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

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

For the transition period from ___________to ____________

Commission File Number 000-55431

MASSROOTS, INC.
(Exact name of business as specified in its charter)

Delaware	**46-2612944**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 W. Broadway, Office 04-109 Long Beach, CA	**90802**
(Address of principal executive offices)	(Zip code)

(805) 214-8024
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

As of February 19, 2020, there were 463,046,405 shares of the registrant's common stock issued and outstanding.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q may be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are often, but not always, made through the use of words or phrases such as "believe," "will," "expect," "anticipate," "estimate," "intend," "plan," and "would." These statements are based on current expectations, estimates and projections about our business based in part on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those set forth in "Item 1A. Risk Factors" in our Annual Report on Form 10-K, and our other filings with the U.S. Securities and Exchange Commission.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Any forward-looking statements speak only as of the date on which they are made, and we disclaim any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by applicable law.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MASSROOTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2019 *Unaudited*	December 31, 2018 *Audited*
ASSETS		
CURRENT ASSETS		
Cash	$ 2,639	$ 29,568
Accounts Receivable	167	-
Prepaid expenses	16,340	14,000
TOTAL CURRENT ASSETS	19,146	43,568
Property and equipment - net	3,171	6,733
OTHER ASSETS		
Investments	-	247,912
Software Cost, net	-	234,864
Deposits and other assets	-	36,000
Total Other Assets	**-**	**518,776**
TOTAL ASSETS	**$ 22,317**	**$ 569,077**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3,044,077	959,668
Accrued payroll and related	3,324,654	2,992,023
Advances	882,500	942,500
Non-convertible notes payable	178,500	16,150
Derivative liability	15,342,468	-
Convertible notes payable, net of debt discount of $153,860 and $209,898	2,147,185	2,495,102
TOTAL CURRENT LIABILITIES	**24,919,384**	**7,405,443**
Redeemable Series A Convertible Preferred Stock - subject to redemption	2,745,086	-
STOCKHOLDERS' DEFICIT		
Blank Check Preferred, 9,991,000 authorized	-	-
Preferred Stock - Series A, $0.001 par value, 6,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred Stock – Series A to be issued, 2,800 and 0 shares, respectively	-	-
Preferred Stock - Series B, $0.001 par value, 2,000 shares authorized; 0 shares issued and outstanding	-	-
Preferred Stock – Series B to be issued, 516 and 0 shares, respectively	1	-
Preferred Stock - Series C, $0.001 par value, 1,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, $0.001 par value, 500,000,000 shares authorized; 353,597,045 and 168,706,472 shares issued and outstanding	353,598	168,707
Common stock to be issued, 907,499,814 and 80,000 shares, respectively	907,500	80
Additional paid in capital	149,074,817	73,770,195
Accumulated deficit	(175,232,983)	(80,775,348)
TOTAL STOCKHOLDERS' DEFICIT	**(24,897,067)**	**(6,836,366)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 22,317**	**$ 569,077**

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

MASSROOTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
UNAUDITED

	For the three months ended Sept 30, 2019	For the three months ended Sept 30, 2018	For the nine months ended Sept 30, 2019	For the nine months ended Sept 30, 2018
REVENUES	$ 909	$ 4,014	$ 23,658	$ 7,743
OPERATING EXPENSES				
Cost of revenues	-	-	3,530	-
Advertising	2,967	36,407	39,332	468,958
Payroll and related expense	152,809	384,558	495,069	2,213,541
Stock based compensation	25,500	2,254,981	212,700	5,447,629
Allowance for uncollectable advances to COWA	157,500	-	360,500	-
Amortization of software costs	12,849	108,182	38,549	315,299
Impairment of software costs	196,315	-	196,315	-
Other general and administrative expenses	574,677	1,130,125	1,538,126	3,495,626
Total Operating expenses	**1,122,617**	**3,914,253**	**2,884,121**	**11,941,053**
(LOSS) FROM OPERATIONS	**(1,121,708)**	**(3,910,239)**	**(2,860,463)**	**(11,933,310)**
OTHER INCOME (EXPENSE)				
Interest expense	(1,546,805)	(456,155)	(2,136,983)	(854,346)
Change in fair value of derivative liabilities	94,534	(160,597)	61,635	(160,597)
Preferred stock issuance cost	(5,585,594)	-	(5,585,594)	-
Derivative liability for authorized shortfall	(15,050,821)	-	(15,050,821)	-
Loss on sale of securities	(91,929)	-	(91,929)	-
Loss on conversion of convertible debentures	(248,022)	-	(674,099)	-
Total Other Income (Expense)	**(22,428,637)**	**(616,752)**	**(23,477,791)**	**(1,014,943)**
Net Loss before Income Taxes	**(23,550,345)**	**(4,526,991)**	**(26,338,254)**	**(12,948,253)**
Provision for income taxes (benefit)	-	-	-	-
NET (LOSS)	**$ (23,550,345)**	**$ (4,526,991)**	**$ (26,338,254)**	**$ (12,948,253)**
Deemed dividend for additional issuance of warrants	-	-	(437,397)	-
Contingent beneficial conversion feature on Preferred Shares issuance	(39,746,515)	-	(39,746,515)	-
Deemed dividend from warrant price protection	(24,126,726)	-	(27,935,469)	-
NET LOSS applicable to common stockholders	**$ (87,423,586)**	**$ (4,526,991)**	**$ (94,457,635)**	**$ (12,948,253)**
Net loss per common share-basic and diluted	$ (0.04)	$ (0.03)	$ (0.08)	$ (0.08)
Weighted average common shares outstanding-basic and diluted	650,391,047	160,563,077	337,350,454	152,393,060

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

MASSROOTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 and 2018

	Preferred Stock		Common Stock		Common Stock to be Issued		Additional Paid	Subscriptions	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	In Capital	Receivable	Deficit	Total
Balance as of December 31, 2018	**-**	**$ -**	**168,706,472**	**$ 168,707**	**80,000**	**$ 80**	**$ 73,770,195**	**$ -**	**$ (80,775,348)**	**$ (6,836,366)**
Issuance of common stock previously to be issued	-	-	80,000	80	(80,000)	$ (80)	$ -	$ -	$ -	$ -
Sale of Series B Convertible Preferred Stock and warrants	516	1	-	-	-	-	$ 644,999	-	$ -	$ 644,999
Conversion of Series A Convertible Preferred Stock to common shares	-	-	80,000,000	80,000	903,823,564	$ 903,824	$ 2,153,424	-	-	$ 3,137,248
Common stock issued as origination shares	-	-	1,250,000	1,250	-	-	$ 140,083	-	-	$ 141,333
Common stock issued upon conversion of debentures	-	-	78,913,321	78,914	-	-	$ 1,382,023	-	-	$ 1,460,937
Warrants exercised for cash	-	-	1,555,160	1,555	1,126,250	$ 1,126	$ 170,268	-	-	$ 172,950
Common Stock issued in settlement of a warrant provision	-	-	9,000,000	9,000	-	-	$ 428,400	-	-	$ 437,400
Common stock issued upon exercise of cashless warrants	-	-	3,997,661	3,998	-	-	$ (3,998)	-	-	$ -
Common stock issued for services	-	-	2,950,000	2,950	2,550,000	$ 2,550	$ 193,200	-	-	$ 198,700
Options issued for services	-	-	-	-	-	-	$ 14,000	-	-	$ 14,000
Common stock issued in lieu of interest expense	-	-	1,591,240	1,591	-	-	$ 35,239	-	-	$ 36,830
Common stock issued to satisfy a true-up provision	-	-	5,553,191	5,553	-	-	$ 16,660	-	-	$ 22,213
Deemed dividend for additional issuance of warrants	-	-	-	-	-	-	-	-	$ (437,397)	$ (437,397)
Contingent beneficial conversion feature on Preferred Shares issuance	-	-	-	-	-	-	$ 42,194,855	-	$ (39,746,515)	$ 2,448,340
Deemed dividend related to warrant price protection	-	-	-	-	-	-	$ 27,935,469	-	$ (27,935,469)	$ -
Net Loss	-	-	-	-	-	-	-	-	$ (26,338,254)	$ (26,338,254)
Balance as of September 30, 2019	**516**	**$ 1**	**353,597,045**	**$ 353,598**	**907,499,814**	**$ 907,500**	**$ 149,074,817**	**$ -**	**$ (175,232,983)**	**$ (24,897,067)**

