

MOXC / NASDAQ

Speculative Buy

Rating (unchanged)

\$5.25

Target (unchanged)

CAPITALIZATION

Shares Outstanding	67.0 ml.
Market Capitalization	\$211.1 ml.
+ Debt	0.0 ml.
+ Preferred Stock	-0-
- Cash	3.0 ml.
Enterprise Value	\$208.1 ml.

Book Value	\$ 7.6 ml.
Working Capital	\$ 2.6 ml.
Dividend	Nil

Pro forma balance sheet figures as of 12/31/16

INVESTMENT RETURNS

	MOXC	Sector
Return on Equity	Neg	9.9%
Return on Assets	Neg	0.2%
Return on Capital	Neg	0.3%

Source: Crystal Equity Research

MARKET DATA

Recent Price	\$3.15 (3/3/17)
52 Week High/Low	\$7.95 - \$2.60

Shares Outstanding	67.0 ml.
Inside Ownership	51%
Institutional Ownership	<1%
Estimated Flotation	33.0 ml.

Average Daily Volume	15K
Short Interest	NA
Beta	NA

Source: Bloomberg LP

FINANCIAL PROFILE

	FY15	FY16
Sales	\$ -0- ml.	\$ 0.1 ml.
EBITDA	(\$5.4) ml.	(\$11.5) ml.
EPS	(\$0.06)	(\$0.17)

Source: Company Reports

HIGHLIGHTS

Debra Fiakas, CFA

Security Analyst

212-400-7519

dfiakas@crystalequityresearch.com

- Report of the first fiscal quarter ending December 2016, reflects the common stock issuance that raised \$9.1 million in cash net of fees in early November.
- Execution began before calendar year end 2016, on strategic plans for sales teams in four major metropolitan areas in China.
- Early sales and marketing activity provides vital feedback from merchants on Moxian+ online-to-offline platform, leading to addition of WeChat messaging feature enabling immediate redemption options for consumers.
- Revenue reported in first fiscal quarter 2017, includes 'white label' sales of Moxian+ online-to-offline platform. Represents new revenue stream for Moxian's proprietary platform.

PLEASE READ THE IMPORTANT DISCLOSURES AND DISCLAIMERS AT THE END OF THIS REPORT.

INDUSTRY: Business Technology

MOXC: Nasdaq

OUTLOOK

Average daily trading volumes have increased dramatically in the most recent three months, providing significant new liquidity in the shares. Furthermore, the stock has consistently traded each day compared to intermittent activity in the months before the stock offering in November 2016. We view the acceleration in trading activity as encouraging in terms of fair valuation in MOXC. While the stock price has slipped in price, we believe the increased activity can lead to more efficient valuation in the long-term. The stock price variance suggests MOXC shares remain highly speculative and suitable for investors with tolerance for risk.

VALUATION

Price/Sales	NM
Price/Cash Flow	Neg
Price/EPS*	Neg
Price/Book Value	Neg
Consensus EPS FY2017	NA
Forward PE	NA

