

MOXC: OTC**Moxian, Inc.****PROFILE**

Moxian, Inc. has built a novel 'online-to-offline' commercial platform to bring local businesses in touch with consumers. The *Moxian+* mobile application was designed to provide a presence on mobile devices for businesses that normally rely exclusively on foot traffic.

Moxian is targeting small- to medium-sized merchants in selected metropolitan areas of China, Singapore and Malaysia. O2O strategies are particularly suitable for consumer goods such as food and beverage, personal services such as beauty salons and fitness, or entertainment such as movies and concerts. While it is possible to find and order these products and services online, consumption must be entirely offline and in the real world. Mobile apps with O2O functionality make it possible for consumers and merchants to interact on a new level.

Both the *Moxian+ User* and *Moxian+ Business* apps are available free of charge in the Google Play and Apple App Stores. The apps can also be set up through an Internet site at www.Moxian.com. Moxian will realize revenue from merchants fees by providing basic platform services and premium services to larger retail chains.

Beginning in January 2016, the Company deployed twenty sales representatives in the Shenzhen markets. Management indicates that training has been completed and the reps have begun to move into these markets with new collateral material specifically designed to promote the *Moxian+ Business* app and sign up merchants.

Merchants are being offered three free months of service after which they will to pay a monthly fee. Accordingly, we expect customer service to become as critical as the marketing and sales effort in winning and retaining merchants to answer questions about the *Moxian+ Business* app, such as opening a 'shop' on the platform and extending rewards to customers. A team of eight customer service personnel has been hired, and we expect Moxian to ramp up capacity as the network builds.

The Company recently completed the final tranche of a \$8.2 million private placement of common stock, providing critical cash resources as Moxian moves from development to commercial stage. The infusion of cash should help support operations until the stream of monthly fees from merchants begins in the coming months.

MARKET DATA

Price: \$4.30 (3/21/16)

52 Wk Hi-Lo: \$6.50 - \$3.95

Ave. Volume: 769/day

Short Interest: <1%

VALUATION

Price/Sales: nm

Price/CFO: neg

Price/EPS: neg

Price/Book Value: neg

*Based on TTM ending 12/31/15**Fiscal year ends September***EQUITY SECURITIES**

Common Shares Out: 128.0 M

Insiders: 53.0%

Float: 60.2 M

Institutional: <1%

5% Holders: 33.6%

Common Dividend: nil

Preferred Shares: -0-

Shares underlying
Convertible Notes: -0-Warrants and
Options Outstanding: -0-*As of 3/16/16**Reflects cancellation of 98.8 million shares of common stock 3/4/16**Excludes 32.0 million warrants issuable pursuant to a private placement agreement in April 2015*

Please read the important disclosures on page 9 of this report.

INVESTMENT HIGHLIGHTS

Positives

- ◆ Large market opportunity in 'online-to-offline' commerce to draw potential customers from online channels to physical stores in China.
- ◆ Growing awareness and interest in online-to-offline strategies where merchants and consumers have already embraced mobile devices.
- ◆ Primary target market particularly receptive to social commerce and marketing techniques. China's State Council pegged the value of China's O2O market at \$48 billion for the first half of 2015.
- ◆ Successful launch of *Moxian+* User and Business Apps for consumers and merchants proves capability of platform technology.
- ◆ Successful closing of final tranche in \$8.2 million private placement of common stock.