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

	Preferred Stock		Common Stock		Common Stock to be Issued		Additional Paid In Capital	Subscriptions Receivable	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2017	**-**	**-**	**112,165,839**	**$ 112,166**	**12,572,500**	**$ 12,573**	**$ 63,315,749**	**$ (564,000)**	**$ (74,252,214)**	**$ (11,375,726)**
Reclassify fair value of derivative liabilities to retained earnings	-	-	-	-	-	-	-	-	$ 9,493,307	$ 9,493,307
Issuance of common stock previously to be issued	-	-	14,492,500	$ 14,493	(14,492,500)	$ (14,493)	-	$ 564,000	-	$ 564,000
Common stock shares to be retired in 2018	-	-	(1,790,000)	$ (1,790)	1,790,000	$ 1,790	-	-	-	$ -
Common stock issued upon conversion of debentures	-	-	3,742,648	$ 3,743	-	-	$ 632,507	-	-	$ 636,250
Issuance of convertible debt discount and warrants	-	-	-	-	-	-	$ 682,847	-	-	$ 682,847
Sale of common stock	-	-	13,700,000	$ 13,700	-	-	$ 2,726,300	-	-	$ 2,740,000
Common stock issued upon cashless exercise of options	-	-	95,134	$ 95	-	-	$ (95)	-	-	$ -
Common stock issued in cashless exercise warrants	-	-	7,647,413	$ 7,647	-	-	$ (7,647)	-	-	$ -
Common stock issued upon exercise of warrants for cash	-	-	1,370,000	$ 1,370	-	-	$ 321,630	-	-	$ 323,000
Common stock issued for services	-	-	11,594,000	$ 11,594	-	-	$ 3,299,153	-	-	$ 3,310,747
Fair value of warrant repriced due to price protection	-	-	-	-	-	-	$ 160,597	-	-	$ 160,597
Share based compensation	-	-	-	-	-	-	$ 2,136,882	-	-	$ 2,136,882
Common shares issued in lieu of interest expense	-	-	-	-	130,000	$ 130	$ 32,865	-	-	$ 32,995
Net Loss	-	-	-	-	-	-	-	-	$ (12,948,253)	$ (12,948,253)
Balance as of September 30, 2018	**-**	**-**	**163,017,534**	**$ 163,018**	**-**	**$ -**	**$ 73,300,788**	**$ -**	**$ (77,707,160)**	**$ (4,243,354)**

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

MASSROOTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	Preferred Stock		Common Stock		Common Stock to be Issued		Additional Paid	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	In Capital	Deficit	Total
Balance as of June 30, 2019	**160**	**-**	**203,414,654**	**$ 203,415**	**1,126,250**	**$ 1,126**	**$ 79,700,759**	**$ (87,938,181)**	**$ (8,032,881)**
Issuance of common stock previously to be issued	-	-	-	-	-	-	-	-	-
Issuance of Preferred stock for cash	356	$ 1	-	-	-	-	$ 444,999	$ -	$ 444,999
Conversion of Series A Convertible Preferred Stock to common shares	-	-	80,000,000	$ 80,000	903,823,564	$ 903,824	$ 2,153,424	-	$ 3,137,248
Common stock issued as origination shares	-	-	-	-	-	-	-	-	-
Common stock issued upon conversion of debentures	-	-	63,682,454	$ 63,683	-	-	$ 480,340	-	$ 544,024
Warrants exercised for cash	-	-	-	-	-	-	-	-	-
Common Stock issued in settlement of a warrant provision	-	-	-	-	-	-	-	-	-
Common stock issued in exercise of cashless warrants	-	-	-	-	-	-	-	-	-
Common stock issued for services	-	-	-	-	2,550,000	$ 2,550	$ 22,950	-	$ 25,500
Options issued for services	-	-	-	-	-	-	-	-	-
Common stock issued in lieu of interest expense	-	-	946,746	$ 947	-	-	$ 7,053	-	$ 8,000
Common stock issued to satisfy a true-up provision	-	-	5,553,191	$ 5,553	-	-	$ 16,660	-	$ 22,213
Deemed dividend for additional issuance of warrants	-	-	-	-	-	-	-	-	-
Contingent beneficial conversion feature on Preferred Shares issuance	-	-	-	-	-	-	$ 42,121,906	$ (39,617,731)	$ 2,504,175
Deemed dividend from warrant price protection	-	-	-	-	-	-	$ 24,126,726	$ (24,126,726)	$ -
Net Loss	-	-	-	-	-	-	-	$ (23,550,345)	$ (23,550,345)
Balance as of September 30, 2019	**516**	**$ 1**	**353,597,045**	**$ 353,598**	**907,499,814**	**$ 907,500**	**$ 149,074,817**	**$ (175,232,983)**	**$ (24,897,067)**

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

	Preferred Stock		Common Stock		Common Stock to be Issued		Additional Paid	Subscriptions	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	In Capital	Receivable	Deficit	Total
Balance as of June 30, 2018	**-**	**-**	**155,787,534**	**$ 155,788**	**130,000**	**$ 130**	**$ 70,209,463**	**-**	**$ (73,180,169)**	**$ (2,814,788)**
Reclassify fair value of derivative liabilities to retained earnings	-	-	-	-	-	-	-	-	-	-
Issuance of common stock previously to be issued	-	-	130,000	$ 130	(130,000)	$ (130)	-	-	-	-
Common stock shares to be retired in 2018	-	-	-	-	-	-	-	-	-	-
Common stock issued upon conversion of debentures	-	-	-	-	-	-	-	-	-	-
Issuance of convertible debt discount and warrants	-	-	-	-	-	-	$ 682,847	-	-	$ 682,847
Sale of common stock	-	-	-	-	-	-	-	-	-	-
Common stock issued upon cashless exercise of options	-	-	-	-	-	-	-	-	-	-
Common stock issued in cashless exercise warrants	-	-	-	-	-	-	-	-	-	-
Common stock issued upon exercise of warrants for cash	-	-	-	-	-	-	-	-	-	-
Common stock issued for services	-	-	7,100,000	$ 7,100	-	-	$ 873,300	-	-	$ 880,400
Fair value of warrant repriced due to price protection	-	-	-	-	-	-	$ 160,597			$ 160,597
Share based compensation	-	-	-	-	-	-	$ 1,374,581	-	-	$ 1,374,581
Common shares issued in lieu of interest expense	-	-	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	-	-	-	$ (4,526,991)	$ (4,526,991)
Balance as of September 30, 2018	**-**	**-**	**163,017,534**	**$ 163,018**	**-**	**-**	**$ 73,300,788**	**$ -**	**($ 77,707,160)**	**($ 4,243,354)**

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

MASSROOTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

	For nine months ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (26,338,254)	$ (12,948,253)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	42,111	335,716
Loss on sale of investment in Canna Regs	91,929	-
Impairment loss on software costs	196,315	-
Impairment expense of securities	65,000	-
Allowance on advance given to COWA	360,500	-
Stock based compensation	212,700	5,447,629
Preferred stock issuance cost	5,585,594	-
Derivative liability for authorized shortfall	15,050,821	-
Interest and amortization of debt discount	2,136,983	839,346
Change in fair value of derivative liabilities	(61,635)	160,597
Loss on conversion of debentures	674,099	-
Financing Costs	-	7,500
Security deposit written off	36,000	-
Changes in operating assets and liabilities		
Accounts receivables	(167)	-
Prepaid and other	(2,340)	(7,016)
Advanced settlement	-	(10,394)
Advance given to COWA	(370,500)	-
Security deposit	-	(2,498)
Accrued expenses	434,309	-
Accounts payable and other liabilities	497,323	459,021
Net Cash used in operating activities	**(1,389,212)**	**(5,718,352)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(5,729)
Proceeds from Sale of Reg Tech and High Times	90,983	-
Investment in business portal	-	(218,347)
Net Cash provided by investing activities	**90,983**	**(224,076)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock sales	-	3,304,000
Proceeds from sale of Series B Convertible Preferred Stock and warrants	645,000	-
Proceeds from exercise of warrants	172,950	323,000
Proceeds from issuance of convertible notes payable	350,000	1,492,500
Proceeds from issuance of notes payable	176,000	-
Repayment of advance	(72,650)	(360,000)
Proceeds from advances	-	503,500
Repayment of loans	-	(510,938)
Net cash provided by financing activities	**1,271,300**	**4,752,062**
NET DECREASE IN CASH	**(26,929)**	**(1,190,366)**
Cash, beginning of period	29,568	1,201,587
Cash, end of period	$ 2,639	$ 11,221
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	$ -	$ 15,000
Cash paid during period for taxes	$ -	$ -
Non cash investing and financing activities:		
Common stock issued from cashless warrants	$ 3,998	$ -
Common stock issued for Series A Preferred Stock conversions	$ 3,137,248	-

Common stock issued in settlement of debt	$ 786,838	$ -
Interest settled with common stock	$ 36,830	$ -
Common stock issued from convertible debt	$ -	$ 636,250
Proceeds received from subscriptions receivable	$ -	$ 564,000
Derivative liability reclassed to retained earnings	$ -	$ 9,493,307
Interest settled with common stock	$ -	$ 32,995
Deemed dividend for additional issuance of warrants	$ 437,400	$ -
Contingent beneficial conversion feature on Preferred Shares issuance	$ 39,746,515	-
Deemed dividend from warrant price protection	$ 27,935,469	$ -

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

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

MassRoots, Inc. (“MassRoots” or the “Company”) has created a technology platform for the cannabis industry focused on enabling users to share their cannabis content, follow their favorite dispensaries, and stay connected with the legalization movement. The Company was incorporated in the State of Delaware on April 26, 2013.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Our unaudited condensed consolidated financial statements include the accounts of DDDigtal, Inc., Odava, Inc., MassRoots Supply Chain, Inc., and MassRoots Blockchain Technologies, Inc., our wholly-owned subsidiaries. All intercompany transactions were eliminated during consolidation.