OPERATING PROJECTIONS

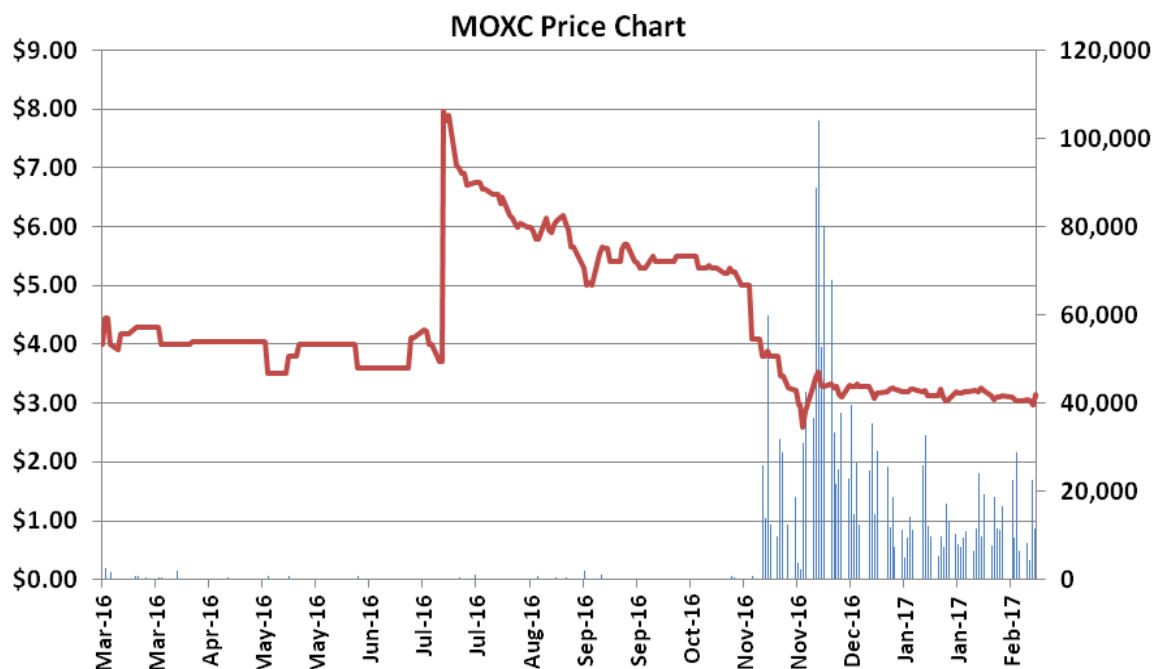
	2016A	1Q16A	1Q17E	2017E	2018E
Sales	\$0.02	\$0.001	\$0.002	\$0.200	\$2.3
Gross Profit	\$0.02	\$0.001	\$0.002	\$0.002	\$1.7
Net Loss	(\$13.4)	(\$2.8)	(\$2.3)	(\$11.24)	(\$9.1)
CFO	(\$ 7.6)	(\$1.5)	(\$1.5)	(\$6.1)	\$0.3
EPS	(\$0.17)	(\$0.03)	(\$0.03)	(\$0.17)	(\$0.13)