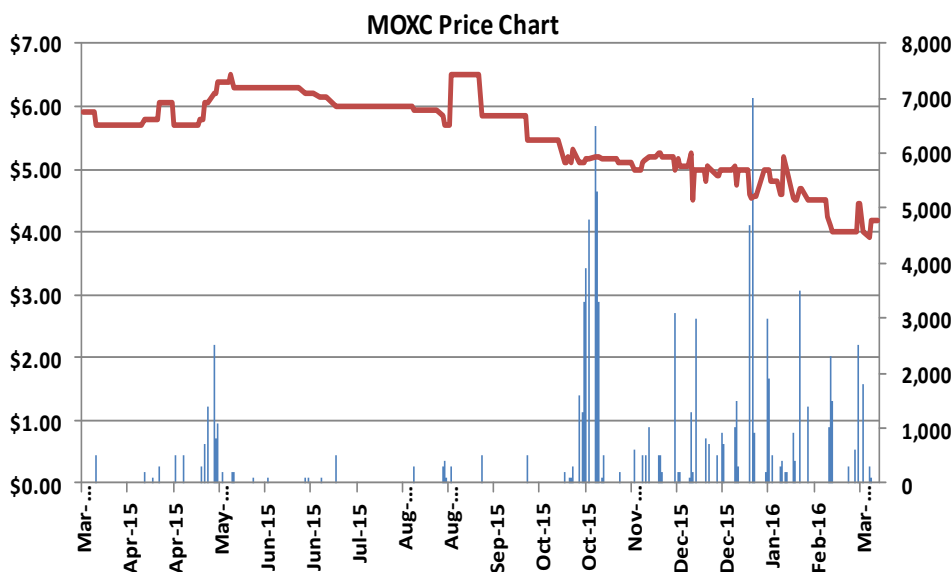
Negatives

- ◆ Moxian is an early stage company that has just begun to commercialize its products and services and has not yet reported profits.
- ◆ Continued losses expected as the marketing and sales strategy is rolled out in the first months of calendar year 2016.
- ◆ Recent filing of registration statement for issuance of new shares of common stock to raise up to \$57 million could result in dilution for current shareholders.
- ◆ Moxian is closely held, allowing insiders to wield considerable control over strategic direction with 53% common stock ownership; large shareholders control another 34% of the Company's stock.
- ◆ Unseasoned stock with low trading volume and wide bid-ask spread.
- ◆ The Company operates exclusively in Asia and in languages other than English, adding complexity to the task of investor due diligence.

OUTLOOK

Moxian is moving from development to commercial stage as a sales team entered the Shenzhen market in January 2016. Significant revenue might not begin to flow until fourth quarter 2016 as Moxian is offering three free months of service to new merchant customers. The need to wait a bit longer to see top-line growth might disappoint some investors, which could be reflected in near-term price and trading volume. With more time to consider the change in implied market capitalization, investors may also react to the recent cancellation in common shares outstanding and the filing of a registration statement for a common stock offering. Low constructive float possibly hampers price seeking activity.

In our view, MOXC is speculative and appropriate only for risk tolerant investors with long-term investing horizons.



COMPARABLES

- **JM WOWO** (WOWO: Nasdaq)
- **MeetMe, Inc.** (MEET: Nasdaq)
- **Moko Social Media Ltd.** (MOKO: Nasdaq)
- **Qihoo 360 Technology Co.** (QIHU: NYSE)
- **SpendSmart Networks** (SSPC: OTC)
- **TechTarget, Inc.** (TTGT: Nasdaq)
- **TenCent Holdings Ltd.** (TCEHY: OTC)

PLATFORM ELEMENTS

- Social Media Engine
Mo-Talk - communication tool
Mo-Zone - social networking
- E-commerce Engine
Mo-Mall - social marketing
- Gamification Engine
Mo-Chess, Bid and Grab - play for prizes
Mo-Puzzle - play for points
- Rewards Engine
Mo-Coins - redeemable
Mo-Points - social loyalty program
- Analytical Engine
Social Customer Relationship Management (SCRM)
Predictive and precision marketing

MOBILE APP FEATURES

- **Moxian+ User App**
 - ◇ Mo-Talk - voice chat
 - ◇ News Center - relevant and timely content
 - ◇ Game Center - games to earn rewards
 - ◇ Merchant Stores - shopping with credit cards, points
 - ◇ Mo-Shake - self-drawing with cell phone to win rewards, discounts, vouchers
- **Moxian+ Business App**
 - ◇ Open a Shop - mobile app presence for merchant
 - ◇ Mo-Talk - communicate with customers
 - ◇ Analytics - reports on marketing activities
 - ◇ Rewards - create customized discount vouchers, coupons

BUSINESS DESCRIPTION

Moxian, Inc. provides an 'online-to-offline' platform to connect small- and medium-sized business with consumers in China. The Company recently launched the *Moxian+* mobile app for consumers to take advantage of coupon rewards and social networking. A separate mobile app allows merchants to create a profile, communicate with customers, or manage special offers and advertising.

Moxian's O2O platform makes it possible for consumers to discover, research and pay for products and services on-line and then find the physical location to receive delivery. The transaction is completed on-line as the consumer provides feedback and receives incentives to return again or to recommend the merchant to family and friends.

Monthly fees for platform access will be the primary source of revenue for Moxian. The Company also expects to provide certain premium services to larger customers, including proprietary server access and marketing data analytics. Merchant fees are expected to provide a strong recurring revenue base as the Company builds out its merchant relationships.

