounts receivable	(938)	(38)
Interest receivable	(10,430)	—
Prepaid expenses and other current assets	110,619	(11,705)
Escrow fund	—	79,855
Accrued interest	431,447	321,824
Accounts payable and accrued expenses	(5,475)	314,115
Net Cash Used in Operating Activities	(943,640)	(1,438,051)
Investing Activities:		
Purchases of property and equipment	(974,305)	—
Reserve for impairment of cryptocurrency mining equipment	55,000	—
Proceeds from sale of equipment	50,000	—
Proceeds from note receivable	20,000	—
Proceeds from sale of subsidiary net of subsidiary cash	99,495	—
Deposits	—	86,376
Purchase of cryptocurrency	(100,000)	—
Net Cash Used in Investing Activities	(849,810)	86,376
Financing Activities:		
Proceeds from notes payable	151,000	—
Repayment of note payable	(76,000)	—
Proceeds from notes payable - related party	15,000	—
Demand obligation payable - related party	—	116,883
Short-term advance - related party	—	57,400
Net proceeds from convertible notes payable	1,150,000	1,511,250
Net Cash Provided by Financing Activities	1,240,000	1,685,533
Net Increase (Decrease) in Cash	(553,450)	333,858
Cash - Beginning of Year	559,237	225,379
Cash - End of Year	\$ 5,787	\$ 559,237
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of Series E Preferred for Series A, A-1 and C Preferred and warrants	\$ 1,629,838	\$ —
Issuance of Series E Preferred for convertible debt and accrued interest	\$ 939,966	\$ —
Conversion of Series E Preferred stock to common stock	\$ 181,524	\$ —
Conversion of Series C Preferred stock to common stock	\$ —	\$ 1,130
Conversion of Series A-1 Preferred stock to common stock	\$ —	\$ 545
Note receivable from sale of subsidiary	\$ 120,000	\$ —
Supplemental disclosure of cash flow information:		
Interest paid in cash	\$ —	\$ 697
Income taxes paid in cash	\$ —	\$ —

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

TIMEFIREVR INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Use of Estimates

Basis of Presentation and Organization and Reorganization

Effective September 13, 2016, TimefireVR Inc., a Nevada corporation (“Timefire,” “we,” “us,” “our” or the “Company”) entered into an Agreement and Plan of Merger (“Merger Agreement” or the “Merger”) through which it acquired Timefire LLC, a Phoenix-based virtual reality content developer and Arizona Limited Liability Company (“TLLC”). As consideration for the Merger, the Company issued the equity holders of TLLC a total of 41,400,000 shares of its common stock, and 2,800,000 five-year warrants exercisable at \$0.58 per share for 100% of the membership interests of TLLC. As a result, the former members of TLLC owned approximately 99% of the then outstanding shares of common stock.

On January 3, 2018, the Company entered into a Membership Interest Purchase Agreement (the “Agreement”) by and between the Company and Mitchell Saltz (“Saltz”). Pursuant to the terms of the Agreement, Saltz acquired all the membership interests of the Company’s subsidiary, Timefire LLC (“TLLC”).

In consideration for entering in the Agreement, the Company received: (i) \$100,000 in cash and (ii) a secured (by all the tangible and intangible property of TLLC) promissory note in the principal amount of \$120,000 bearing 6% annual interest which matured on September 28, 2018. As of December 31, 2018, TLLC had not paid the promissory note that was due on September 28, 2018 in full. TLLC made a partial payment of \$20,000, on November 1, 2018. Starting September 28, 2018 interest is accruing at the default rate of 18%. Additionally, Saltz or TLLC assumed certain of the Company’s liabilities including a sublease agreement entered into by the Company, loans made by Saltz to the Company, a certain \$100,000 senior convertible note of the Company dated March 3, 2017, a certain services agreement entered into by the Company, certain past compensation owed to the Company’s former executive officers, and certain credit card debts owed by the Company.

On January 3, 2018, the Company purchased \$100,000 of ether, the cryptocurrency offered by the Ethereum network. This purchase was the Company’s first material cryptocurrency purchase and signified the start of the Company’s entry into the cryptocurrency business. The Company is engaged in the mining of Bitcoin, Ether, Litecoin and Raven. Mining involves using computer equipment to verify cryptocurrency transactions by solving complex mathematical equations relating to the blockchain of the cryptocurrency. Miners who successfully solve equations on the blockchain before other miners may be rewarded for their efforts with cryptocurrency. The Company recognized net losses on disposition of cryptocurrency holdings of \$55,597 for the year ended December 31, 2018.

Reclassifications

For the years ended December 31, 2018 and 2017, the Company’s financial statements have been reclassified to the current presentation to reflect the discontinued operations resulting from the sale of TLLC. The reclassified financial statement items had no effect on net income for the periods.

Discontinued Operations

The Company has classified the operating results related to the TLLC virtual reality business, which was sold on January 3, 2018, as discontinued operations in the financial statements. Discontinued operations consist of specifically identified expenses as follows:

	For the Year Ended	
	December 31, 2018	December 31, 2017
Revenues	\$ —	\$ 933
Cost of sales	—	280
Gross profit	—	653
Operating expenses:		
Research and development	—	993,934
Occupancy	—	83,808
Depreciation and amortization	—	12,607
Officer compensation	—	480,412
Professional fees	—	1,563
Other operating expenses	—	24,286
Total operating expenses	—	1,596,610
Loss from operations	—	(1,595,957)
Other income (expense):		
Gain on disposal of Timefire, LLC	670,428	—
Interest income	—	2
Interest expense	(180)	(32,024)
Total other income (expense)	670,248	(32,022)
Income (loss) from discontinued operations	<u>\$ 670,248</u>	<u>\$ (1,627,979)</u>

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates. Significant estimates of the Company include accounting for depreciation and amortization, derivative liabilities, accruals and contingencies, the fair value of the Company’s common stock and the estimated fair value of warrants.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” (“ASC 606”). The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The adoption of ASC 606 has not had any material impact on the financial statements of the Company.

The Company is engaged in the mining of cryptocurrencies. The revenue generated is valued by the cryptocurrency closing price on the date earned as reported by various exchanges, including Coindesk for Bitcoin, Ether and Litecoin, and CoinMarketCap for Raven.

Cash and Cash Equivalents

The Company considers all highly liquid instruments, with original maturity of three months or less when purchased, to be cash equivalents. We place our cash and cash equivalents with major financial institutions. Such amounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”). From time to time, balances may exceed FDIC coverage limits.

Property and Equipment

Property and equipment is recorded at cost reduced by accumulated depreciation. Depreciation is provided for on the straight-line method, over the estimated useful lives of the assets. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. Gains and losses on the disposition of property and equipment are recorded in the period incurred.

The estimated useful lives of property and equipment are:

- Cryptocurrency mining equipment 3 years

Impairment of Long-Lived Assets and Intangible Assets

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 360-10, “Property, Plant, and Equipment,” which established a “primary asset” approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset and amortizable intangible asset to be held and used. Long-lived assets and amortizable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset and amortizable intangible asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets and amortizable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The Company has recorded an impairment expense of \$7,025 in the year ended December 31, 2018 due to the declining values of the cryptocurrencies it holds. Additionally, the Company recorded an impairment expense of \$55,000 in the year ended December 31, 2018 to reflect the expected sale of additional cryptocurrency mining equipment in 2019 at a loss.

Business Segments

ASC 280, “Segment Reporting” requires use of the “management approach” model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has one operating segment as of December 31, 2018.

Income Taxes

The Company accounts for income taxes under FASB ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. At December 31, 2018, the entire deferred tax asset, which arises primarily from our net operating losses, has been fully reserved because management has determined that it is not “more likely than not” that the net operating loss carry forwards would be realized in the future.

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. We do not believe we have any uncertain tax positions deemed material as of December 31, 2018 and 2017. With few exceptions, we believe we are no longer subject to U.S. federal and state income tax examinations by tax authorities for tax periods prior to fiscal 2014. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2018 and 2017, we had no accrued interest or penalties. Tax years ended December 31, 2014 through 2018 are subject to examination by tax authorities. We currently have no federal or state tax examinations in progress.