NOTE 2 – GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS

As of September 30, 2019, the Company had cash of $2,639 and working capital deficit (current liabilities in excess of current assets) of $24,900,238. During the nine months ended September 30, 2019, net cash used in operating activities was $1,389,212. These conditions raise substantial doubt about the Company’s ability to continue as a going concern for one year from the issuance of the financial statements.

During the nine months ended September 30, 2019, the Company received proceeds of $645,000, $350,000, $176,000, $172,950, and $90,983 from the sale of preferred stock and warrants, issuance of convertible notes, advances, the exercise of warrants, and proceeds from sales of assets, respectively. The Company does not have cash sufficient to fund operations for the next fiscal year.

The Company’s primary source of operating funds since inception has been cash proceeds from the public and private placements of the Company’s securities, including debt securities, and proceeds from the exercise of warrants and options. The Company has experienced net losses and negative cash flows from operations since inception and expects these conditions to continue for the foreseeable future. For the foreseeable future, the Company’s ability to continue its operations is dependent upon its ability to obtain additional capital through public or private equity offerings, debt financings or other sources; however, financing may not be available to the Company on acceptable terms, or at all. The Company’s failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategy, and the Company may be forced to curtail or cease operations.

Management’s plans with regard to these matters encompass the following actions: 1) obtain funding from new and current investors to alleviate the Company’s working capital deficiency and 2) implement a plan to generate sales. The Company’s continued existence is dependent upon its ability to translate its user base into sales. However, the outcome of management’s plans cannot be determined with any degree of certainty.

Accordingly, the accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business for one year from the date the financial statements are issued. The carrying amounts of assets and liabilities presented in the unaudited condensed consolidated financial statements do not necessarily purport to represent realizable or settlement values. The unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and pursuant to instructions to the SEC's Quarterly Report on Form 10-Q and Article 8 of Regulation S-X of the Securities Act of 1933, as amended, and reflect the accounts and operations of the Company and those of its subsidiaries.

All intercompany accounts and transactions have been eliminated in consolidation. Accordingly, the accompanying interim unaudited condensed consolidated financial statements do not include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the unaudited condensed consolidated financial position of the Company as of September 30, 2019, the unaudited condensed consolidated results of operations for the three and nine months ended September 30, 2019 and 2018, and the unaudited condensed consolidated results of cash flows for the nine months ended September 30, 2019 and 2018 have been included. These interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and, therefore, should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on April 16, 2019 (the "Annual Report"). The December 31, 2018 balances reported herein are derived from the audited consolidated financial statements included in the Annual Report. The results for the interim periods are not necessarily indicative of results to be expected for the full year.

Use of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include stock-based compensation, fair values relating to derivative liabilities and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Fair Value of Financial Instruments

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") subtopic 825-10, Financial Instruments ("ASC 825-10") requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

The Company follows ASC 825-10, which permits entities to choose to measure many financial instruments and certain other items at fair value.

Cash and Cash Equivalents

For purposes of the Condensed Consolidated Statement of Cash Flows, the Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of three to five years. Repair and maintenance costs are expensed as incurred. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

Accounts Receivable and Allowance for Doubtful Accounts

The Company monitors outstanding receivables based on factors surrounding the credit risk of specific customers, historical trends, and other information. The allowance for doubtful accounts is estimated based on an assessment of the Company's ability to collect on customer accounts receivable. There is judgment involved with estimating the allowance for doubtful accounts, and if the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against revenues. The Company writes-off accounts receivable against the allowance when it determines a balance is uncollectible and no longer actively pursues its collection.

Revenue Recognition

The Company recognizes revenue when services are realized or realizable and earned less estimated future doubtful accounts.

The Company's revenues accounted for under ASC Topic 606, Revenue From Contracts With Customers ("ASC 606") generally do not require significant estimates or judgments based on the nature of the Company's revenue streams. The sales prices are generally fixed at the point of sale and all consideration from contracts is included in the transaction price. The Company's contracts do not include multiple performance obligations or material variable consideration.

In accordance with ASC 606, the Company recognizes 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. MassRoots recognizes revenue in accordance with that core principle by applying the following:

(i) Identify the contract(s) with a customer;

(ii) Identify the performance obligation in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations in the contract; and

(v) Recognize revenue when (or as) MassRoots satisfies a performance obligation.

The Company primarily generates revenue by charging businesses to advertise on the Company's network. The Company has the ability to target advertisements directly to a client's target audience based on their location and on their mobile devices. In cases where clients sign advertising contracts for an extended period of time, the Company only realizes revenue for services provided during that quarter and defers all other revenue to future periods.

Acquisitions and Subsidiaries

Subsidiaries are all entities over which MassRoots has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether MassRoots controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to MassRoots.

The purchase method of accounting is used to account for the acquisition of subsidiaries by MassRoots. The cost of an acquisition is measured as the fair value of the assets transferred as consideration, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the MassRoots' share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. For the three months ended September 30, 2019 and 2018, the Company charged to operations $2,967 and $36,407, respectively, as advertising expense. For the nine months ended September 30, 2019 and 2018, the Company charged to operations $39,332 and $468,958, respectively, as advertising expense.

Stock Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees, non-employees and directors, the fair value of the award is measured on the grant date. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period.

Income Taxes

The Company follows ASC subtopic 740-10, Income Taxes ("ASC 740-10") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period.

If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods.

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable to generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under ASC 480, "Distinguishing Liabilities From Equity."

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

The Company's free-standing derivatives consisted of warrants to purchase common stock that were issued in connection with the issuance of debt and the sale of common stock, and of embedded conversion options with convertible debentures. The Company evaluated these derivatives to assess their proper classification in the balance sheet as of December 31, 2018 using the applicable classification criteria enumerated under ASC 815, Derivatives and Hedging. The Company determined that certain embedded conversion and/or exercise features did not contain fixed settlement provisions. The convertible debentures contained a conversion feature such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

As such, the Company was required to record the derivatives which do not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the end of each reporting period.

Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Intangible assets are stated at cost and reviewed annually to examine any impairments, usually assuming an estimated useful lives of three to five years. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

Indefinite Lived Intangibles and Goodwill Assets

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the Chief Executive Officer, or decision-making group, in deciding the method to allocate resources and assess performance. The Company currently has one reportable segment for financial reporting purposes, which represents the Company's core business.

Net Earnings (Loss) Per Common Share

The Company computes earnings (loss) per share under ASC subtopic 260-10, Earnings Per Share. Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods, as applicable.

The computation of basic and diluted income (loss) per share, for the nine months ended September 30, 2019 and 2018 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

	September 30, 2019	September 30, 2018
Common stock issuable upon conversion of convertible debentures	1,456,478,815	6,600,000
Options to purchase common stock	27,621,765	27,357,765
Warrants to purchase common stock	2,517,052,238	41,226,339
Common stock issuable upon conversion of preferred stock	1,131,613,184	-
Totals	5,132,766,002	75,184,104

Reclassification

Certain reclassifications have been made to the prior years' data to conform to the current year presentation. These reclassifications had no effect on reported income (losses).

Recent Accounting Pronouncements

FASB Accounting Standards Updates ("ASU") 2017-04 (Topic 350), "Intangibles – Goodwill and Others" – Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. The Company is currently evaluating the effect that ASU 2017-04 will have on its condensed consolidated financial statements and related disclosures.