GROWTH STRATEGY

Called O2O for short, online-to-offline commerce strategies attempt to identify customers in the digital space through online search, e-mails or digital advertising and then entice them to physical stores. O2O resources are particularly appealing for merchants in China where long distances and congestion frustrate both merchants and consumers.

We believe Moxian's entrance to the China market timely. China has achieved the highest penetration rate in the world for mobile devices, which cues up a consumer population ready to discover merchants using the *Moxian+* platform. The O2O movement has just begun in China and several of the largest social media and supply chain entities have started educating the merchant population about the value of O2O strategies. We believe Moxian can benefit from these early efforts since its *Moxian+* platform offers location services and customer relationship management features that cannot be easily found in the other O2O platforms in the China market.

Moxian's go-to-market strategy involves the deployment of direct sales teams in metropolitan areas, selecting locations with concentrations of consumer-oriented businesses. The Company is also approaching supply chain service providers to serve as representatives of the *Moxian+* platform to their retail business customers. These arrangements would extend Moxian's reach in the China market with a potentially low-cost representative network.

We expect the first market in Shenzhen to provide a valuable test ground for Moxian's marketing and sales approach. Once perfected the strategy can be duplicated across China and other Asia markets.

MARKET OPPORTUNITY

The online-to-offline or O2O space in China continues to evolve at a rapid pace. O2O services have gained traction in part as a consequence of rapidly changing consumption in the country. Mobile connectivity is gobbling up transactions and day-to-day activities that were previously conducted exclusively inside stores and banks or at the desk top computer. To capture or even just retain those customers who prefer to connect with stores via their mobile phone, both online sellers and brick-and-mortar stores are adopting O2O practices.

A study completed by HSBC in Fall 2015 is becoming the de facto measure of the O2O market. HSBC valued the O2O market at \$1.6 trillion per year. The report went on to cite a first half 2015 growth rate of 80% over the prior year, supporting the argument that the sector commands significant upside potential. China's State Council pegged the value of China's O2O market at \$48 billion for the first half of 2015.

China's economy is particularly disposed to O2O commerce. Businesses are widely dispersed across sprawling and congested communities. Consumers need some means to bring efficiency and convenience to their shopping experience. The ubiquitous smartphone is becoming the communications device of choice in the Chinese society.

Coupon sharing is growing in popularity as family and friends seek to help each other in saving money. Red Envelopes, or hongbao, are gifts given during holidays and on special occasions in China and other parts of Asia. The 'digital' hongbao has gained acceptance and popularity.

Recent data has revealed that Chinese women are disproportionately responding to O2O platforms. Baidu Nuomi, an e-commerce platform in China, recently published results of their survey that women account for over 60% of O2O revenue despite that only 46% of Internet users are women. The gap between men and women is believed to have grown even further during the recent major holidays of New Years and Qixi, the Chinese equivalent of Valentines Day. The study showed that women's spending online for products and services in physical stores is found across a number of categories from beauty to gyms, movies, hotels and restaurants. The inordinate amount of shopping by women might arise from the roll of women as the family buyer and gift manager in Chinese society. Female online shoppers in China were estimated at 180 million at the end of 2015.

The dominance of women in O2O could be pivotal for the future of O2O platforms. Women are more likely to communicate and exchange feedback with each other regarding their shopping experiences. The attraction and retention of women to O2O platforms could be valuable since they are more likely to embrace the marketing and communications tools on which O2O relies.

No discussion of the O2O sector in China is complete without acknowledgement of 'tuango,' which mean succinctly 'buy together.' Young people in China in particular are attracted to possible discounts through group purchases. One of the largest sites offering 'tuango' is Meituan.com, which specializes in local products and services. The Meitun platform is owned by the Meitun-Dianping combination.

O2O Tactics

- In-store pick up of items purchased online
- Returns acceptance in-store for items originally purchased online
- Platforms for online orders to be placed inside stores
- 'Showrooming' inside stores in response to online inquiries
- 'Reverse showrooming' encouraging initial product research online before purchase commitments
- Use of QR codes in print and outdoor poster advertising for online orders and payments with mobile phones
- Online offers of coupons and discounts that can be redeemed in-store
- Online rewards and prizes that can be received in-store
- Location-based services to guide shoppers with mobile devices to retail locations
- E-mail or text notification of in-store benefits such as events, new arrivals, sales or special offers
- Use of supermarkets as inventory warehouses for order pick-up or delivery hubs