Stock-Based Compensation

In accordance with ASC No. 718, Compensation – Stock Compensation (“ASC 718”), the Company measures the compensation costs of stock-based compensation arrangements based on the grant date fair value of granted instruments and recognizes the costs in the financial statements over the period during which such awards vest. Stock-based compensation arrangements include stock options and restricted stock awards.

Equity instruments (“Instruments”) issued to non-employees are recorded on the basis of the fair value of the Instruments, as required by ASC 718. ASC No. 505, Equity Based Payments to Non-Employees (“ASC 505”), defines the measurement date and recognition period for such Instruments. In general, the measurement date is (a) when a performance commitment, as defined, is reached or (b) when the earlier of (i) the non-employee performance is complete and (ii) the Instruments are vested. The measured fair value related to the Instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in ASC 505.

Net Income (Loss) Per Share

Basic earnings per share does not include dilution and is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. Dilutive securities are not included in the weighted average number of shares when inclusion would be anti-dilutive. As of December 31, 2018 and 2017, there were total shares of 190,232,724 and 23,426,154, respectively, issuable upon conversion of preferred stock, exercise of warrants and options.

Fair Value Measurements

ASC 820 Fair Value Measurements defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and expands disclosure about fair value measurements.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1- fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2- fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3- fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Valuations based on unobservable inputs are highly subjective and require significant judgments. Changes in such judgments could have a material impact on fair value estimates. In addition, since estimates are as of a specific point in time, they are susceptible to material near-term changes. Changes in economic conditions may also dramatically affect the estimated fair values.

Financial instruments classified as Level 1 - quoted prices in active markets include cash.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2018. The respective carrying value of certain financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses.

Derivative Liabilities

The Company issued common stock purchase warrants in September 2016 in conjunction with the Merger Agreement. Additional warrants were issued in March and August 2017 as part of private placement offerings. Warrants were also issued in March and August 2018 as part of private placement offerings (see Note 6) and per an advisory agreement (see Note 9). In accordance with ASC No. 480, *Distinguishing Liabilities from Equity* ("ASC 480"), the fair value of these warrants is classified as a liability on the Company's Balance Sheets because, according to the warrants' terms, a fundamental transaction could give rise to an obligation of the Company to pay cash to certain warrant holders. Corresponding changes in the fair value of the warrants are recognized as a gain or loss on the Company's Statements of Operations in each subsequent period.

The fair value of the warrants at December 31, 2018 and 2017 was \$79,088 and \$198,994, respectively. The difference has been recorded as a change in change in fair value of derivatives. Also affecting the change in fair value of derivatives has been the issuances of the March and August 2018 warrants (see Note 6) and the exchange of warrants and preferred stock for Series E Preferred (see Note 10).

Adoption of Recent Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-09, which revises the guidance in ASC 718, *Compensation - Stock Compensation*, which changed how companies account for certain aspects of share-based payments to employees, including the income tax impact, classification on the statement of cash flows and forfeitures. The guidance is effective for reporting periods (interim and annual) beginning after December 15, 2016, for public companies. The Company adopted ASU No. 2016-09 in the first quarter of 2017, and it has not had any material impact on the financial statements of the Company.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard, which will be effective for the Company beginning in the first quarter of fiscal year 2021, is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact this standard will have on its financial statements, if any.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize, on the balance sheet, a liability to make lease payments and a right-of-use asset representing a right to use the underlying asset for the lease term. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact that this standard will have on our financial statements.

There have been no other recently issued accounting pronouncements that have had or are expected to have a material impact on the Company's financial statements.

Subsequent Events

In accordance with ASC 855 "Subsequent Events" the Company evaluated subsequent events after the balance sheet date.

2. Going Concern

The Company has incurred losses since inception and requires additional funds for future operating activities. The Company has not reached a level of revenue sufficient to fund its operating activities. These factors create an uncertainty as to how the Company will fund its operations and maintain sufficient cash flow to operate as a going concern. The combination of these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in response to these factors include the issuances of debt in exchange for cash such as that which is described in Note 6, Notes Payable. Additionally, the Company is seeking to move forward with an acquisition partner.

The Company's ability to meet its cash requirements in the next year is dependent upon obtaining additional financing and moving forward with an acquisition. If this is not achieved, the Company will be unable to obtain sufficient cash flow to fund its operations and obligations, and as a result there is substantial doubt the Company will be able to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis, and accordingly, do not include any adjustments relating to the recoverability and classification of recorded asset amounts; nor do they include adjustments to the amounts and classification of liabilities that might be necessary should the Company be unable to continue operations or be required to sell its assets.

3. Gain on Disposal of Timefire LLC

As discussed in Note 1, on January 3, 2018, the Company entered into the Agreement. Pursuant to the terms of the Agreement, Mr. Saltz acquired all the membership interests of TLLC.

In consideration for entering into the Agreement, the Company received: (i) \$100,000 in cash and (ii) a secured promissory note in the principal amount of \$120,000 bearing 6% annual interest that matured on September 28, 2018. Additionally, Mr. Saltz and TLLC each assumed certain of the Company's liabilities including a sublease agreement entered into by the Company, loans made by Mr. Saltz to the Company, a certain \$100,000 senior convertible note from the March 2017 Notes, as defined below, a certain services agreement entered into by the Company, certain past compensation owed to the Company's former executive officers, and certain credit card debts owed by the Company. Total gross proceeds from the sale were \$220,000, including the cash payment and secured promissory note, plus \$510,599 in liabilities relieved, less \$60,171 of assets sold to TLLC resulted in a gain on disposal of \$670,428.

Assets sold:	
Cash	(505)
Property & equipment, net	(26,128)
Accounts receivable	(38)
Deposit	(33,500)
	<u>(60,171)</u>
Liabilities relieved:	
Accounts payable & accrued expenses	204,809
Demand obligation payable - related party	116,883
Convertible notes payable	100,000
Accrued interest	31,507
Short-term advice - related party	57,400
	<u>510,599</u>
Additional consideration:	
Note receivable	120,000
Cash	100,000
	<u>220,000</u>
Gain on disposal of Timefire, LLC	<u>670,428</u>

The gain on disposal is included in the income from discontinued operations on the profit and loss statement for the year ended December 31, 2018.

As of December 31, 2018, TLLC had only paid \$20,000 of the \$120,000 secured promissory note. Management has created an allowance for the full remaining \$100,000 principal amount due to uncertainty about collectability.

4. Property and Equipment, net

The following represents a summary of our property and equipment:

	December 31,	
	2018	2017
Cryptocurrency mining equipment	192,305	—
Less: accumulated depreciation	(45,629)	(—)
Less: reserve for impairment	(55,000)	(—)
	<u>\$ 91,676</u>	<u>\$ —</u>

Between March and August, 2018, the Company purchased \$974,305 worth of cryptocurrency mining equipment. In December 2018, the Company sold \$782,000 worth of this equipment for \$150,000 for a loss on disposal of equipment of \$522,917. For the year ended December 31, 2018, the Company recorded an impairment expense of \$55,000 to reflect the expected sale of additional cryptocurrency mining equipment in 2019 at a loss.

Depreciation expense was \$154,712 and \$0 for the years ended December 31, 2018 and 2017, respectively. This is reflected as part of cost of revenues on the statement of operations.

5. Cryptocurrencies

On January 3, 2018, the Company purchased \$100,000 of ether (106.95 units), the cryptocurrency offered by the Ethereum network. In April 2018, the Company began its mining operations. The Company is paid in cryptocurrency for these operations. It started out mining Bitcoin and later, expanded into the mining of Ether, Litecoin and Raven. The revenue generated is valued by the cryptocurrency fair value on the date earned. Such amounts aggregated \$105,129 for the year ended December 31, 2018.

The Company has utilized its cryptocurrency holdings to satisfy certain trade payables. The Company recognizes gain or loss at the time of the disposition of the cryptocurrency assets, which is the difference of the then fair value versus book value. The Company has recognized \$55,597 in net loss on disposition of cryptocurrencies.