FASB ASU 2017-01 (Topic 805), "Business Combinations: Clarifying the Definition of a Business" – Issued in January 2017, ASU 2017-01 revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance was effective for the Company in the first fiscal quarter of 2018. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

FASB ASU No. 2014-09 (Topic 606), "Revenue from Contracts with Customers" – Issued in May 2014, ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date". This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Gross versus Net)", which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" and 2016-12, "Narrow-Scope Improvements and Practical Expedients", both of which provide additional clarification of certain provisions in Topic 606. These ASUs are effective for annual reporting periods beginning after December 15, 2017; however, early adoption is permitted as of annual reporting periods after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method.

The Company has applied the guidance using the modified retrospective transition method. The adoption of ASU 2014-09 did not have a material impact on the Company's financial position or results of operations but such adoption resulted in additional disclosures regarding the Company's revenue recognition policies. The adoption of ASU 2014-09 did not require material or significant changes to its internal controls over financial reporting. In connection with the application of that guidance and the adoption of ASU 2014-09, the Company has expanded its revenue recognition inquiries and updated its questionnaires to identify matters that would signal variable consideration implications under the new guidance.

FASB ASU 2016-02, Leases (Topic 842) – ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize, in the statement of financial position, a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e. January 1, 2019, for a calendar year entity). Early application is permitted for all public business entities and all non-public business entities upon issuance. The adoption of this standard did not have a material impact on the Company’s financial position and results of operations.

FASB ASU No. 2018-07 (Topic 718), “Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting” – Issued in June 2018, ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The new standard is effective for the Company as of January 1, 2019. The adoption of this guidance did not have a material impact on the Company’s condensed consolidated financial condition or results of operations.

There are other various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

NOTE 4 – INVESTMENTS

As of September 30, 2019 and December 31, 2018, the carrying value of our investments in privately held companies totaled $0 and $247,912, respectively. These investments are accounted for as cost method investments, as the Company owns less than 20% of the voting securities and did not have the ability to exercise significant influence over operating and financial policies of the entities.

During the twelve months ended December 31, 2017, the Company acquired 23,810 shares of Class A common stock of Hightimes Holding Corp. for $100,002, or $4.20 per share. As a result of a forward share split of 1.9308657-for-1 on January 15, 2018, MassRoots owned 45,974 shares of Class A common stock. The acquired Class A common stock were considered non-marketable securities. The Company incurred an impairment of $65,000 on these shares during the nine months ended September 30, 2019. The Company sold 45,974 shares of Class A common stock for proceeds of $35,000 during the nine months ended September 30, 2019.

On July 13, 2017, the Company purchased an unsecured convertible promissory note in the principal amount of $300,000 from CannaRegs, Ltd, a Colorado limited liability company (“CannaRegs”). The note bears interest at a rate of 5% per annum and matures on December 19, 2019. In the event CannaRegs consummates an equity financing in excess of $2,000,000 prior to the maturity date of the note, the outstanding principal and any accrued and unpaid interest automatically converts into equity securities of the same class or series issued by CannaRegs at the lesser of: a) 90% of the price paid per equity security or b) a price reflecting a valuation cap of $4,500,000.

On July 17, 2017, MassRoots converted the note into 430,622 shares of CannaRegs’ common stock. In 2018, CannaRegs re-incorporated as a Delaware C corporation under the name Regs Technology, Inc. (“Regs Technology”), keeping the same capitalization structure and business operations. MassRoots valued its holdings at $0 and $147,876 as of September 30, 2019 and December 31, 2018, respectively. The Company recorded an impairment expense of $155,336 on its holdings during fiscal year 2018 and recorded a $91,929 loss on the sale of investment during the nine months ended September 30, 2019. The Company sold its shares of Regs Technology for $55,983 during the nine months ended September 30, 2019. MassRoots owned less than 1% of Regs Technology’s issued and outstanding shares prior to the sale.

NOTE 5 – Advances to COWA Science Corporation

On February 11, 2019, MassRoots, Inc. entered into an Agreement and Plan of Merger (the “Merger Agreement”) with MassRoots Supply Chain, Inc., a wholly-owned subsidiary of the Company (“Merger Subsidiary”), COWA Science Corporation, a Delaware corporation (“COWA”), and Christopher Alameddin, an individual acting solely in his capacity as a stockholder representative (“Stockholder Representative”). Pursuant to the Merger Agreement, Merger Subsidiary will be merged with and into COWA, whereby the separate corporate existence of Merger Subsidiary will cease and COWA will be the surviving entity (the “Surviving Entity”) and will be a wholly-owned subsidiary of the Company (the “Merger”).

Upon effectiveness of the Merger (such time, the “Effective Date”), MassRoots will issue 50,000,000 shares of its common stock, par value $0.001 per share (“Common Stock”) to the stockholders of COWA, allocated pro-rata based on each stockholder’s respective holdings of COWA immediately prior to the Effective Date; and each share of the common stock of Merger Subsidiary will be converted into one newly issued, fully paid and non-assessable share of common stock of the Surviving Entity. If (i) within three (3) years after the Effective Date, COWA has generated an aggregate of $2.5 million in revenue, the Company shall issue an aggregate of 25 million shares of Common Stock to the COWA stockholders; and (ii) within three (3) years after the Effective Date, COWA has generated an aggregate of $7.5 million in revenue (inclusive of the $2.5 million in revenue generated in clause (i)), the Company shall issue an aggregate of 25 million additional shares of Common Stock to the COWA stockholders.

As of September 30, 2019, the Merger had not been effectuated.

As of September 30, 2019, MassRoots had advanced $370,500 to COWA for working capital, which is to be repaid on-demand should the Merger not be effectuated. As of September 30, 2019, COWA had repaid $10,000 and the Company wrote off the $360,500 balance of these advances.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2019 and December 31, 2018 is summarized as follows:

	September 30, 2019	December 31, 2018
Computers	$ 6,366	$ 6,366
Office equipment	17,621	17,621
Subtotal	23,987	23,987
Less accumulated depreciation	(20,816)	(17,254)
Property and equipment, net	$ 3,171	$ 6,733

Depreciation expense for the three months ended September 30, 2019 and 2018 was $1,078 and $5,002, respectively.

Depreciation expense for the nine months ended September 30, 2019 and 2018 was $3,549 and $20,417, respectively.

NOTE 7 – SOFTWARE COSTS

In January 2018, MassRoots entered into a Master Services Agreement with MEV, LLC (“MEV”) pursuant to which MEV will assist with the development and servicing of the Company’s technology platform, including its mobile applications, business portal and WeedPass. MassRoots has capitalized the billable costs of engineers that were devoted to building the system and developing additional features that enhanced its ability to generate revenue. MassRoots did not capitalize any costs associated with maintenance, user-testing, analysis and planning of the system. The Company has been amortizing these capitalized costs using a straight-line methodology over five years, since July 5, 2018.

During fiscal year 2018, MassRoots paid MEV $521,839 with respect to the development and maintenance of its platform, of which MassRoots has capitalized $260,565 in development costs.

During the three months ended September 30, 2019 and 2018, MassRoots incurred amortization of software costs of $12,849 and $108,182, respectively. During the same period, MassRoots incurred impairment of software costs of $196,315 and $0, respectively.

During the nine months ended September 30, 2019 and 2018, MassRoots incurred amortization of software costs of $38,549 and $315,229, respectively. During the same period, MassRoots incurred impairment of software costs of $196,315 and $0, respectively.

NOTE 8 – ADVANCES AND NOTES PAYABLE

As of September 30, 2019, the Company owed advances of $882,500, as compared to $942,500 as of December 31, 2018, which were primarily for Simple Agreements for Future Tokens, entered into with eight accredited investors issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(a)(2) thereof and/or Regulation D thereunder in 2017 and 2018.

As of September 30, 2019, the Company owed $178,500 under notes payable agreements which are not convertible into shares of common stock. Such notes payable agreements had maturity dates from March 21, 2019 to September 15, 2019, carried a collective $26,000 in original issuance discounts, have annual interest rates from 0%-20% annually, and have incurred an aggregate of $60,661 in default penalties as of September 30, 2019.

NOTE 9 – CONVERTIBLE NOTES PAYABLE

On July 5, 2018, the Company issued secured convertible notes to certain accredited investors in the aggregate principal amount of $1,650,000. The notes had a maturity date of January 5, 2019 and accrued no interest. Net proceeds received by the Company were $1,492,500 after deduction of legal and other fees. If the Company exercises its right to prepay the notes, the Company shall make payment to the investors in an amount equal to the sum of the then outstanding principal amount of the notes that the Company desires to prepay, multiplied by (a) 1.1, during the first 90 days after the execution of the note, or (b) 1.25, at any point thereafter. The notes are convertible into shares of the Company's common stock at a price per share equal to the lower of (i) $0.25 and (ii) a 15% discount to the price at which the Company next conducts an offering after the issuance date of the notes; provided, however, if any part of the principal amount of the notes remains unpaid after the maturity date, the conversion price will be equal to 65% of the average of the three trading days with the lowest daily weighted average prices of the Company's common stock occurring during the fifteen days prior to the notes' maturity date.