Fiscal year ends September 30

Dollars in millions except per share earnings

Company Reports and Crystal Equity Research Estimates

Per share figures trailing 12 months ending 12/31/16



Source: Crystal Equity Research

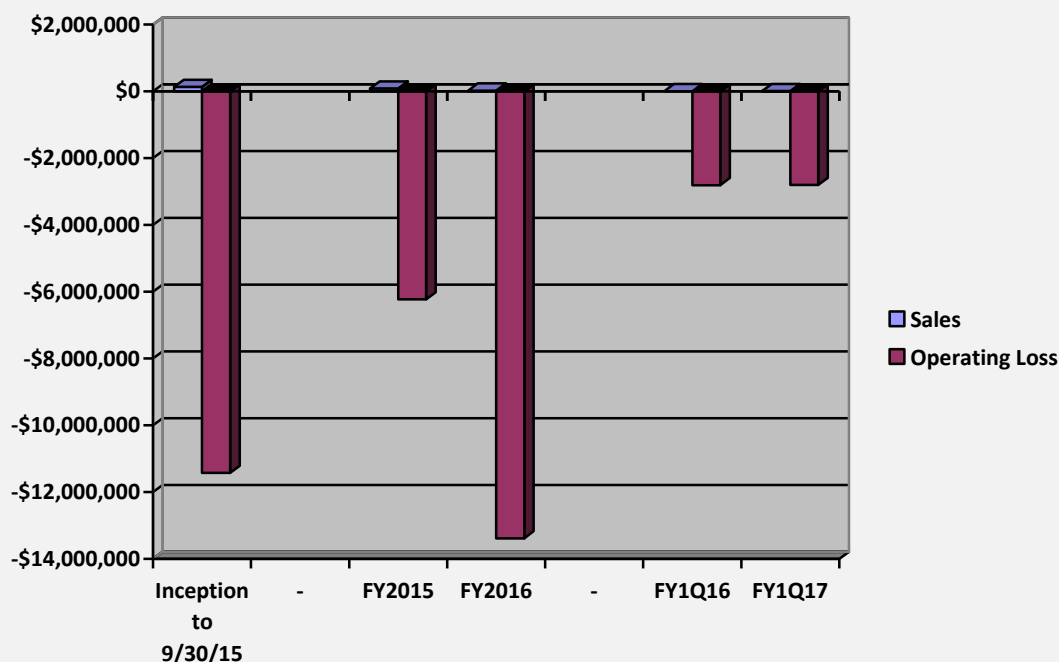
QUARTER HIGHLIGHTS

Moxian released financial results for the fiscal first quarter ending December 2016, its first financial report fully reflecting the impact of a 'follow-on' of the Company's common stock in November. Management had outlined an expansion strategy for its online-to-offline (O2O) platform, using the proceeds of the capital raise to open sales offices and hire sales personnel. Moxian now has a presence in four cities in China - Beijing, Shanghai, Guangzhou and Shenzhen - with sales offices and at least modest sales teams. Unfortunately, there was not sufficient time before the end of the quarter to appreciably impact revenue results.

Revenue in the fiscal first quarter totaled \$9,968, compared to \$5,584 in the same quarter in the previous year. Sales were largely from fees earned through the white labeling of its online-to-offline to large commercial customers. Gross profit margin increased to 90% compared to 76.6% in the prior-year period. Nonetheless, the operating loss in the recent quarter remained flat at \$2.8 million as the Company stepped up spending on marketing and sales activities. Selling, general and administrative expenses increased o \$1.8 million compared to \$1.5 million a year ago.

Net loss in the quarter totaled \$3.1 million or \$0.04 per share, including a reduction of \$331,588 related to foreign currency translation. The adjustment is necessary since the Company does business in China in the renminbi, but must report financial results in the U.S. dollar.

Chart I: Historic Sales and Operating Income



Source: Company Reports

Cash Flow and Balances

Operations required \$3.1 million in cash from the Company's cash resources. The majority of the cash usage was related to current operations. However, \$549,481 was used to pay down accrued liabilities. Financing actions provided a net \$6.2 million in new capital. Net proceeds from the sale of common stock were \$9.1 million. The Company made payments totaling \$5.1 million on related party loans after having borrowed an additional \$2.7 million earlier in the quarter.

Moxian held \$2.9 million in cash at the end of December 2017. Another \$563,785 is held in restricted cash. The Company has made no significant investments in property or equipment, leaving the rest of its asset accounts largely unchanged from the end of the last fiscal year.

After using some of the common stock offering proceeds to pay down obligations, total liabilities were reduced to \$3.0 million at the end of December 2016, compared to \$5.9 million three months earlier. All that remains of loans to related parties is \$131,154. Additionally, accrued liabilities were reduced to \$828,851 compared to \$1.4 million.

We note that Moxian's balance sheet at the end of December 2017, reflects a stock subscription payable in the amount of \$2.0 million. The stock subscription arose through an agreement with two creditors to convert promissory notes into the Company's common stock at a conversion rate determined by the November 2016 offering price of \$4.00. The conversion took place at the time of the offering, but the shares were not yet issued at the quarter close. In actions subsequent to the end of the quarter, the Company issued 500,000 share of common stock in satisfaction of the stock subscription agreement. We estimate that total liabilities were \$1.0 million subsequent to the satisfaction of the conversion agreement and total equity is \$7.6 million.

Table I: Industry Calendar

Date	Event	Location
March 19-22, 2017	ShopTalk: nextgen commerce event	Las Vegas, USA
March 22-23, 2017	7 th China Cross-Board E-commerce Conference	Shanghai, China
Sept. 6-7, 2017	Digital Marketing & Strategy Innovation Summit	Shanghai, China
Oct. 12-14, 2017	3 rd China International Internet & E-commerce Expo	Shenzhen, China
Oct. 22-25, 2017	Money 20/20 Conference on Payments	Las Vegas, USA
Nov. 6-9, 2017	Web Summit	Lisbon, Portugal

Source: Corporate Websites

UPDATED FINANCIAL MODEL

We have updated our earnings model to reflect financial results for the fiscal first quarter ending December 2016. Additional adjustments have been made to revenue and cost estimates for fiscal year 2017, to reflect management's current strategic plans and implementation efforts.