6. Notes Payable

On March 6, 2017, the Company closed on a private placement offering with institutional investors and one of the Company's former directors pursuant to which the Company issued and sold the investors senior convertible notes (the "March 2017 Notes") in the aggregate principal amount of \$750,000, with an original issue discount of 5%, for gross proceeds to the Company of \$712,500 prior to payment of \$20,000 in reimbursement of legal fees of the lead investor. The March 2017 Notes had an original maturity date of September 3, 2017 with an initial interest rate of 8%, and a default interest rate of 18% which became effective as of the maturity date. On the maturity date, the Company was obligated to repay an amount equal to 120% of outstanding principal and accrued interest. On the maturity date (and subsequently, if the holders had elected to extend the maturity date), the investors had the right to convert the Notes into the common stock of the Company at \$0.30 per share, subject to adjustment (the "Conversion Price"). As additional consideration, the Company issued the investors a total of 2,500,000 five-year warrants to purchase the Company's common stock, which are exercisable on or after the maturity date at \$0.35 per share. The Company failed to pay the March 2017 Notes on the maturity date, which date the investors did not elect to extend.

On August 18, 2017, the Company closed on an offering of convertible notes and warrants on terms substantially identical to the March 6, 2017 financing. The purchasers are the same investors as in the March 2017 Notes except for the former director who did not participate in this financing. The Company received \$60,000 in net proceeds from the issuance of \$63,158 of convertible notes (the "August 2017 Notes"). Additionally, the Company issued the investors a total of 210,526 five-year warrants exercisable at \$.35 per share. The Company failed to pay the August 2017 Notes when due on September 3, 2017.

The March 2017 Notes and August 2017 Notes and accompanying warrants were converted on January 3, 2018 into Series E Preferred stock. See Note 10.

On October 27, 2017, the Company closed on an offering of convertible notes with two institutional investors in the principal amount of \$70,000 (the "October 2017 Notes"). The October 2017 Notes matured on November 29, 2017 and bear interest at 8% per annum. On the maturity date, the Company was obligated to repay an amount equal to 120% of the outstanding principal and accrued interest. The investors may elect to convert the October 2017 Notes into common stock of the Company at \$.03 per share. The Company failed to pay these October 2017 Notes when due.

On December 21, 2017, the Company closed on an offering with three institutional investors pursuant to which the Company issued and sold convertible notes in the aggregate principal amount of \$703,947 (the "December 2017 Notes"). The December 2017 Notes had an original issue discount of 5%, for proceeds to the Company in the amount of \$668,750. The notes matured on January 20, 2018, bear interest at 8%, and require the repayment of 120% of principal and accrued interest at maturity. The investors may elect to convert the December 2017 Notes into common stock of the Company at \$.03 per share.

On March 6, 2018, the holders of the October 2017 Notes and December 2017 Notes agreed to extend the due date of these notes to April 15, 2019 as discussed below.

On March 6, 2018, the Company closed on a private placement offering with institutional investors pursuant to which the Company issued and sold Senior Secured Convertible Notes (the "2018 Notes") to the Investors in the aggregate principal amount of \$1,052,632 with an original issue discount of 5% and received gross proceeds of \$1,000,000. The 2018 Notes mature on April 15, 2019 and bear interest at 8% per annum. The 2018 Notes are secured by a first lien on all of the assets of the Company. On the maturity date, the Company must repay an amount equal to 120% of the outstanding principal and accrued interest. Beginning on the six-month anniversary of the issuance of the 2018 Notes, the investors may elect to convert the 2018 Notes into common stock of the Company at \$0.03 per share, subject to adjustment. In addition, the 2018 Notes are redeemable by the Company up to 90 days following issuance at an amount equal to 110% of outstanding principal and accrued interest, and thereafter at an amount equal to 120% of outstanding principal and accrued interest, subject in either case to upward adjustment to the extent the closing price of the Company's common stock on the OTCQB exceeds the Conversion Price. As additional consideration, the Company issued the investors a total of 35,087,720 five-year warrants to purchase the Company's common stock, which are exercisable on or after the six-month anniversary of the issuance at \$0.06 per share. In addition, the Investors agreed to extend the due date of the October 2017 Notes and December 2017 Notes.

On August 7, 2018, the Company borrowed \$76,000 from an institutional investor and issued a 5% original issue discount promissory note in the total principal amount of \$80,000. This note matures on the sixth month anniversary of the effective date and bears interest at 12% per annum. The Note automatically becomes due and payable upon the Company closing a financing through which the Company receives proceeds of at least \$125,000. This note was repaid upon receipt of the funds for the below listed August 21, 2018 note.

On August 21, 2018, the Company borrowed \$150,000 from an institutional investor and issued a convertible promissory note in the total principal amount of \$156,250. The note matures on April 15, 2019 and bears interest at 8% per annum. On the maturity date, the Company must repay an amount equal to 120% of the outstanding principal and accrued interest. Beginning on the six-month anniversary of the issuance date, the Investor may elect to convert the note into common stock of the Company at \$0.03 per share, subject to adjustment. In addition, the note is redeemable by the Company up to 90 days following issuance at an amount equal to 110% of outstanding principal and accrued interest, and thereafter at an amount equal to 120% of outstanding principal and accrued interest, subject in either case to upward adjustment to the extent the closing price of the Company's common stock on the OTCQB exceeds the Conversion Price. As additional consideration, the Company issued the investor a total of 5,000,000 five-year warrants to purchase the Company's common stock, which are exercisable on or after the six-month anniversary of the issuance date at \$0.06 per share.

On October 12, 2018, the Company entered into a promissory note with its Chief Executive Officer in the amount of \$15,000. The note bears interest at a rate of 2.55%. This note was repaid subsequent to the date of these financials, in January 2019.

On November 21, 2018, the Company borrowed \$75,000 from an institutional investor and issued the investor a promissory note in the total principal amount of \$75,000. The note matured on February 19, 2019, bears interest at 5% and is in default.

The aggregate principal amount of the above described convertible notes that remain outstanding is \$1,982,829, which is shown in the accompanying balance sheet as of December 31, 2018, net of \$16,258 debt discount, as convertible notes payable-net. The principal amount of the remaining notes payable total \$90,000. Accrued interest amounted to \$494,956 as of that date and interest expense aggregated \$500,182 for the year ended December 31, 2018.

7. Related Party Transactions

On March 6, 2017, the Company issued one of the March 2017 Notes to a former director as an investor for \$100,000. The Company's obligation under the March 2017 Notes was cancelled on January 3, 2018 as described below.

On June 2, 2017, the Company received a short-term advance in the amount of \$57,400 from an entity managed by a former director. The Company's obligation to repay this amount was cancelled on January 3, 2018 as described below.

During the year ended December 31, 2017, the Company received advances totaling \$116,883 from a related party, an original TLLC investor. These advances are not evidenced by a promissory note, and are non-interest bearing. The Company's obligation to repay this amount was cancelled on January 3, 2018 as described below.

On January 3, 2018, the Company effected the sale of TLLC to a group of persons including TLLC's former owners and two of the Company's former executive officers and directors.

As discussed in Note 6, on October 12, 2018, the Company borrowed \$15,000 from its Chief Executive Officer.

8. Income Taxes

The components of deferred tax assets at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets		
Net operating losses	\$ 7,740,000	\$ 6,850,000
Valuation allowance	(7,740,000)	(6,850,000)
Net deferred tax asset	\$ —	\$ —

Net operating loss carry forwards (“NOLs”) for tax purposes were approximately \$30 million at December 31, 2018. The losses generally will expire between 2018 and 2038. We used 25.90% and 24.56% effective tax rates for our projected available net operating loss carry-forwards as of December 31, 2018 and 2017, respectively. However, as a result of potential stock offerings and stock issuances in connection with acquisitions, as well as the possibility of the Company not realizing its business plan objectives and having future taxable income to offset, the Company’s use of these NOLs may be limited under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended. The Company is in the process of evaluating the implications of Section 382 on its ability to utilize some or all of its NOLs.

In accordance with FASB ASC 740 “Income Taxes”, valuation allowances are provided against deferred tax assets, if based on the weight of available evidence, some or all of the deferred tax assets may or will not be realized. Tax benefits of operating loss carry forwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carry forward period, and other circumstances. The Company has evaluated its ability to realize some or all of the deferred tax assets on its balance sheet and has established a 100% valuation allowance in the approximate amounts of \$7,740,000 at December 31, 2018 and \$6,850,000 at December 31, 2017. The valuation allowance increased by approximately \$890,000 and decreased by approximately \$2,720,000 in the years ended December 31, 2018 and 2017, respectively. The Company is delinquent in filing of certain of its corporate tax returns. Consequently, NOL’s may be impaired.