In connection with the issuance of the notes, the Company and the investors also entered into a security agreement pursuant to which the notes are secured by all of the assets of the Company held as of July 5, 2018 and acquired thereafter. The Company also issued five-year warrants to purchase an aggregate of 6,600,000 shares of Company's common stock with an initial exercise price of $0.25. The warrants contain certain anti-dilutive provisions.

In December 2018, the Company made payments of an aggregate of $1,762,500 to holders of July 2018 notes. As of December 31, 2018, the aggregate carrying value of the notes was $390,000. During nine months ended September 30, 2019, holders of the July 2018 notes converted $392,980 in principal and interest into an aggregate of 10,102,353 shares of the Company's common stock for the settlement of convertible debt. The balance of these notes was $0 as of September 30, 2019.

In December 2018, the Company issued convertible promissory notes in the aggregate principal amount of $90,000 (including an aggregate original issuance discount of $12,840) maturing in June 2019 and bearing interest rates of 5% per annum. The Company shall have the right to prepay the notes for an amount equal to 130% multiplied by the portion of the Outstanding Balance (as defined in the notes) being prepaid. The investors shall have the right to convert the Outstanding Balance of the note at any time into shares of common stock of the Company at a conversion price of $0.075 per share, subject to adjustment. During the nine months ended September 30, 2019, the holder converted $90,000 in principal and $9,000 of interest into an aggregate of 6,879,913 shares of common stock. As of September 30, 2019, the aggregate carrying value of the note was $0.

On December 17, 2018, the Company issued a secured convertible promissory note in the principal amount of $2,225,000 (including an original issuance discount of $225,000) which matures on December 17, 2019 and bears interest at a rate of 8% per annum (which shall be increased to 22% upon the occurrence of an event of default). The Company shall have the right to prepay the note for an amount equal to 125% multiplied by the portion of the Outstanding Balance (as defined in the note) being prepaid. In addition, the note is secured by the Security Agreement (as defined below). The investor shall have the right to convert the Outstanding Balance of the note at any time into shares of common stock of the Company at a conversion price of $0.35 per share, subject to adjustment. Commencing on June 17, 2019, the investor shall have the right to redeem all or any portion of the note; provided, however, the investor may not request redemption in an amount that exceeds $350,000 during any single calendar month; provided, further however, upon the occurrence of an event of default, the redemption amount in any calendar month may exceed $350,000. Payments on redemption amounts may be made in cash, by converting the redemption amount into shares of the Company's common stock at a conversion price of the lesser of (a) $0.35 per share, subject to adjustment and (b) the Market Price (as defined in the note), or a combination thereof. Upon the occurrence of an event of default, the investor may accelerate the note pursuant to which the Outstanding Balance will become immediately due and payable in cash at the Mandatory Default Amount (as defined in the note). The Company is prohibited from effecting a conversion of the note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased by the investor up to, but not exceeding, 9.99%.

Pursuant to the terms of the agreement, the Company also entered into a security agreement (the "Security Agreement") on the closing date pursuant to which the Company granted the investor a security interest in the Collateral (as defined in the Security Agreement). On July 16, 2019, the Company received a notice from an investor indicating that events of default had occurred and asserting default penalties of $761,330. During the nine months ended September 30, 2019, the holder converted $288,000 of principal into an aggregate of 53,272,295 shares of common stock. As of September 30, 2019, the aggregate carrying value of the note was $2,837,002, net a debt discount of $42,269.

From January to June 2019, the Company issued convertible promissory notes in the aggregate principal amount of $389,000 (including an aggregate original issuance discount of $39,000) maturing between July 2, 2019 and June 6, 2020 and bearing interest rates of 5% to 12% per annum. The Company shall have the right to prepay the notes for an amount equal to 130% multiplied by the portion of the Outstanding Balance (as defined in the notes) being prepaid. The investor shall have the right to convert the Outstanding Balance of the notes at any time into shares of common stock of the Company at a conversion price of $0.075 per share, subject to adjustment. Upon maturity, payment may be made in cash, by converting the redemption amount into shares of the Company's common stock at a conversion price of the lesser of (a) $0.075 per share, subject to adjustment and (b) the Market Price (as defined in the notes), or a combination thereof. Upon the occurrence of an event of default, the investor may accelerate the note pursuant to which the Outstanding Balance will become immediately due and payable in cash at the Mandatory Default Amount (as defined in the notes). The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note, which beneficial ownership limitation may be increased by the investor up to, but not exceeding, 9.99%. During the nine months ended September 30, 2019, the holders converted $25,000 in principal and $8,000 in interest into an aggregate of 10,000,000 shares of common stock. As of September 30, 2019, the aggregate carrying value of these notes were $518,718, net a debt discount of $111,546.

Upon the issuance of certain convertible debentures, the Company determined that the features associated with the embedded conversion option embedded in the debentures, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions.

NOTE 10 – DERIVATIVE LIABILITIES AND FAIR VALUE MEASUREMENTS

Upon the issuance of certain convertible debentures, warrants, and preferred stock the Company determined that the features associated with the embedded conversion option embedded in the debentures, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions.

At the date of inception, the Company estimated the fair value of the embedded derivatives of $15,404,103 using the Black-Scholes Pricing Model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 110.59% to 112.80%, (3) weighted average risk-free interest rate of 1.55% to 2.33%, (4) expected life of one year, and (5) estimated fair value of the Company's common stock of $0.046 to $0.056 per share.

On September 30, 2019, the Company estimated the fair value of the embedded derivatives of $15,342,468 using the Black-Scholes Pricing Model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 120.15%, (3) weighted average risk-free interest rate of 1.16%, (4) expected life of 0.63 to 0.68 years, and (5) estimated fair value of the Company's common stock of $0.004 per share.

The Company adopted the provisions of ASC 825-10, Financial Instruments ("ASC 825-10"). ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

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

- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

All items required to be recorded or measured on a recurring basis are based upon Level 3 inputs.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

The Company recognizes its derivative liabilities as Level 3 and values its derivatives using the methods discussed below. While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The primary assumptions that would significantly affect the fair values using the methods discussed are that of volatility and market price of the underlying common stock of the Company.

As of December 31, 2018, the Company did not have any derivative instruments that were designated as hedges.

Items recorded or measured at fair value on a recurring basis in the accompanying financial statements consisted of the following items as of September 30, 2019 and December 31, 2018:

	September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ 15,342,468	$ -	$ -	$ 15,342,468

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ -	$ -	$ -	$ -

The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities for the nine months ended September 30, 2019:

Balance, January 1, 2019	$ -
Transfers in due to authorized shortfall	15,050,821
Transfers in due to issuance of convertible debentures	353,282
Transfers out due to debenture conversions	-
Mark to market to September 30, 2019	(61,635)
Balance, September 30, 2019	$ 15,342, 468
Gain on change in warrant liabilities for the nine months ended September 30, 2019	$ 61,635

Fluctuations in the Company's stock price are a primary driver for the changes in the derivative valuations during each reporting period. As the stock price increases for each of the related derivative instruments, the value to the holder of the instrument generally increases, therefore increasing the liability on the Company's balance sheet. Additionally, stock price volatility is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments. The simulated fair value of these liabilities is sensitive to changes in the Company's expected volatility. Increases in expected volatility would generally result in higher fair value measurement. A 10% change in pricing inputs and changes in volatilities and correlation factors would not result in a material change in our Level 3 fair value.

NOTE 11 – CAPITAL STOCK

Preferred Stock

The Company is authorized to issue 10,000,000 shares of blank check preferred stock, par value $0.001 per share.

On July 2, 2019, the Company authorized the issuance of 6,000 Series A preferred stock, par value $0.001 per share. The Certificate of Designation for the Series A preferred stock was filed on July 9, 2019.

On July 2, 2019 and July 11, 2019, the Company entered into exchange agreements with certain stockholders pursuant to which it exchanged warrants issued in July 2018 to purchase an aggregate of 26,000,000 shares of the Company's common stock for an aggregate of 6,000 shares of Series A Preferred Stock.

From July 5, 2019 to September 19, 2019, the Company issued an aggregate of 80,000,000 shares of common stock upon the conversion of 3,200 shares of Series A Preferred Stock.