O2O Benefits

- More accurate targeting by demographics and geography
- More efficient marketing
- Campaign measurability
- Cost savings in customer acquisition
- Better return on investment on marketing campaigns
- Ability to adjust strategies dynamically
- Better conversion rates
- Access to customer response data

GROWTH DRIVERS

- Increasing use of mobile communications devices such as smartphones and tablets
- Continued penetration of broadband services in Asia
- Adoption of Internet and mobile apps for commerce
- Increases in per capita income, purchasing power in China



INDUSTRY CALENDAR

- **Imagine 2016** - April 2016, Las Vegas, USA
- **eMetrics Summit and Predictive Analytics World** - June 2016, Chicago, USA
- **ClickZline Shanghai** - June 2016, Shanghai, China
- **Online Marketing Experts** - Salzburg, Austria, November 2016

PEERS

- **Restaurant Review and Reservation Platforms**
Nuomi (Baidu.com)
Meituan (Alibaba Group)
Dianping (Tencent)
- **Specialized Platforms**
Meicai.cn (food delivery)
Goudafu (healthcare)
Yiwugou.com (commodity wholesale stores)
JD.com (convenience stores)
Taobao MarketPlace (TMALL.com, Alibaba)
Edaixi (laundry services, Baidu.com)

O2O MARKET PARTICIPANTS

Alibaba (BABA) continues to be among the most frequently mentioned name in China's O2O sector. The company sold its stake in the Meituan-Dianping tie up, which were recently merged to create a combined online booking and discounts platform. Reportedly Alibaba intends to focus more closely on its Koubei platform.

The fascination with Alibaba's O2O endeavors might not be because it is the leader in the space. Indeed, some view Alibaba as well behind others in the O2O space and the chatter is simply fed by speculation on whether the supply chain giant can catch up with others. For example, the social media platform WeChat has enthusiastically embraced the idea of directing online customers to physical stores and quickly began touting its 650 million user base as a selling point for O2O services.

The well populated WeChat platform offers fully integrated communications features such as instant messaging, chat and video calling, all of which are popular with China's consumers. Perhaps more importantly, WeChat has had a headstart in perfecting Location Based Services and eCommerce functions on its O2O platform. WeChat users can click within their own account on the name of an O2O participating store and WeChat will show all the locations of that store near the user's location. There is no need to visit the store website or conduct a search with a third-party mapping program or app.

We note that Moxian's *Mo-Talk* and *Mo-Zone* provide that critical social networking element that seems to distinguish the fastest growing O2O platforms. *Mo-Talk*, which is incorporated in both the consumer and merchant apps, allows the consumer to share merchant messages with his/her inner circle of friends and family. *Mo-Zone* provides a platform for posting photos and videos about consumer experiences that could extend the marketing message of merchants with a strong referral or endorsement element.

Customer relationship management (CRM) is another element that distinguished the *Moxian+* platform. Other than WeChat, none of the O2O players put much emphasis into CRM, which in the end could be the ultimate O2O carrot. CRM tactics allow merchants to draw their customers closer, improving retention and increasing follow-on sales. CRM is typically lower cost than new customer acquisition per sales dollar.

Yet in terms of sheer size, the Meitun-Dianping combination might still be the largest O2O player in China. In January 2016, during discussions for a \$3.3 billion private placement, Meitun-Dianping claimed \$25.8 billion in gross merchandise volume related to 10 million orders per day. By the end of 2015, the company had reached 150 million monthly active users. The capital raise pegged the company's value at \$18 billion. Given its exceptional size and clear leadership in the popular group buying phenomenon, it is surprising that Alibaba was so quick to divest its interest Meitun-Dianping. The next largest competitor to Meitun-Dianping is Baidu Nuomi, an e-commerce platform that claims one-fifth of the O2O online revenue in China.

EARNINGS**As Reported**

	12 Mo Ending 9/30/15	3 Mo Ending 12/31/15
Sales	\$56,122	\$ 5,584
Gross Profit	40,608	4,278
Margin	72.0%	76.6%
Oper. Loss	(14.8M)	(2.8M)
Margin	nm	nm
Net Loss	(4.8M)	(2.8M)
CFO	(2.1M)	(1.5M)
LPS	(\$0.02)	(\$0.01)

Dollars except where indicated by M for Millions

Fiscal year ends September 30th

OPERATING PERFORMANCE

Moxian reported nominal sales in the first fiscal quarter ending December 2015, as the Company finalized its O2O platform and set initial marketing and sales strategies. The operating loss was \$2.8 million, after expenses that included spending on platform and business development. The operating loss was lower than the run rate established in the previous fiscal year, most of the platform development activities had been completed in previous periods.