9. Commitments and Contingencies

Employment Agreements

Effective September 13, 2016, the Company entered into an employment agreement with its former President, John Wise. The agreement was for a two year period at the rate of \$150,000 per annum. The Company was in default on this agreement, and the payroll for this officer accrued from July 8, 2017 until his resignation in October 2017.

Effective September 13, 2016, the Company entered into an employment agreement with its former Chief Strategy Officer, who was later named Chief Executive Officer, Jeffrey Rassas. The Company was in default on this agreement, and the payroll for this officer accrued from May 16, 2017 until his resignation in October 2017.

Aggregate accrued payroll for these two former officers was approximately \$106,000 as of December 31, 2017. These obligations were cancelled on January 3, 2018 as part of the sale of TLLC.

Effective January 3, 2018, the Company entered into an oral employment agreement (the “Read Agreement”) with the Company’s current Chief Executive Officer (the “CEO”), Jonathan Read. Under the terms of the Read Agreement, the Company is to pay Mr. Read an annual salary of \$240,000 subject to his continued employment with the Company. Additionally, the Company paid Mr. Read compensation for his services as the Company’s CEO from October 20, 2017, to December 31, 2017, calculated as a pro-rata portion of an annual salary of \$150,000. Additionally, on January 3, 2018 (the “Grant Date”) the Company’s Board of Directors (the “Board”) granted Mr. Read 15,000,000 stock options of which 5,000,000 vested on the Grant Date, 5,000,000 will vest one-year from the Grant Date, and 5,000,000 will vest two years from the Grant Date subject to continued employment with the Company. As discussed in Note 12, on March 1, 2019, Mr. Read moved to a part-time arrangement with compensation of \$5,000 per month.

Effective January 3, 2018, the Company agreed to compensate Gary Smith for his service as a non-employee director by paying him \$2,500 per calendar quarter effective as of July 10, 2017, for as long as he is a member of the board.

Lease Agreements

On September 23, 2016, the Company entered into an office lease agreement commencing October 1, 2016. This lease expired December 31, 2018. As part of the sale of TLLC, the Company was released of this lease obligation as well as the rights to the security deposit.

On February 21, 2018, the Company entered into an office lease agreement which commenced immediately and expires February 28, 2019. After the expiration date, the Company moved to a month-to-month arrangement at the same location. The Company incurred rent expense totaling \$9,946 for the year ended December 31, 2018.

Other Agreements

On January 20, 2017, the Company entered into an agreement with a firm to provide their artificial intelligence conversational voice platform for integration into the Company’s product. Per the agreement, the Company issued 50,000 shares of common stock and was scheduled to make monthly payments towards a \$127,500 integration fee. As of December 31, 2017, the Company had expensed \$46,000, with \$35,000 remaining in accounts payable. On January 3, 2018, the Company sold TLLC, and this payable, and any future obligations under this agreement, were relieved as part of this transaction.

On November 7, 2016, the Company entered into an agreement with a firm to provide general advisory and business development advisory services for a fee of \$75,000. The Company remitted \$75,000, but the contract was ultimately cancelled and the services were postponed. The amount was recorded as a deposit on contract. Later, on March 27, 2017, the Company entered into an agreement with the same firm to provide these services on an expanded scale for a fee of \$150,000. Per the agreement, the firm applied our previously remitted funds and we paid the remaining \$75,000 balance. In addition to the cash compensation, the firm was also compensated via a one-time equity retainer of 25,000 shares of common stock.

On April 4, 2017, the Company entered into an agreement with a firm to provide management and general business consulting services. The term of the agreement was 24 months, and the firm was compensated via the issuance of 1,000,000 shares of common stock at a price of \$.21 per share. The shares were to be expensed ratably over the term of the agreement. However in December, 2018, the Company expensed the remaining balance due to no longer utilizing these services.

On January 18, 2018, the Company entered into an agreement for corporate communications services. The agreement is for an initial period of six months with a monthly fee of \$5,000. Should the Company raise \$2,000,000 or more, the monthly fee increases to \$7,500 per month. The Company will also issue 1,000,000 shares of common stock per this agreement. These shares have not yet been issued as of the date of this report.

On March 16, 2018, the Company entered into an Advisor Agreement (the "Advisor Agreement") with a third party (the "Advisor"), and David Drake ("Drake"), a consultant to the cryptocurrency industry. Under the terms of the Advisor Agreement, Drake was appointed to the Company's Advisory Board and Drake and the Advisor agreed to assist the Company in the implementation and execution of its cryptocurrency business model, including initiation of its mining business and recommending to the Company potential acquisitions and joint ventures in this sector. Drake was required to devote at least three business days per month to assisting the Company. The Company agreed to issue the Advisor 6,666,666 shares of common stock valued at \$0.03 per share, which shares shall vest quarterly over a 12-month period subject to the Advisor Agreement not having been terminated as of each applicable vesting date. The Company also issued the Advisor 6,666,666 3-year warrants, with the same vesting period, exercisable at \$0.05 per share. The Company agreed to pay the Advisor a royalty from net revenues received from its mining of cryptocurrency with the royalties decreasing over a five-year period. Finally, the Company agreed to reimburse the Advisor \$5,000 a month for the services of an engineer to operate the Company's cryptocurrency mining business. On November 15, 2018, we provided the other parties to the Advisory Agreement with notice of termination of the Advisory Agreement effective December 15, 2018. As a result, the Company expensed all remaining amounts relating to the issuance of the shares and warrants.

On May 15, 2018, the Company entered into a Master Service Agreement ("MSA") with ColoGuard Enterprise Solutions ("ColoGuard") which became effective August 1, 2018. ColoGuard provided colocation and other services related to our cryptocurrency mining activities. In December 2018, the Company cancelled the MSA as part of a settlement agreement with ColoGuard. As part of this agreement, ColoGuard re-purchased 200 mining units, and agreed to host our remaining units until March 20, 2019 at no charge.

10. Shareholders' Deficit

Common Stock

There is currently only one class of common stock. Each share of common stock is entitled to one vote. The authorized number of shares of common stock of the Company at December 31, 2018 was 500,000,000 shares with a par value per share of \$0.001. Authorized shares that have been issued and fully paid amounted to 235,460,470 as of December 31, 2018.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.01 per share, with rights, preferences and limitations as may be decided from time-to-time by the Board of Directors.

New Series A

On December 6, 2018, TimefireVR Inc. filed a Certificate of Designation authorizing 100 shares of the Company's preferred stock as the new Series A Preferred Stock (the "new Series A") with a par value of \$.01 per share. The new Series A provides the holder of the new Series A with a majority of the Company's outstanding voting power. The Company intends to issue all outstanding shares of the new Series A to the Company's Chief Executive Officer.

The new Series A is not convertible and does not have any preferential dividend or liquidation rights. Holders of the new Series A shall only be entitled to vote on the approval of an amendment to the company's Articles of Incorporation and shall be entitled to a voting power equal to one vote more than the total combined voting power of the Company's common stock and all other series or classes of the Company's outstanding equity. The Company shall have the obligation to redeem all of the Series A for a total of \$100 upon the Company's filing with the Nevada Secretary of State of an amendment to the Company's Articles of Incorporation effecting a reverse stock split or an increase in authorized capital of the Company's common stock.

Series E

Effective January 3, 2018, the Board of Directors authorized the issuance of up to 305,000 shares of Series E Convertible Preferred Stock ("Series E"). Each share of Series E has a stated value of \$1,000 and is convertible into shares of our common stock at a conversion price of \$1.00 per share. The Series E does not have any price protection from future issuances of securities by the Company at a price below the conversion price then in effect.

Pursuant to an Exchange Agreement entered into effective January 3, 2018, we issued 303,714 shares of the Series E in exchange for the cancellation of the following securities:

- 133,333.69 shares of Series A Convertible Preferred Stock (extinguishing such series) - 133,334 Series E shares;
- 14,923.30 shares of Series A-1 Convertible Preferred Stock (extinguishing such series) – 44,770 Series E shares;
- 501.54 shares of Series C Convertible Preferred Stock (extinguishing such series) – 50,154 Series E shares;
- \$650,000 of Senior Convertible Notes issued March 3, 2017 – 63,368 Series E shares;
- \$63,158 of Senior Convertible Notes issued August 21, 2017 – 7,125 Series E shares; and
- Warrants to purchase 4,963,402 shares of our common stock – 4,963 Series E shares.