On June 24, 2019, the Company authorized the issuance of 2,000 shares of Series B Convertible Preferred Stock, par value $0.001 per share. The Certificate of Designation for the Series B Convertible Preferred Stock was filed on July 9, 2019.

As of September 30, 2019, there were 516 shares of Series B Convertible Preferred Stock recorded as to be issued for cash consideration of $645,000.

On July 16, 2019, the Company authorized the issuance of 1,000 Series C preferred stock, par value $0.001 per share. The Certificate of Designation for the Series C preferred stock was filed on July 19, 2019.

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock, par value $0.001 per share. As of September 30, 2019, there were 353,597,045 shares of common stock issued and outstanding.

The following common stock transactions were recorded during the nine months ended September 30, 2019:

The Company issued an aggregate of 80,000 shares of its common stock recorded as to be issued on December 31, 2018 for a cash warrant exercise.

The Company issued an aggregate of 1,591,240 shares of its common stock as interest expense with a value of $36,830.

The Company issued 5,553,191 shares of its common stock to satisfy a true-up provision with a value of $22,213.

The Company issued an aggregate of 2,950,000 shares of its common stock and recorded an additional 2,550,000 shares as to be issued, having an aggregate fair value of $198,700, for services rendered.

The Company issued an aggregate of 3,997,661 shares of its common stock upon the cashless exercise of outstanding warrants.

The Company issued 9,000,000 shares for the settlement of a warrant provision.

The Company issued an aggregate of 1,555,160 shares of its common stock and recorded an additional 1,126,250 shares of common stock as to be issued for the cash exercise of warrants for proceeds of $172,950.

The Company issued an aggregate of 78,913,321 shares of its common stock for the settlement of convertible debt with a principal amount of $786,838.

The Company issued an aggregate of 1,250,000 shares of its common stock as origination shares with a principal amount of $141,333.

The Company issued an aggregate of 80,000,000 shares of common stock upon the conversion of 3,200 shares of Series A Preferred Stock.

NOTE 12 – WARRANTS

During the nine months ended September 30, 2019, the Company received $172,950 from cash exercises of warrants to purchase 1,555,160 shares of common stock. During the same period, the Company issued 3,997,661 shares of common stock upon the cashless exercise of warrants to purchase 12,686,249 shares of common stock.

On July 2, 2019 and July 11, 2019, the Company entered into exchange agreements with certain stockholders pursuant to which it exchanged warrants issued in July 2018 to purchase an aggregate of 26,000,000 shares of the Company's common stock for an aggregate of 6,000 shares of Series A Preferred Stock.

During the nine months ended September 30, 2019, the Company issued 12,900,000 warrants to purchase shares of common stock at $0.075 per share pursuant to the Series B Convertible Preferred Stock offering.

During the nine months ended September 30, 2019, as a result of the Company's Series B Convertible Preferred Stock offering, the ratchet provisions in certain warrants were triggered, causing the exercise price to be reset to $0.00224 per share. Warrants to purchase 35,879,998 shares of common stock at an exercise price of $0.075 outstanding as of December 31, 2018 were repriced to a $0.00224 per share exercise price as of September 30, 2019. Warrants to purchase an additional 2,841,222,285 shares of common stock at $0.00224 per share were issued as a result of this ratchet provision.

The Company recorded a $27,935,469 deemed dividend as a result of the triggering of these ratchet provisions.

Warrants outstanding and exercisable at September 30, 2019 are as follows:

Exercise Price	Warrants Outstanding	Weighted Avg. Remaining Life	Warrants Exercisable
$0.001 – 0.25	2,514,568,356	3.24	2,514,568,356
0.26 – 0.50	565,002	1.67	565,002
0.51 – 0.75	50,000	0.52	50,000
0.76 – 1.00	1,869,000	0.17	1,869,000
	2,517,052,358		2,517,052,358

A summary of the warrant activity for the nine months ended September 30, 2019 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2018	74,910,002	$ 0.14	3.49	$ -
Grants	2,494,122,285	0.00252	4.25	3,691,301
Exercised	(15,367,659)	0.05	3.75	-
Forfeited/Cancelled	(36,612,270)	1.00	-	-
Vested and expected to vest at September 30, 2019	2,517,052,358	$ 0.00363	3.24	$ 931,309
Exercisable at September 30, 2019	2,517,052,358	$ 0.00363	3.24	$ 931,309

The aggregate intrinsic value outstanding stock warrants was $931,309, based on warrants with an exercise price less than the Company's stock price of $0.004 as of September 30, 2019, which would have been received by the warrant holders had those holders exercised the warrants as of that date.

NOTE 13 – STOCK OPTIONS

Our stockholders approved our 2014 Equity Incentive Plan in June 2014 (the "2014 Plan"), our 2015 Equity Incentive Plan in December 2015 (the "2015 Plan"), our 2016 Equity Incentive Plan ("2016 Plan") in October 2016, our 2017 Equity Incentive Plan in December 2016 ("2017 Plan" and together with the 2014 Plan, 2015 Plan, 2016 Plan, the "Prior Plans") and our 2018 Equity Incentive Plan in June 2018 (the "2018 Plan", and together with the Prior Plans, the "Plans"). The Prior Plans are identical, except for number of shares reserved for issuance under each. As of December 31, 2018, the Company had granted an aggregate of 60,600,000 securities under the Plans, with 3,900,000 shares available for future issuances.

The Plans provide for the grant of incentive stock options to our employees and our parent and subsidiary corporations' employees, and for the grant of non-statutory stock options, stock bonus awards, restricted stock awards, performance stock awards and other forms of stock compensation to our employees, including officers, consultants and directors. The Prior Plans also provide that the grant of performance stock awards may be paid out in cash as determined by the committee administering the Prior Plans.

During the nine months ended September 30, 2019, the Company granted ten-year options outside of our Plans to purchase up to 250,000 shares of the Company's common stock for advisory services. The fair value of $14,000, was determined using the Black-Scholes option pricing model, assuming approximately 2.43% risk-free interest, 0% dividend yield, 114% volatility, and expected life of ten years and will be charged to operations over the vesting terms of the options.

The summary terms of the issuances are as follows:

Exercise Price	Number of Options	Vesting Terms
$ 0.075	250,000	Immediately

Stock options outstanding and exercisable on September 30, 2019 are as follows:

Exercise Price	Number of Options	Remaining Life In Years	Number of Options Exercisable
$0.01 – 0.25	13,306,786	8.75	13,306,786
0.26 - 0.50	1,939,631	7.76	1,939,631
0.51 – 0.75	1,820,112	7.18	1,820,112
0.76 - 1.00	9,926,072	7.21	9,926,072
1.01 - 2.00	629,164	7.21	629,164
	27,621,765		27,621,765

A summary of the stock option activity for the nine months ended September 30, 2019 is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2018	27,371,765	$ 0.50	8.42	$ -
Grants	250,000	0.075	9.73	-
Exercised	-	-	-	-
Forfeiture/Cancelled	-	-	-	-
Outstanding at September 30, 2019	27,621,765	0.50	8.17	$ -
Exercisable at September 30, 2019	27,621,765	$ 0.50	8.17	$ -

The aggregate intrinsic value of outstanding stock options was $0, based on options with an exercise price less than the Company's stock price of $0.004 as of September 30, 2019, which would have been received by the option holders had those option holders exercised their options as of that date.

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Black-Scholes option pricing model with a volatility figure derived from historical data. The Company accounts for the expected life of options based on the contractual life of options for non-employees.

The fair value of all options that were vested for the nine months ended September 30, 2019 and 2018 was $14,000 and $459,834, respectively. There was no unrecognized compensation expense at September 30, 2019 that will be expensed in future periods.

NOTE 14 – SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued.

From October 1, 2019 to February 24, 2020:

On October 11, 2019, Power Up Lending Group, Ltd. filed a complaint against the Company demanding, among other things, (i) $312,000 and $2,000 in per day until issuance of certain conversion shares together with interest thereon with respect to the first cause of action; (ii) $156,000 together with interest thereon with respect to the second cause of action; (iii) lost profits in no event less than $312,000 with respect to the third cause of action; (iv) reasonable legal fees and costs of litigation with respect to the fourth cause of action; and (v) $312,000.with respect to the fifth cause of action.

On October 21, 2019, the Company issued 1,000 Series C Preferred Series.

From November 13, 2019 to November 18, 2019, MassRoots issued an aggregate of 610 shares of its Series B Convertible Preferred Stock for proceeds of $762,500. The proceeds were used to repay the Company's Simple Agreements for Future Tokes with an original principal amount of $545,000.