We expect to see deep losses in the near-term as the Company accelerates spending on marketing and sales activities in the Beijing and Shenzhen markets. The Company now has at least thirty sales representatives in each of these markets who have been charged with signing up local merchants for the *Moxian+* platform. At the same time there will be a delay in revenue as the network expands. New subscribers will have three months of free platform use before beginning to pay a monthly fee.

BALANCES

	9/30/15	12/31/15
Cash	\$ 2,399	\$ 1,250
Current assets	\$ 3,480	\$ 2,039
PP&E, net	\$ 2,942	\$ 2,189
Intangible assets	\$ 6,600	\$ 7,313
Total assets	\$13,074	\$11,596
Payables, accruals	\$ 601	\$ 422
Subscription deposit	5,506	\$ 6,167
Shareholder loans	\$ 1,463	\$ 2,205
Current liabilities	\$ 7,569	\$ 8,789
Long-term notes	-0-	-0-
Equity (Deficit)	\$ 5,505	\$ 2,806
Shares outstanding*	214,667	214,667
Warrants** / Options	-0-	-0-
Shares underlying convertible debt	-0-	-0-

Dollars, shares and derivatives in 000s

* Does not reflect recent share cancellation

**Excludes 32.0 million warrants issuable pursuant to pending private placement initiated in April 2015

Source: Company Reports and Crystal Equity Research Estimates

CAPITAL

Moxian used \$1.5 million in cash to support operations during the first fiscal quarter ending December 2015, leaving total cash resources at \$1.3 million at the end of the year. Based on the recent rate of cash usage the Company appeared to have sufficient resources to support operations through the second fiscal quarter ending March 2016. Working capital was \$824,000, excluding the deposit for the private placement subscription and shareholder loans.

Shareholder equity decreased to \$2.8 million by the end of December 2015. The decline from the end of the fiscal year three months earlier was largely the result of cash usage to support operations. Other than a shareholder loan advanced to support operations in previous periods, the Company has no debt.

We note that the private placement was formalized at the end of February 2016, thereby satisfying the subscription deposit. We estimate that the Company received \$2.1 million in cash at or before the closing, representing the final tranche of the private placement. We believe the closing of the private placement will be critical in the next few months as the Company ramps up efforts to build its network of merchants participating in the *Moxian+* platform. The infusion of cash is estimated to support operations for an additional four months based on the rate of cash usage in the final three months of 2015.

The private placement also involved the issuance of 32 million warrants that have not yet been issued. The warrants could represent an important capital source. In mid-March 2016, Moxian also filed an S-1 registration statement to raise as much as \$57 million through the sale of common stock.

RESTATEMENT

In late February 2016, Moxian filed amended financial statements for the fiscal year ending September 2015, as well as the quarters ending March and June in that year. The amendments involved several assets and expenses. The end result was a deeper loss than previously reported. There was also an increase in cash used by operations and shareholder equity was reduced. The changes arising from the restatement are summarized in the following notes and then illustrated in the table below:

- 1) The accounting treatment for the acquisition of Moxian Intellectual Property Limited, the partnership from which the Company acquired the software code and other elements of intellectual property associated with its O2O platform, was changed to an asset acquisition rather than a business acquisition as was used in the original quarter filings. This meant classifying certain assets as intangible assets rather than goodwill, an error which was corrected by the year-end filing, but still required correction in the earlier quarter filings.
- 2) In addition to the need to reflect amortization expense related to the use of these intangible assets in the March quarter, there were also errors in earlier calculations of accrued amortization expense.
- 3) There were also corrections needed in the estimated income tax benefit in fiscal year 2015 as well as the estimated value of deferred tax assets.