During the year ended December 31, 2018, holders of 181,524 shares of Series E converted them into 181,524,000 shares of our common stock. At December 31, 2018, there are 122,190 shares of Series E outstanding, which are convertible into an aggregate of 122,190,000 shares of our common stock.

Series C

In 2014, the Board approved the issuance of Series C Preferred Stock ("Series C"). Each share of Series C shall be convertible at the option of the holder at any time, into 10,000 shares of common stock. During the year ended December 31, 2017, holders of 113 shares of Series C converted them into 1,130,000 shares of our common stock. At December 31, 2017, there are 501.54 shares of Series C outstanding. Effective January 3, 2018, all Series C shares were cancelled in exchange for 50,154 Series E shares. On January 22, 2018, the Company filed a Certificate of Withdrawal of Certificate of Designation with the Nevada Secretary of State canceling this series of stock.

Series A-1

Effective August 24, 2016, the Board approved the issuance of Series A-1 Preferred Stock ("Series A-1"). Each share of Series A-1 shall be convertible at the option of the holder at any time, into 100 shares of common stock. During the year ended December 31, 2017, holders of 5447.39 shares of Series A-1 converted them into 544,739 shares of common stock. At December 31, 2017, there are 14,923 shares of Series A-1 outstanding. Effective January 3, 2018, all Series A-1 shares were cancelled in exchange for 44,770 Series E shares. On January 22, 2018, the Company filed a Certificate of Withdrawal of Certificate of Designation with the Nevada Secretary of State canceling this series of stock.

Series A

Effective September 13, 2016, the Company closed on the SPA and the Board approved the issuance of a newly designated Series A Convertible Preferred Stock ("Series A"). At December 31, 2017, there were 133,334 shares of Series A outstanding. Effective January 3, 2018, all Series A shares were cancelled in exchange for 133,334 Series E shares. On January 22, 2018, the Company filed a Certificate of Withdrawal of Certificate of Designation with the Nevada Secretary of State canceling this series of stock.

The Series A contained certain provisions that were outside the Company's control and which the Company believed caused the Series A to be classified as mezzanine equity.

Expanded detail for the Statement of Changes in Shareholders' Equity preferred stock is as follows:

	Preferred Series A-1		Preferred Series C		Preferred Series E		New Preferred Series A		Total Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance at December 31, 2016	20,371	\$ 204	615	\$ 6	—	\$ —	—	\$ —	20,986	\$ 210
Preferred Series A-1 stock converted to common stock	(5,448)	(55)	—	—	—	—	—	—	(5,448)	(55)
Preferred Series C stock converted to common stock	—	—	(113)	(1)	—	—	—	—	(113)	(1)
Balance at December 31, 2017	14,923	149	502	5	—	—	—	—	15,425	154
Exchange of debt for Preferred Series E	—	—	—	—	70,493	705	—	—	70,493	705
Exchange of warrants and Preferred stock for Preferred Series E	(14,923)	(149)	(502)	(5)	233,221	2,332	—	—	217,796	2,178
Preferred Series E stock converted to common stock	—	—	—	—	(181,524)	(1,815)	—	—	(181,524)	(1,815)
Issuance of New Series A Preferred	—	—	—	—	—	—	100	1	100	1
Balance at December 31, 2018	—	\$ —	—	\$ —	122,190	\$ 1,222	100	\$ 1	122,290	\$ 1,223

Warrants

The balance of warrants outstanding for purchase of the Company's common stock as of December 31, 2018 and 2017 is as follows:

	Common Shares Issuable Upon Exercise of Warrants	Exercise Price of Warrants	Date Issued	Expiration Date
Balance of warrants at December 31, 2016	5,386,207			
Issued per offering (1)	2,500,003	\$.35	3/3/2017	9/3/2022
Issued per offering (2)	210,526	\$.35	8/21/2017	2/21/2023
Balance of warrants at December 31, 2017	8,096,736			
Cancelled in exchange for Series E (3)	(4,963,402)			
Issued per offering (4)	35,087,720	\$.06	3/6/2018	9/6/2023
Issued for services (5)	6,666,666	\$.05	3/16/2018	3/16/2021
Issued per offering (6)	5,000,000	\$.06	8/21/2018	2/21/2024
Balance of warrants at December 31, 2018	49,887,720			

(1) On March 3, 2017, per the terms of an offering (see Note 6), the Company issued warrants at \$.35 to purchase 2,500,003 shares of common stock. The warrants may not be exercised for six months after their effective date of March 3, 2017. The warrants have an expiration date of five years after the initial six months have passed. The original fair value of these warrants on the date of issuance was \$377,525. On January 3, 2018, 2,166,669 of these warrants were cancelled in exchange for Series E shares. As of December 31, 2018, the fair value of the remaining warrants was \$473, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

(2) On August 21, 2017, per the terms of an offering (see Note 6), the Company issued warrants at \$.35 to purchase 210,526 shares of common stock. The warrants may not be exercised for six months after their effective date of August 21, 2017. The warrants have an expiration date of five years after the initial six months have passed. The original fair value of these warrants on the date of issuance was \$7,516. On January 3, 2018, all of these warrants were cancelled in exchange for Series E shares.

(3) As discussed above, on January 3, 2018, 4,963,402 warrants to purchase shares of common stock were cancelled in exchange for 4,963 Series E shares.

(4) On March 6, 2018, pursuant to the 2018 Notes (see Note 6), the Company issued warrants at \$.06 to purchase 35,087,720 shares of common stock. The warrants may not be exercised for six months after their effective date of March 6, 2018. The warrants have an expiration date of five years after the initial six months have passed. The initially recorded fair value of these warrants was \$270,175. As of December 31, 2018, the fair value of these warrants was \$57,895, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

(5) On March 16, 2018, per the terms of the Advisor Agreement (see Note 9), the Company issued warrants at \$.05 to purchase 6,666,666 shares of common stock. The warrants have an expiration date of March 16, 2021. The initially recorded fair value of these warrants was \$87,933. As of December 31, 2018, the fair value of these warrants was \$9,800, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

(6) On August 21, 2018, pursuant to the August 21, 2018 convertible promissory note (see Note 6), the Company issued warrants at \$.06 to purchase 5,000,000 shares of common stock. The warrants may not be exercised for six months after their effective date of August 21, 2018 and they have an expiration date of five years after the initial six months have passed. The initially recorded fair value of these warrants was \$23,050. As of December 31, 2018, the fair value of these warrants was \$8,400, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

2016 Equity Incentive Plan

Effective September 13, 2016, the Company adopted the 2016 Equity Incentive Plan (the "2016 Plan") to provide an incentive to our employees, consultants, officers and directors who are responsible for or contribute to our long-range success. A total of 3,300,000 shares of our common stock were originally reserved for the implementation of the 2016 Plan, either through the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, or restricted stock units. Whenever practical, the 2016 Plan is to be administered by a committee of not less than two members of the Board of Directors appointed by the full Board, and the 2016 Plan has a term of ten years, unless sooner terminated by the Board. On January 3, 2018, the Board amended the Company's 2016 Equity Incentive Plan by increasing the authorized number of shares available under the plan by 30,000,000. As of December 31, 2018, 15,145,000 shares of common stock remain available for issuance under the 2016 Plan.

Effective September 13, 2016, pursuant to his employment agreement, the Company entered into a Restricted Stock Unit ("RSU") Agreement with Mr. Read which granted him 500,000 RSUs pursuant to the 2016 Plan. The RSUs were to vest in three approximately equal increments with the first tranche being fully vested on the grant date and the remaining tranches vesting on the first-year and second-year anniversaries of the grant date. The fair value of the award was calculated based on the price of the common stock on the grant date and was to be expensed over the vesting period. Effective January 31, 2017, Mr. Read's former employment agreement was terminated and the RSUs became fully vested. The Company recorded \$0 and \$128,695 in expense related to this grant during the years ended December 31, 2018 and 2017, respectively.