Projected Sales and Profitability

During the first two months of the year, management moved forward with hiring sales teams in Shanghai, Guangzhou, Beijing and Shenzhen. Hiring will continue through at least the second if not the third fiscal quarter ending June 2017. Ultimately, management plans to have teams of at least 50 sales people for each metropolitan area.

The sales teams are required to contact local business through a door-to-door campaign to sign up merchant accounts. A viral effect is expected as consumers frequent these participating shops, receive tangible benefits such as discounts and rebates and then begin to ask for similar benefits at nearby stores. The Company is not using digital advertising or sales strategies, but banners are being displayed outside physical stores and additional collateral material is on display at shop counters.

While there is apparently not a formal quota for the sales people, the target goal for each day is the addition of three new merchants. Bonuses are paid for any merchant enrollments above three in a day. Sales personnel in these early months of *Moxian+* platform deployment are also motivated to excel for the sake of potential promotion to supervisor positions that have not yet been filled in the first four metropolitan sales regions. While sales training is carried out separately by each sales region, a standard sales program has been established and is being deployed in each of the four market areas.

Merchant sign-up activity is just getting started and the early months have provided the Company with productive feedback from store owners. Merchants have asked for integration of the *Moxian+* platform with WeChat, China's popular messaging and calling mobile app. The connectivity is facilitated by Quick Response or QR codes, enabling immediate rebates to customers. The development was relatively easy to complete and management expects the effort to result in enhanced marketability for the *Moxian+* offering.

Based on these recent developments, we have made no changes to our near-term sales estimates. Management remains confident that as sufficient traction can be achieved to reach 10,000 merchant accounts by the end of the calendar year 2017. Admittedly, the magnitude of our sales, cost and expense estimates may show variance to actual results. However, we continue to expect the illustration of a ramp up in revenue during the years 2017 and 2018 that is demonstrated in our earnings model.

Sales, cost and expense adjustments are shown in the model beginning page 7 of this report.

Projected Cash Flow and Balances

Our earnings model suggests the Company could require as much as \$6.1 million in cash resources during the fiscal year 2017. During the current fiscal year we expect the Company to draw down its cash balances as well as rely on supplier and partner credits to support operations. Nonetheless, in the long-run we expect that once the merchant accounts have been built up to scale, Moxian's advertising model is expected to generate strong cash flows. Beyond the current fiscal year we believe it is possible that the Company may need to revisit the capital markets to fortify its cash resources before the Company begins to generate positive cash flows.

Cash flow and balance sheet adjustments are shown in the model beginning page 7 of this report.

VALUATION

We continue to rate MOXC at a Speculative Buy with a price target of \$5.25. Our price target is based largely on historic trading patterns, which suggest there is a line of volume-related price resistance at that price level. We expect that near-term announcements related to the *Moxian+* platform development will be sufficient to drive the stock to that price level. However, to move above that key price level may require news of more substantial accomplishments such as the achievement of network membership of scale. Moxian management has already set the 10,000 merchant memberships as a target and we expect investors to begin looking for that achievement. Achievement of that goal is likely to present a near-term drag on the stock price and then, when achieved, a catalyst for higher valuation.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