	Old FY2015	Note	Amended FY2015	Effect
CURRENT ASSETS				
Cash and cash equivalents	2,398,713		2,398,713	
Receivables and other assets	1,042,727		1,042,727	
Inventories	38,310		38,310	
Deferred tax assets	1,457,460	3	-	Reduced current assets
Total current assets	4,937,210		3,479,750	
Deferred tax assets	-	3	52,609	Higher long-term assets
Property and equipment, net	2,941,562		2,941,562	
Intangible assets	6,603,912	1, 2	6,600,285	Nominally lower intangible assets
TOTAL ASSETS	14,482,684		13,074,206	
SHAREHOLDER EQUITY	6,740,392	1, 2, 3	5,505,091	Lower shareholder equity
Revenue, net	83,870		83,870	
Cost and expenses				
Cost of sales	25,269		25,269	
Depreciation & amortization expenses	1,012,849	1, 2	843,299	Lower amortization expenses
SG&A expenses	5,443,815		5,443,815	
Loss from operations	(6,398,063)			Smaller reported operating loss
Interest income	2,258		2,258	
Loss before income tax	(6,395,805)		(6,226,255)	
Income tax benefit	1,457,460	3	52,609	Lower income tax benefit
Net loss	(4,973,615)		(6,173,646)	Higher reported net loss
CASH FLOW FROM OPERATIONS	(5,244,096)	1, 2, 3	(5,417,273)	Increase in reported cash usage

OUTSTANDING SHARES

Through agreement with certain shareholders, Moxian has cancelled 98.8 million of its outstanding shares of common stock. The cancellations left Good Eastern Investment Holding and Stellar Elite Ltd. with 19.98 million and 39.66 million common stocks shares, respectively. Both entities are controlled by Moxian's chief executive officer James Mengdong Tan. We estimate Tan now holds 59.64 million shares compared to his previous interest in 119.28 million shares. Additionally, Moxian China Ltd., an investment entity controlled by parties independent of management and directors, reduced its holdings to 35.21 million shares from 70.41 million.

We estimate the cancellation of shares reduced common stock shares outstanding to 128.1 million as of March 2016. Insiders now own 67.83 million shares or 53% of shares outstanding. Significant holders with 5% of the outstanding shares now own an estimated 51.18 million shares or 40% of the outstanding shares.

LEADERSHIP

James Mengdong Tan, was appointed **Chief Executive Officer and Chairman** of the Board of Directors in early 2015. Tan has an extensive background in executive management in both public and private companies. He is also the principal of 8i Capital Ltd., a corporate advisory firm based in Hong Kong and focused on public companies in Asia.

Ng Kek Wee is Moxian's **Chief Technology Officer**. He has extensive experience in early stage technology companies, and has been instrumental in commercializing new software platforms. Dr. Ng holds a Ph.D. in software engineering .

An award winning director, **Edmund Ooi Boon Hock** is **Creative Marketing Director** of Moxian. He has led production teams that won the 'Best Creative Award in Asia Television' and 'The Best Innovation Award' from Singapore Economic Development Board. He is also a skilled marketer and has worked with several Fortune 500 firms.

The Company recently appointed two new directors to the board. **Hao Qing Hu** is the general manager of the Company's Beijing subsidiary. He has extensive experience in operations management, including Shandong Debang Construction Technology Ltd. He has a degree in business management. **Yang Nan** is a certified public accountant in both China and the United States. She was previously senior manager of the audit department with KPMG Huazhen LLP.

The two new appointees join **Liew Kwong Yeow** and **Clarence Luo Xiao Yun**, who were appointed to the board of directors in January 2015. Yeow has extensive experience in executive management and Yun in information systems and engineering.

CEO Tan also serves as Interim Chief Financial Officer. The Company has indicated it is currently conducting a search for a qualified accounting professional to take the CFO position.

CAPITALIZATION

Recent Price:	\$4.30
Shares Out:	128.1 M
Market Capital:	\$550.4 M
+ Preferred Stock	\$ -0- M
+ Debt, Liabilities	\$ 8.4 M
- Cash	<u>\$ 1.2 M</u>
Enterprise Val:	\$557.6 M

Shareholder Equity:	\$2.8 M
Working Capital:	(\$0.6)M

Balances as of 12/31/15

EQUITY SECURITIES

Common Stock	128.1 M
Warrants	-0-
Options	-0-
Shares Underlying Convertible Debt	-0-

Excludes 32.0 million warrants issuable pursuant to private placement agreement in April 2015

Reflects cancellation of 98.8 million shares in March 2016

OWNERSHIP

	<u>Shares of Common Stock</u>
Insiders:	
Tan, CEO & Director	59.64 M
Wee, CTO	-0-
Yeow, Director	-0-
Yun, Director	-0-
Hu, Director	8.19 M
Nan, Director	<u>-0-</u>
Total Insiders	67.83 M
As % of Shares Outstanding	53.0%
5% Holders	42.99 M
As % of Shares Outstanding	33.6%

*Capitalization and Ownership
Sources: Company Reports and
Crystal Equity Research Estimates*



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Illuminating investment opportunities in small capitalization companies....

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