On January 20, 2017, the Company granted options to purchase 1,655,000 shares of its common stock at \$.50 to employees including a total of 800,000 options to its then Chief Executive Officer and Chief Financial Officer per the 2016 Plan. The shares will vest based on months of service as of the grant date. Employees that had worked for twelve months or more as of the grant date had one-third of their options vested as of grant date. All other employees received pro-rata vesting for the portion of a year that they had worked. The remaining options will equally vest on the 1st and 2nd anniversary of the grant date. The Company recorded \$291,102 and \$483,884 in expense related to this grant during the years ended December 31, 2018 and 2017, respectively.

On January 3, 2018, as part of an oral employment agreement with the Company's Chief Executive Officer, the Company granted Mr. Read 15,000,000 stock options of which 5,000,000 vested on the grant date, 5,000,000 will vest one-year from the grant date, and 5,000,000 will vest two years from the grant date subject to continued employment with the Company. The Company recorded \$292,200 in expense related to this grant during the year ended December 31, 2018.

On January 22, 2018, the Company granted board member Gary Smith 1,000,000 stock options under the 2016 Plan, exercisable at \$.03 per share, vesting quarterly over one year beginning in three months subject to continued service as a director on each applicable vesting date. The Company recorded \$26,094 in expense related to this grant during the year ended December 31, 2018.

11. Fair Value Measurements

Our financial instruments consist of cash, accounts payable, accrued liabilities, and warrant liability. We do not believe that we are exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of the warrants approximates their carrying values using Level 3 inputs. Gains and losses recognized on changes in fair value of the warrants are reported in other income (expense). Our warrant valuation was measured at fair value by applying the Black-Scholes option valuation model, which utilizes Level 3 inputs.

The assumptions used in the Black-Scholes option re-valuation at December 31, 2018 are as follows:

	Risk-free interest rate	Expected life	Volatility	Dividend yield
September 2016 warrants	2.46%	2.75 years	220.747%	0%
March 2017 warrants	2.46%	3.75 years	228.164%	0%
March 6, 2018 warrants	2.51%	4.75 years	215.957%	0%
March 16, 2018 warrants	2.46%	2.25 years	267.010%	0%
August 2018 warrants	2.51%	5.25 years	211.637%	0%

The following summarizes the Company's financial liabilities that are measured at fair value on a recurring basis at December 31, 2018.

Liabilities	Level 1	Level 2	Level 3	Total
Derivative liabilities	\$ —	\$ —	\$ 79,088	\$ 79,088

12. Subsequent Events

Effective March 1, 2019, our Chief Executive Officer modified his consulting agreement reducing his compensation to \$5,000 per month and ceasing to provide full-time services.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

We have had no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures with any of our accountants for the year ended December 31, 2018 or any interim period. We have not had any other changes in nor have we had any disagreements, whether or not resolved, with our accountants on accounting and financial disclosures during our recent fiscal year or any later interim period.

Item 9A. Controls and Procedures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2018, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses. The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our Board, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; and (3) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by our Chief Executive Officer and Chief Financial Officer in connection with the review of our financial statements as of December 31, 2018.

Management believes that the material weaknesses set forth in items (2) and (3) above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our Board results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management's Remediation Initiatives

As a result of the limited cash resources and our management's focus on creating a viable cryptocurrency mining business, our Chief Executive Officer used available cash resources to further its business. While our ineffective controls may have masked other material weaknesses or financial statement errors, the overriding message is that we had substantial losses and are on the verge of terminating operations. Accordingly, we did not devote material resources to remediating our control deficiencies and material weaknesses. Our Board of Directors believed that creating a viable business was the primary purpose in deploying our limited capital resources.

Changes in internal controls over financial reporting

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following is a list of our directors and executive officers.

Directors

Name	Age	Position
Jonathan Read	62	Chairman
Gary Smith	66	Director

Executive Officers

Name	Age	Position
Jonathan Read	62	Chief Executive Officer
Jessica Smith	40	Chief Financial Officer

Executive Officer and Director Biographies

Jonathan Read - Mr. Read has been the Chief Executive Officer, Secretary, and Treasurer of the Company since October 20, 2017 and a director of the Company since August 18, 2017. Effective March 1, 2019 Mr. Read ceased his full-time engagement with the Company and became a part-time consultant. Since March 1, 2019, Mr. Read has been the Chief Executive Officer and full-time employee with DPW Technologies Group, Inc., a wholly-owned subsidiary of DPW Holdings, Inc. From November 1, 2015 to January 31, 2017, Mr. Read was Chief Executive Officer and a director of the Company. From July 14, 2017 until July 30, 2018, Mr. Read served as a director of BTCS Inc. Since 2013 Mr. Read has been Managing Partner of Quadratam1 LLC, a Scottsdale, Arizona based firm specializing in providing financial and organizational consulting services for growth-stage companies in the United States and China. From 2005 through 2012, Mr. Read was the Chief Executive Officer and a director of ECotality, Inc., a San Francisco based Company he founded. In 2013, ECotality, Inc. filed for Chapter 11 bankruptcy protection. In 2014, Mr. Read filed for bankruptcy personally. Mr. Read was appointed as a director for his prior experience with the Company and another public company.

Jessica Smith - Ms. Smith has been the Company's Chief Financial Officer since September 2016. Ms. Smith is a certified public accountant in the State of Arizona. Ms. Smith served as the Chief Financial Officer of Item 9 Labs Corp., formerly Airware Labs Corp. (OTCQB: INLB), from December 2012 through October 2018 and as its Secretary and Treasurer from January 2013 through October 2018. Since 2008, she has provided companies with part-time accounting and financial consulting services through her company, JS Accounting & Tax, PLLC.

Gary Smith - Mr. Smith has been a director of the Company since July 2017. Mr. Smith has served as Chief Executive Officer and director of NIT Enterprises, Inc. since July 2014. From June 2013 to July 2015 he also served as Chief Executive Officer and director of Radiant Creations Group, Inc. Mr. Smith was appointed as a director by one of the Company's investors which had rights to designate a director.

Family Relationships

There are no family relationships among our directors and executive officers.

Director Independence

Mr. Read is not independent in accordance with rules of the New York Stock Exchange (the "NYSE") due to his employment as an executive officer of the Company. The Company has determined that Mr. Smith is independent in accordance with the NYSE rules for director independence.

Board committees and charters

The Company does not have a separately-designated standing audit committee, compensation committee, or nominating committee. The Company currently lacks sufficient independent directors to maintain committees consistent with proper corporate governance standards. The Board has not determined that the Company has an audit committee financial expert serving on the Board. The Company intends to identify and appoint a financial expert if needed in the future.

Number of meetings of the board for fiscal year 2018

For 2018, the Board had four meetings and acted by unanimous written consent on 11 occasions. There were no directors who attended fewer than 75 percent of the total meetings or committee meetings of the Board for 2018.

Board diversity

While we do not have a formal policy on diversity, the Board considers diversity to include the skill set, background, reputation, type and length of business experience of the Board members as well as a particular nominee's contributions to that mix. The Board believes that diversity brings a variety of ideas, judgments and considerations that benefit the Company and its shareholders. Although there are many other factors, the Board seeks individuals with experience in operating and growing businesses.

Board leadership structure

We have chosen to combine the Chief Executive Officer and Board Chairman positions. We believe that this Board leadership structure is the most appropriate for the Company. Because we are a small company, it is more efficient to have the leadership of the Board in the same hands as the Chief Executive Officer. The challenges faced by us at this stage – raising capital and finding a viable business – are most efficiently dealt with by one person who is familiar with both the operational aspects as well as the strategic aspects of the Company's business.

Board responsibilities

The Board oversees, counsels, and directs management in regard to the long-term interests of the Company and its shareholders. The Board's responsibilities include establishing broad corporate policies and reviewing the overall performance of the Company. The Board is not involved in the operating details on a day-to-day basis.

Board risk oversight

The Company's risk management function is overseen by the Board. The Company's management keeps the Board apprised of material risks and provides its independent director access to all information necessary for them to understand and evaluate how these risks interrelate, how they affect us, and how management addresses those risks.

Jonathan Read works closely together with the other member of the Board once material risks are identified on how to best address such risks. If the identified risk poses an actual or potential conflict with management, the Company's independent director may conduct the assessment. Presently, the primary risk affecting us is the Company's liquidity, the difficulty in consummating acquisitions due to the low stock price resulting from continual sales by one investor, and the Company's ability to generate revenue.