Table II: Historic and Projected Financial Results by Quarter

Fiscal Year Ending September 30	2016				2016 Year	2017				2017 Year
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Total revenue	5,584	22,661	18,187	(24,953)	21,479	9,968	30,000	40,000	70,000	149,968
Cost of sales	1,306	11,648	15,203	(23,312)	4,845	1,002	237	9,000	15,750	25,989
Gross profit	4,278	11,013	2,984	(1,641)	16,634	8,966	29,763	31,000	54,250	123,979
Operating expenses:										
Selling, general and administrative	1,481,826	939,062	1,661,660	829,954	4,912,502	1,766,099	1,350,000	1,400,000	1,750,000	6,266,099
Research and development	888,540	-	-	1,703,010	2,591,550	697,440	750,000	800,000	875,000	3,122,440
Other operating expenses	-	-	-	688,854	688,854	-	142,500	170,000	262,500	575,000
Depreciation and amortization	443,444	52,113	68,498	1,319,930	1,883,985	349,274	350,000	350,000	350,000	1,399,274
Impairment charge	-	-	-	3,321,665	3,321,665	-	-	-	-	-
Total operating expenses	2,813,810	991,175	1,730,158	7,863,413	13,398,556	2,812,813	2,592,500	2,720,000	3,237,500	11,362,813
Operating income (loss)	(2,809,532)	(980,162)	(1,727,174)	(7,865,054)	(13,381,922)	(2,803,847)	(2,562,737)	(2,689,000)	(3,183,250)	(11,238,834)
Total other income (expense)	2,385	(10,525)	(19,416)	(453,970)	(481,526)	844	-	-	-	844
Income (loss) before income taxes	(2,807,147)	(990,687)	(1,746,590)	(8,319,024)	(13,863,448)	(2,803,003)	(2,562,737)	(2,689,000)	(3,183,250)	(11,237,990)
Provision for income taxes (benefit from)	(2,919)	-	-	(46,545)	(49,464)	-	-	-	-	-
Net income (loss)	(2,804,228)	(990,687)	(1,746,590)	(8,272,479)	(13,813,984)	(2,803,003)	(2,562,737)	(2,689,000)	(3,183,250)	(11,237,990)
Foreign currency translation adjustment	105,438	49,395	85,003	(131,126)	108,710	-	-	-	-	-
Net income (loss)	(2,698,790)	(941,292)	(1,661,587)	(8,403,605)	(13,705,274)	(2,803,003)	(2,562,737)	(2,689,000)	(3,183,250)	(11,237,990)
Net EPS (loss), available to shareholders	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.08)	\$ (0.17)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.05)	\$ (0.17)
Weighted shares outstanding, diluted	107,333,472	99,150,000	99,150,000	99,150,000	81,021,012	65,297,803	67,100,000	67,100,000	67,100,000	66,649,451

Table III: Historic and Projected Financial Results by Year

Fiscal year end September 30	2013	2014	2015	2016	2017	2018
Total revenue	\$ -0-	\$56,122	\$83,870	\$21,479	\$149,968	\$2,250,000
Cost of sales	-0-	15,514	25,269	4,845	25,989	506,250
Gross profit	-0-	40,608	58,601	16,634	123,979	1,743,750
Operating expenses:						
Selling, general and administrative	31,411	2,176,963	3,919,956	4,912,502	6,266,099	6,000,000
Research and development	-0-	-0-	1,523,859	2,591,550	3,122,440	2,700,000
Depreciation and amortization	-0-	78,571	843,299	1,883,985	1,399,274	1,200,000
Other operating expenses	-0-	-0-	-0-	688,854	575,000	937,500
Impairment charge	-0-	2,600,315	-0-	3,321,665	-0-	-0-
Total operating expenses	31,411	4,855,849	6,227,810	13,398,556	11,362,813	10,837,500
Operating income (loss)	(31,411)	(4,815,241)	(6,228,513)	(13,381,922)	(11,238,834)	(9,093,750)
Other income (expenses), net	-0-	23,899	2,258	(481,526)	844	-0-
Income (loss) before income taxes	(31,411)	(4,791,342)	(6,226,255)	(13,863,448)	(11,237,990)	(9,093,750)
Provision for income taxes (benefit from)	-0-	-0-	(52,609)	(49,464)	-0-	-0-
Foreign currency translation adjustment	-0-	52,929	61,730	108,710	-0-	-0-
Net income (loss)	(31,411)	(4,738,413)	(6,111,916)	(13,705,274)	(11,237,990)	(9,093,750)
Net EPS (loss), available to shareholders	(\$0.00)	(\$0.05)	(\$0.06)	(\$0.17)	(\$0.17)	(\$0.13)
Weighted shares outstanding, diluted	99,150,000	99,150,000	81,021,012	81,021,012	66,649,451	68,000,000
CASH FLOW FROM OPERATIONS						
Net income		(\$4,738,413)	(\$6,173,646)	(\$13,813,984)	(\$11,237,990)	(\$9,093,750)
Depreciation and amortization		-0-	842,299	1,883,985	1,399,274	1,200,000
Other adjustments		-0-	(52,609)	(3,312,171)	-0-	-0-
Working capital sources, net		-0-	(34,317)	1,112,896	3,726,051	7,586,801
Cash used by operations		(4,738,413)	(5,417,273)	(7,504,932)	(6,112,665)	306,949
CASH FLOWS FOR INVESTING						
Purchase of property, plant and equipment		-0-	(2,931,838)	(333,176)	(300,000)	(400,000)
Acquisitions, net of cash acquired		-0-	(354,755)	(192,203)	-0-	-0-
Net cash used for investing		-0-	(3,286,593)	(593,351)	(300,000)	(400,000)
CASH FLOWS FROM FINANCING						
Net proceeds (payments) long-term debt, net		-0-	-0-	(1,930,479)	-0-	-0-
Related party loans proceeds (payments), net		-0-	3,730,113	5,076,636	(2,542,037)	-0-
Issuance of share capital, net of costs		-0-	5,505,915	2,657,533	9,025,000	-0-
Net cash from financing		-0-	9,236,028	5,803,690	6,482,963	-0-