On November 13, 2019, MassRoots issued and sold convertible notes in the aggregate principal amount of $108,900 (including an aggregate of $9,900 original issuance discount) to accredited investors.

From October 29, 2019 to January 16, 2020, MassRoots issued 109,448,360 shares of common stock for the settlement of $308,268 in convertible debt and accrued interest.

On December, 2019, MassRoots exchanged 2,800 shares of Series A Convertible Preferred Stock for convertible notes with an aggregate principal amount of $3,500,000.

From December 3 to December 31, 2019, MassRoots exchanged 1,126 shares of Series B Convertible Preferred Stock for convertible notes with an aggregate principal amount $1,548,250.

On December 6, 2019, MassRoots issued and sold convertible notes in the aggregate principal amount of $110,000 (including an aggregate of $10,000 original issuance discount) to accredited investors.

On January 7, 2020, MassRoots issued and sold a convertible note in the aggregate principal amount of $55,000 (including an aggregate of $5,000 original issuance discount) to an accredited investor.

On February 24, 2020, MassRoots terminated the Agreement and Plan of Merger dated February 11, 2019 by and among the Company, MassRoots Supply Chain, Inc., COWA Science Corporation and Christopher Alameddin.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our unaudited condensed consolidated financial statements and related notes contained in Part I, Item 1 of this Quarterly Report. Please also refer to the note about forward-looking information for information on such statements contained in this Quarterly Report immediately preceding Item 1.

Overview

We were incorporated in April 2013 as a technology platform for the cannabis industry. Powered by more than one million registered users, we enable consumers to rate cannabis products and strains based on their efficacy (i.e., effectiveness for treating ailments such as back-pain or epilepsy) and then present this information in easy-to-use formats for consumers to make educated purchasing decisions at their local dispensary. Businesses are able to leverage MassRoots by strategically advertising to consumers based on their preferences and tendencies.

Over the past six years, we have established our self as a leading technology company in the emerging cannabis industry, building a user base of over one million registered users, partnering with some of the most recognized brands in the industry and raising significant capital from institutional and private investors.

Historically, we have focused on building a consumer-facing application and have not spent significant resources on developing our advertising portal for dispensaries. However, we are now focusing our efforts on developing our advertising portal so as to automate the processes and platform needed to deliver our underlying services. In the summer of 2018, we launched a revamped MassRoots Business Portal and a consumer rewards program, called WeedPass®, which is accessible through the MassRoots mobile application. After an introductory free trial period, we charge dispensaries fees for their dispensary listing and access to our consumer rewards program. We intend to upgrade and further develop the MassRoots Business Portal to better serve our clients in the second quarter of 2020. According to CannaBiz Media, there were more than 3,200 dispensary and retailer licenses in the United States as of September 30, 2018.

User Growth and Product Distribution Channels

The MassRoots app is distributed free-of-charge through the Apple App Store, the Google Play Marketplace and the Amazon App Store. The MassRoots network is also accessible through desktop and mobile web browsers by navigating to www.massroots.com. Our business and adverting portal can be accessed at www.massroots.com/business. Through this portal, companies can edit their profiles, distribute information to users and view analytics such as impressions, views and clicks.

Competitors

We compete with other cannabis information platforms such as WeedMaps and Leafly, which provide information with respect to dispensary locations, strain information, and news relating to the cannabis industry. We believe our primary competitive advantage is the community we have created and the significant reviews and data we have collected on key cannabis markets.

Blockchain Technology

In December 2017, we formed MassRoots Blockchain Technologies, Inc., our wholly-owned subsidiary, to explore how blockchain technology may be utilized in the cannabis industry.

For the three months ended September 30, 2019 and 2018

	For the three months ended			
	30-Sept-19	30-Sept-18	$ Change	% Change
Gross revenue	$ 909	$ 4,014	$ (3,105)	(77.27)%
Operating expenses	1,122,617	3,914,253	(2,791,636)	(71.32)%
Loss from Operations	(1,121,708)	(3,910,239)	2,788,531	71.31%
Other Income /(Expense)	(22,428,637)	(616,752)	(21,811,885)	(3,536.57)%
Net Loss	$ (23,550,345)	$ (4,526,991)	$ (19,023,354)	(420.22)%

Revenues

For the three months ended September 30, 2019 and 2018, we generated revenues of $909 and $4,014, respectively, a decrease of $3,105.

Operating Expenses

For the three months ended September 30, 2019 and 2018, our operating expenses were $1,122,617 and $3,914,253, respectively, a decrease of $2,791,636. This decrease was attributable to a decrease in stock-based compensation of $2,229,481 from $2,254,981 for the three months ended September 30, 2018 to $25,500 for the same period in 2019. There was a decrease in payroll and related expenses of $231,749 due to reduction in the number of employees as payroll and related expenses decreased to $152,809 for the three months ended September 30, 2019 from $384,558 for same period in 2018. Advertising expense decreased to $2,967 for the three months ended September 30, 2019 from $36,407 for the same period in 2018, a decrease of $33,440. For the three months ended September 30, 2019 and 2018, the Company recorded amortization of software costs of $12,849 and $108,182, respectively, a decrease of $95,333. This is primarily a result of the Company incurring fewer software development costs. During the three months ended September 30, 2019, the Company recorded $196,315 in impairment of software costs, as compared to $0 during the same period in 2018, an increase of $196,315. The Company incurred a $157,500 allowance for advances given to COWA Science Corporation for the three months ended September 30, 2019, as compared to $0 for the same period in 2018, an increase of $157,500. Other general and administrative expenses decreased $555,448 from $1,130,125 for the three months ended September 30, 2018 to $574,677 for the three months ended September 30, 2019. This reduction was attributed to lower overhead costs for offices expenses, legal fees, and contractor services for the three months ended September 30, 2019 as compared to the same period in 2018.

Other Income (Expense)

For the three months ended September 30, 2019 and 2018, the Company recorded interest expense of $1,546,805 and $456,155, respectively, primarily related to Company's convertible debentures. The Company recorded a $248,022 and $0 loss on the conversion of convertible debentures payable for the three months ended September 30, 2019 and 2018, respectively. During the three months ended September 30, 2019, the Company recorded a $91,929 loss on the sale of securities, as compared to $0 for the same period in 2018. For the three months ended September 30, 2019, the Company incurred $5,585,594 in preferred stock issuance costs, as compared to $0 for the same period in 2018. The Company recorded $15,050,821 in derivative liabilities due to an authorized share shortfall for the three months ended September 30, 2019, as compared to $0 for the same period in 2018. For the three months ended September 30, 2019 and 2018, the Company recorded $94,534 and $(160,597), respectively, for the change in fair value of derivative liabilities.

Net Loss

For the three months ended September 30, 2019 and 2018, we had net losses of $23,550,345 and $4,526,991, respectively, an increase of $19,023,354 for the reasons discussed above.

For the nine months ended September 30, 2019 and 2018

	For the nine months ended			
	30-Sept-19	30-Sept-18	$ Change	% Change
Gross revenue	$ 23,658	$ 7,743	$ 15,915	205.54%
Operating expenses	2,884,121	11,941,053	(9,056,932)	(75.85)%
Loss from Operations	(2,860,463)	(11,933,310)	9,072,847	76.03%
Other Income /(Expense)	(23,477,791)	(1,014,943)	(22,462,848)	(2,213.21)%
Net Loss	$ (26,338,254)	$ (12,948,253)	$ (13,390,001)	(103.41)%

Revenues

For the nine months ended September 30, 2019 and 2018, we generated revenues of $23,658 and $7,743, respectively, an increase of $15,915. The increase is attributed to a license for the Company's YouTube channel.

Operating Expenses

For the nine months ended September 30, 2019 and 2018, our operating expenses were $2,884,121 and $11,941,053, respectively, a decrease of $9,056,932. This decrease was primarily attributable to a decrease in stock-based compensation of $5,234,929 from $5,447,629 for the nine months ended September 30, 2018 to $212,700 for the same period in 2019. There was a decrease in payroll and related expenses of $1,718,472 due to reduction in the number of employees as payroll and related expenses decreased to $495,069 for the nine months ended September 30, 2019 from $2,213,541 for same period in 2018. Advertising expense decreased to $39,332 for the nine months ended September 30, 2019 from $468,958 for the same period in 2018, a decrease of $429,626. For the nine months ended September 30, 2019 and 2018, the Company recorded amortization of software costs of $38,549 and $315,299, respectively, a decrease of $276,750. This is primarily a result of the Company incurring fewer software development costs. During the nine months ended September 30, 2019, the Company recorded $196,315 in impairment of software costs, as compared to $0 during the same period in 2018, an increase of $196,315. The Company incurred a $360,500 allowance for advances given to COWA Science Corporation for the nine months ended September 30, 2019, as compared to $0 for the same period in 2018, an increase of $360,500. Other general and administrative expenses decreased $1,957,500 from $3,495,626 for the nine months ended September 30, 2018 to $1,538,126 for the nine months ended September 30, 2019. This reduction was attributed to lower overhead costs for offices expenses, legal fees, and contractor services for the nine months ended September 30, 2019 as compared to the same period in 2018.