Code of Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of the Company's employees, including the Company's Chief Executive Officer and Chief Financial Officer. Although not required, the Code of Ethics also applies to the Company's directors. The Code of Ethics provides written standards that we believe are reasonably designed to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure and compliance with laws, rules and regulations and the prompt reporting of illegal or unethical behavior. The Company will provide a copy, without charge, to anyone that requests one in writing to TimefireVR Inc., dba/ Teraforge, 7150 E. Camelback Rd., Suite 444, Scottsdale AZ 85251.

Section 16(a) beneficial ownership reporting compliance

Section 16(a) of the Exchange Act requires the Company's directors, executive officers, and persons who own more than 10% of the Company's common stock to file initial reports of ownership and changes in ownership of the Company's common stock and other equity securities with the SEC. These individuals are required by the regulations of the SEC to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of the forms filed, we believe that no current and former officers, directors and 10% beneficial owners failed to comply with Section 16(a) as of the end of fiscal year 2018.

Communication with the Company's Board

Although the Company does not have a formal policy regarding communications with the Board, shareholders may communicate with the Board by writing to us at TimefireVR Inc., dba Teraforge, 7150 E. Camelback Rd., Suite 444, Scottsdale AZ 85251, Attention: Corporate Secretary. Shareholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

Item 11. Executive Compensation.

The following information is related to the compensation paid, distributed or accrued by us to those persons serving as our Chief Executive Officer (principal executive officer), former Chief Executive Officer, and former President during 2018 and 2017. We refer to these persons as the "Named Executive Officers."

2018 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Stock awards \$(1)	Option Awards \$(1)	Total (\$)
Jonathan Read	2018	240,000	—	438,300	678,300
Chief Executive Officer (2)	2017	41,625	—	—	41,625
Jeffrey Rassas	2017	121,058	—	310,759	431,817
Former Chief Executive Officer (3)					
John Wise	2017	119,904	—	—	119,904
Former President (4)					

(1) Represents the grant date fair value of the award, calculated in accordance with FASB Accounting Standard Codification 718, "Compensation – Stock Compensation," or ASC 718. The assumptions used in calculating the grant date fair value of the option awards are set forth in Note 1 of the Financial Statements to our Form 10-K for the year ended December 31, 2018.

(2) Mr. Read was appointed as the Chief Executive Officer on October 20, 2017 and previously served as the Chief Executive Officer from November 2015 until January 31, 2017.

(3) Mr. Rassas was appointed Chief Executive Officer on January 31, 2017 and resigned on October 20, 2017.

(4) Mr. Wise was appointed President on September 13, 2016, and resigned on October 17, 2017.

Named Executive Officer Employment and Compensation Agreements

Effective January 3, 2018, the Company entered into an oral Employment Agreement (the "Read Agreement") with Jonathan Read which was modified on March 1, 2019. Under the terms of the Read Agreement the Company paid Mr. Read annual compensation of \$240,000. Additionally, the Company paid Mr. Read compensation for his services as the Company's Chief Executive Officer from October 20, 2017, to December 31, 2017, calculated as a pro-rata portion of annual compensation of \$150,000. Additionally, on January 3, 2018 the Board granted Mr. Read 15,000,000 stock options of which 5,000,000 vested on the grant date, and 5,000,000 vested one-year from the grant date. The remaining 5,000,000 options were forfeited on March 1, 2019. On that date, Mr. Read ceased his full-time engagement with the Company and became a part-time consultant at a pay rate of \$5,000 per month. In March 2019, Mr. Read became a full-time employee and Chief Executive Officer of DPW Technologies Group, Inc.

Effective January 3, 2018, the Company agreed to compensate Gary Smith for his service as a non-employee director by paying him \$2,500 per calendar quarter effective as of July 10, 2017.

Termination and Change of Control Provisions

The consulting arrangements with Mr. Read and Ms. Smith do not provide for any payments in connection with termination or change of control. None of our current executive officers would be entitled to any other benefits, including accelerated equity vesting, in the event of termination under various circumstances.

Outstanding Equity Awards at Fiscal Year-End

The following table provides the outstanding equity awards held by our Named Executive Officers at the end of fiscal year 2018:

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) exercisable	Option awards		Option exercise price	Option expiration date
			Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)			
(a)	(b)	(c)	(d)	(e)	(f)	
Jonathan Read	15,000,000	—	—	\$	0.03	1/3/2023 (1)

(1) With Mr. Read's March 1, 2019 reduction to part-time, 5,000,000 options were forfeited.

Equity compensation plan information

Effective September 13, 2016, the Company adopted the 2016 Equity Incentive Plan (the “2016 Plan”) to provide an incentive to our employees, consultants, officers and directors who are responsible for or contribute to our long-range success. As of December 31, 2017, a total of 3,300,000 shares of our common stock were reserved for the implementation of the 2016 Plan, either through the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, or restricted stock units. Whenever practical, the 2016 Plan is to be administered by a committee of not less than two members of the Board of Directors appointed by the full Board, and the 2016 Plan has a term of 10 years, unless sooner terminated by the Board. On January 3, 2018, the Board amended the Company’s 2016 Equity Incentive Plan by increasing the authorized number of shares available under the plan by 30,000,000. As of December 31, 2018, 15,145,000 shares of common stock remain available for issuance under the 2016 Plan.

The following table provides the equity compensation plan information as of December 31, 2018:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	n/a	n/a	n/a
Equity compensation plans not approved by security holders	18,155,000	\$ 0.07	15,145,000
Total	18,155,000	\$ 0.07	15,145,000

Director Compensation for the fiscal year ending December 31, 2018

Our non-employee directors are eligible to receive compensation for their services as directors of the Company. Apart from compensation paid to Gary Smith, the Company did not pay compensation to its directors for fiscal year 2018. The following table provides the compensation, paid to directors of the Company for fiscal year 2018.

Name	Fees Earned or paid in cash (\$)	Stock awards (1)	Total (\$)
Gary Smith	\$10,000	\$27,790	\$37,790

(1) Represents the grant date fair value of January 22, 2018 option award, calculated in accordance with FASB Accounting Standard Codification 718, “Compensation – Stock Compensation,” or ASC 718.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth the number of shares of the Company’s common stock beneficially owned as of March 29, 2018 by (i) those persons known by the Company to be owners of more than 5% of its common stock, (ii) each director and director nominee, (iii) the Named Executive Officers (as disclosed in the Summary Compensation Table), and (iv) the Company’s executive officers and directors as a group. Unless otherwise specified in the notes to this table, the address for each person is: TimefireVR Inc., dba Teraforge, 7150 E. Camelback Rd., Suite 444, Scottsdale AZ 85251, Attention: Corporate Secretary.

Class Type	Beneficial Owner	Amount of Beneficial Ownership (1)	Percentage Beneficially Owned
Officers and Directors and 5% Shareholders			
Common Stock	Jonathan R. Read Chief Executive Officer and Chairman of the Board (2)	10,500,000	4.46%
Common Stock	Jeffrey Rassas, Former Chief Executive Officer (3)	15,166,506	6.44%
Common Stock	John Wise Former President (4)	16,477,315	7.00%
Common Stock	Gary Smith (5) Director	1,250,000	*
Common Stock	All Named Executive Officers and Directors as a Group – 2 members	11,750,000	4.99%

(1) Applicable percentages are based on 235,460,470 shares of common stock outstanding as of March 29, 2019. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days whether upon the exercise of options, warrants or conversion of notes. Unless otherwise indicated in the footnotes to this table, the Company believes that each of the shareholders named in the table has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by them. This table does not include any unvested stock options except for those vesting within 60 days.

(2) **Read.** Includes 10,000,000 shares of common stock underlying stock options and 500,000 restricted stock units.

(3) **Rassas.** Includes 504,924 shares of common stock and 216,667 stock options held by Mr. Rassas directly and 14,410,826 shares of common stock and 34,089 warrants to purchase shares of common stock held by Hayjour Family LP (“Hayjour”). Mr. Rassas is the general partner of Hayjour for which the address is 10799 N. 90th St., Suite 200, Scottsdale AZ 85260.

(4) **Wise.** Includes 7,452,951 shares of common stock and 2,046,413 warrants to purchase shares of common stock held by Mr. Wise and 6,977,951 shares of common stock held by Mr. Wise’s spouse Caroline Wise, which Mr. Wise is deemed to beneficially own.

(5) **Smith.** Represents 1,250,000 shares of common stock underlying stock options.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

In addition to Employment and Consulting Agreements disclosed elsewhere in this Amendment, we engaged in the following transactions with our executive officers and directors.

On March 6, 2017, the Company closed a private placement of Convertible Notes and Warrants offering that included a then Company director, Mr. Lou Werner III, as an investor. This investor's Note was for \$100,000. The Company's obligation under the Note was cancelled on January 3, 2018 as described below.

On June 2, 2017, the Company received a short-term advance in the amount of \$57,400 from an entity managed by a former director. The Company's obligation to repay this amount was cancelled on January 3, 2018 as described below.

During the year ended December 31, 2017, the Company received advances totaling \$116,883 from a related party, an original investor in the Company's subsidiary, Timefire LLC ("TLLC"). The Company's obligation under the debt was cancelled on January 3, 2018 as described below.

On January 3, 2018, the Company effected the sale of TLLC to a group which included its former owners including two of our former executive officers and directors. The Company received: (i) \$100,000 in cash and (ii) a secured promissory note in the principal amount of \$120,000 bearing 6% annual interest that matures in September 2018. In addition, \$216,883 of Notes payable were cancelled consisting of \$100,000 Convertible Note issued to Lou Werner III, and the \$116,883 from a related party, referred to above. The Company received a \$20,000 payment under the secured note which is in default and considered likely uncollectible. The sale of TLLC is discussed further in Item 1. "Business."

On January 22, 2018, the Company granted Gary Smith 1,000,000 stock options under the 2016 Equity Incentive Plan, exercisable at \$0.03 per share, which vested quarterly over a one-year period and are now fully vested.

On March 14, 2017, the Company granted Jessica Smith 150,000 options exercisable at \$0.50 per share. The options are fully vested.

See "Director Independence" above for disclosure regarding director independence.

Item 14. Principal Accounting Fees and Services.

All of the services provided and fees charged by Berkower LLC, our principal accountant.

	Year Ended December 31, 2018 (\$)	Year Ended December 31, 2017 (\$)
Audit Fees (1)	31,500	31,500
Audit Related Fees (2)	0	0
Tax Fees	0	0
All Other Fees	0	0
Total	31,500	31,500

(1) Audit fees – these fees relate to services rendered for the audits of our annual consolidated financial statements, for the review of our quarterly financial statements, and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.

(2) Audit related fees – these fees relate to audit related consulting.

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Schedules

See Index to Consolidated Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

(b) Exhibits

EXHIBIT INDEX

Exhibit #	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
2.1	Agreement and Plan of Merger***	8-K	9/13/16	2.1	
2.2	Articles of Merger - Nevada	8-K	9/13/16	2.2	
2.3	Statement of Merger - Arizona	8-K	9/13/16	2.3	
3.1	Articles of Incorporation, as amended	S-1	2/8/17	3.1	
3.2	Bylaws, as amended	S-1	2/8/17	3.2	
3.3	Certificate of Designation of Series A	8-K	12/12/18	3.1	
4.1	Certificate of Designation of Series E Convertible Preferred Stock of TimefireVR Inc.	8-K	1/4/18	3.1	
4.2	Amendment No. 1 to the Certificate of Designations of Series E Convertible Preferred Stock of TimefireVR Inc.	8-K	1/4/18	3.2	
10.1	Promissory Note dated November 21, 2018	8-K	11/21/18	10.2	
10.2	Promissory Note dated October 12, 2018	8-K	10/18/18	10.1	
10.3	Form of Note dated August 21, 2018	8-K	8/27/18	10.1	
10.4	Form of Warrant dated August 21, 2018	8-K	8/27/18	10.2	
10.5	Advisor Agreement dated March 16, 2018*	10-Q	8/14/18	10.10	
10.6	Form of Note dated August 7, 2018	8-K	8/9/18	10.1	
10.7	Form of Merger Warrant dated September 7, 2016	8-K	9/13/16	4.2	
10.8	Form of Investor Warrant dated September 7, 2016	8-K	9/13/16	4.3	
10.9	Form of Senior Secured Promissory Note	8-K	1/4/18	4.1	
10.10	Form of Warrant dated March 6, 2018	8-K	3/7/18	10.3	
10.11	Form of Securities Purchase Agreement	8-K	3/7/18	10.1	
10.12	Form of Senior Secured Convertible Note	8-K	3/7/18	10.2	
10.13	Form of Exchange Agreement***	8-K	1/4/18	10.1	
10.14	Form of Membership Interest Purchase Agreement***	8-K	1/4/18	10.2	
10.15	Form of Securities Purchase Agreement***	8-K	12/22/17	10.1	
10.16	Form of Senior Secured Convertible Promissory Note	8-K	12/22/17	10.2	
10.17	Form of Note dated October 30, 2017 ***	10-K	4/9/18	10.11	
10.18	Form of Security Agreement dated October 30, 2017 ***	10-K	4/9/18	10.12	
10.19	Form of Guaranty Agreement dated October 30, 2017 ***	10-K	4/9/18	10.13	
10.20	2016 Equity Incentive Plan, as amended	10-K	4/9/18	10.14	
10.21	Form of Securities Purchase Agreement***	8-K	8/23/17	10.1	
10.22	Form of Senior Convertible Note	8-K	8/23/17	10.2	
10.23	Form of Warrant	8-K	8/23/17	10.3	
10.24	Form of Non-Qualified Stock Option Agreement	10-Q	8/21/17	10.1	
10.25	Jonathan Read Severance Agreement dated January 31, 2017*	10-K	4/7/17	10.14	
10.26	Form of Securities Purchase Agreement dated March 3, 2017***	8-K	3/7/17	10.1	
10.27	Form of Senior Convertible Note dated March 3, 2017***	8-K	3/7/17	10.2	
10.28	Form of Warrant dated March 3, 2017***	8-K	3/7/17	10.3	
10.29	Form of Convertible Promissory note dated July 15, 2016	8-K	7/27/16	10.1	
10.30	Form of Exchange Agreement dated August 24, 2016***	8-K	8/30/16	10.1	
10.31	Form of Convertible Promissory Note dated August 30, 2016	8-K	9/6/16	10.1	
10.32	Employment Agreement – John Wise*	8-K	9/13/16	10.2	
10.33	Employment Agreement – Jeffrey Rassas*	8-K	9/13/16	10.3	
10.34	Restricted Stock Unit Agreement – Jonathan Read	8-K	9/13/16	10.5	
10.35	Securities Purchase Agreement dated September 7, 2016***	8-K	9/13/16	10.6	
10.36	Registration Rights Agreement dated September 7, 2016***	8-K	9/13/16	10.7	
10.37	Form of Agreement and Mutual Release dated as of July 21, 2016	10-Q	11/8/16	10.11	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished**
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed

* Management contract or compensatory plan or arrangement.

** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

*** Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

Copies of this Report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to TimefireVR Inc., at the address on the cover page of this Report, Attention: Corporate Secretary.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

In accordance the requirements of Section 13 or 15(d) 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.

TIMEFIREVR INC.

Date: April 1, 2019

By: /s/ Jonathan Read
Jonathan Read
Chief Executive Officer & Principal
Executive Officer

/s/ Jessica L. Smith
Jessica L. Smith
Chief Financial Officer & Principal Accounting and Financial Officer

In accordance with the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 1, 2019.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jonathan Read</u> Jonathan Read	Director	April 1, 2019
<u>/s/ Gary Smith</u> Gary Smith	Director	April 1, 2019

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jonathan Read, certify that:

1. I have reviewed this annual report on Form 10-K of TimefireVR Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 1, 2019

/s/ Jonathan Read

Jonathan Read

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jessica Smith, certify that:

1. I have reviewed this annual report on Form 10-K of TimefireVR Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 1, 2019

/s/ Jessica Smith

Jessica Smith
Chief Financial Officer
(Principal Financial Officer)

**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 report of TimefireVR Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof, I, Jonathan Read, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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 Company.

/s/ Jonathan Read

Jonathan Read
Chief Executive Officer
(Principal Executive Officer)
Dated: April 1, 2019

In connection with the report of TimefireVR Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof, I, Jessica Smith, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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 Company.

/s/ Jessica Smith

Jessica Smith
Chief Financial Officer
(Principal Financial Officer)
Dated: April 1, 2019