Other Income (Expense)

For the nine months ended September 30, 2019 and 2018, the Company recorded interest expense of $2,136,983 and $854,346, respectively, primarily related to Company's convertible debentures. For the nine months ended September 30, 2019 and 2018, the Company recorded a loss on the conversion of convertible debentures payable of $674,099 and $0, respectively. During the nine months ended September 30, 2019, the Company recorded a $91,929 loss on the sale of securities, as compared to $0 for the same period in 2018. For the nine months ended September 30, 2019, the Company incurred $5,585,594 in preferred stock issuance costs, as compared to $0 for the same period in 2018. The Company recorded $15,050,821 in derivative liabilities due to an authorized share shortfall for the nine months ended September 30, 2019, as compared to $0 for the same period in 2018. For the nine months ended September 30, 2019, the Company recorded $61,635 and $(160,597) for the change in fair value of derivative liabilities for the same period in 2018.

Net Loss

For the nine months ended September 30, 2019 and 2018, we had net losses of $26,338,254 and $12,948,253, respectively, an increase of $13,390,001 for the reasons discussed above.

Liquidity and Capital Resources

Net cash used in operations for the nine months ended September 30, 2019 and 2018 was $1,389,212 and $5,718,352, respectively. This $4,329,140 decrease was primarily caused by a decrease in stock-based compensation (non-cash items) and an increase in accounts payable and accrued expenses. Net cash used in operations for the nine months ended September 30, 2018 was primarily caused by the loss for the nine months ended September 30, 2018 which was offset by the decrease in stock-based compensation (non-cash item).

Net cash provided by investing activities for the nine months ended September 30, 2019 was $90,983, while $224,076 was used in investing activities during the nine months ended September 30, 2018, respectively.

Net cash provided by financing activities for the nine months ended September 30, 2019 and 2018 was $1,271,300 and $4,752,062, respectively. During the nine months ended September 30, 2019, these funds were derived mainly from proceeds related to sale of preferred stock and the issuance of convertible notes. During the nine months ended September 30, 2018, net cash provided by financing activities was derived mainly from sales of our common stock.

These conditions raise substantial doubt about our ability to continue as a going concern for one year from the issuance of the financial statements. Our primary source of operating funds since inception has been cash proceeds from private placements of common stock, proceeds from the exercise of warrants and options and issuances of notes payable. We have experienced net losses and negative cash flows from operations since inception and expect these conditions to continue for the foreseeable future. For the foreseeable future, our ability to continue our operations is dependent upon our ability to obtain additional capital through public or private equity offerings, debt financings or other sources to fund our future operations; however, financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy and we may be forced to curtail or cease operations.

Capital Resources

As of September 30, 2019, the Company had cash of $2,639. We currently have no external sources of liquidity such as arrangements with credit institutions or off-balance sheet arrangements that will have or are reasonably likely to have a current or future effect on our financial condition or immediate access to capital.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

For a discussion of our accounting policies and related items, please see the Notes to the Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Quarterly Report.

ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As a “smaller reporting company”, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15-d-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures,” as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon such evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures as of September 30, 2019 were not effective.

Due to identified control deficiencies regarding the lack of segregation of duties and the need for a stronger internal control environment, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were ineffective as of the end of the period covered by this report. Specifically, the Company's controls and procedures were ineffective because the Company did not have an adequate process established to ensure appropriate levels of review of accounting and financial reporting matters, which resulted in the Company's closing process not identifying all required adjustments and disclosures in a timely fashion. The Company expects that it will need to hire accounting personnel with the requisite knowledge to improve the levels of review of accounting and financial reporting matters. The Company may experience delays in doing so and any such additional employees would require time and training to learn the Company's business and operating processes and procedures. For the near-term future, until such personnel are in place, this will continue to constitute a material weakness in the Company's disclosure controls and procedures that could result in material misstatements in the Company's financial statements not being prevented or detected.

To address the material weaknesses, the Company performed additional analysis and other procedures in an effort to ensure its financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States. Accordingly, management believes that the financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented.

The Company's CEO and CFO do not expect that the Company's disclosure controls and procedures or its internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be subject to litigation and claims arising in the ordinary course of business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have a material adverse effect on our business, operating results, cash flows or financial condition.

ITEM 1A. RISK FACTORS

As a "smaller reporting company," we are not required to provide the information required by this Item 1A.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2019, the Company issued (i) an aggregate of 63,682,454 shares of its common stock for the settlement of convertible debt in the principle amount of $296,000, (ii) an aggregate of 946,746 shares of its common stock for the settlement of $8,000 in accrued interest, (iii) 5,553,191 shares of its common stock to satisfy a true-up provision valued at $22,213 and (iv) an aggregate of 80,000,000 shares of common stock upon the conversion of 3,200 shares of Series A Convertible Preferred Stock.

The foregoing issuances were made in reliance upon an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506 of Regulation D thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On August 19, 2019, the Company received a notice of default from a holder of two convertible promissory notes. Specifically, on May 16, 2019, the Company issued the holder a convertible promissory note in the principal amount of $103,000 (the "May Note") and on June 6, 2019, the Company issued the holder a convertible promissory note in the principal amount of $53,000 (the "June Note" and together with the May Note, the "Notes"). The notice alleges that as a result of the Company's failure to timely file its Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, that that the outstanding principal amount of the Notes should be increased to $312,000, and the holder requested immediate payment of such principal amount together with accrued interest and default interest with respect to each note. As of February 21, 2020, an aggregate of $346,898 in principal amount remains outstanding under the Notes.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(b) Exhibit Index

No.	Description of Exhibit
3.1	Second Amended and Restated Certificate of Incorporation of MassRoots, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on June 19, 2018)
3.2	Bylaws of the Company (Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on June 13, 2014)
3.3	State of Delaware Certificate of Merger of Domestic Corporation Into Domestic Corporation, for MassRoots Compliance Technology, Inc. and Odava Inc., effective as of July 13, 2017 (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 14, 2017)
3.4	Certificate of Designations, Preferences and Rights of the Series A Convertible Preferred Stock of MassRoots, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 11, 2019)
3.5	Certificate of Designations, Preferences and Rights of the Series B Convertible Preferred Stock of MassRoots, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 11, 2019)
3.6	Certificate of Designations, Preferences and Rights of the Series C Convertible Preferred Stock of MassRoots, Inc. (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 22, 2019)
10.1	Form of Subscription Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 11, 2019)
10.2	Form of Exchange Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 11, 2019)
10.3	Form of Warrant (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 11, 2019)
10.4	Form of Separation Agreement (Incorporated by reference to our Current Report on Form 8-K filed with the SEC on July 22, 2019)
31.1*	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

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

MASSROOTS, INC.

Date: February 26, 2020	By:	/s/ Isaac Dietrich Isaac Dietrich, Chief Executive Officer (Principal Executive Officer)
Date: February 26, 2020	By:	/s/ Jesus Quintero Jesus Quintero, Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Isaac Dietrich, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MassRoots, 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 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 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 registrant's board of directors (or persons performing the equivalent function):

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

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

Dated: February 26, 2020

By: /s/ Isaac Dietrich
Isaac Dietrich
Chief Executive Officer
(*Principal Executive Officer*)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jesus Quintero, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MassRoots, 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 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 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 registrant’s board of directors (or persons performing the equivalent function):

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

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

Dated: February 26, 2020

By: /s/ Jesus Quintero
Jesus Quintero
Chief Financial Officer
(*Principal Financial and Accounting Officer*)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Isaac Dietrich, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of MassRoots, Inc. for the quarter ended September 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of MassRoots, Inc.

Dated: February 26, 2020

By: /s/ Isaac Dietrich
Isaac Dietrich
Chief Executive Officer
(*Principal Executive Officer)*

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jesus Quintero, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of MassRoots, Inc. for the quarter ended September 30, 2019 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of MassRoots, Inc.

Dated: February 26, 2020	By: /s/ Jesus Quintero
	Jesus Quintero
	Chief Financial Officer
	(*Principal Financial and Accounting Officer)*