Table IV: Historic and Projected Financial Results by Year

Fiscal year end September 30	2014	2015	2016	2017	2018
ASSETS					
Cash	\$1,770,196	\$2,398,713	\$76,580	\$211,350	\$118,298
Total current assets	2,511,841	3,479,750	1,015,986	1,230,305	1,154,380
Property, plant and equipment	348,669	2,941,662	1,508,743	922,955	922,955
Intangible assets	-0-	6,600,285	3,311,293	2,722,807	2,111,807
Total assets	2,860,510	13,074,206	5,934,603	4,974,648	4,098,723
LIABILITIES					
Payables	295,601	600,675	1,392,200	3,118,680	5,821,875
Loans to related parties	6,151,932	1,462,525	2,552,565	-0-	-0-
Subscription payable	5,505,915	2,000,000	-0-	-0-	-0-
Total current liabilities	7,447,533	7,759,115	5,944,765	4,974,648	13,415,625
EQUITY					
Common stock	198,300	214,667	64,006	89,006	89,006
Paid-in-capital	162,914	16,350,577	24,691,259	35,691,259	35,691,259
Accumulated deficit	52,929	114,659	223,369	223,369	223,369
Retained earnings (deficit)	(5,001,166)	(11,174,812)	(24,988,796)	(36,226,786)	(45,320,536)
Total shareholders' equity	(4,587,023)	5,505,091	(10,162)	(223,152)	(9,316,902)
Total liabilities and shareholders' equity	2,860,510	13,074,206	5,934,603	4,974,648	4,098,723
<i>Selected asset and liability accounts; do not sum to totals</i>					
<i>Source: Company Reports and Crystal Equity Research Estimates</i>					

CRYSTAL EQUITY RESEARCH, LLC

Crystal Equity Research, LLC is an objective research resource, providing coverage of small capitalization companies in selected industries. The firm provides research reports by subscription to institutional investors, supplies research consulting services to financial professionals and offers an issuer sponsored research program for qualifying companies. Additional information is available at the firm's web site at www.crystalequityresearch.com.

ANALYST

Debra Fiakas, CFA is a seasoned, credentialed investment professional with a diversified and successful track record as a research analyst and as an investment banker. Her decade-plus career includes solid experience in all aspects of the equity capital markets with particular emphasis on emerging growth companies operating in the technology sectors. Ms. Fiakas is also the principal member of Crystal Equity Research, LLC.

ANALYST CERTIFICATION

The analyst who is primarily responsible for this research and whose name is listed first on this front cover certifies that: 1) all of the views expressed in this research accurately reflect his or her professional views about any and all of the subject securities or issuers, and 2) no part of any of the analyst's compensation was, is or will be directly or indirectly related to the specific rating expressed by analyst in this research.

RATING SYSTEM

Buy	Price appreciation expected 10% or more over a 12-month period.
Hold	Price appreciation/depreciation expected between 10% and –10% over 12 months.
Sell	Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	20%
Holds	40%
<u>Sells</u>	<u>40%</u>
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: MOXIAN, INC. / MOXC

<u>Report</u>	<u>Date</u>	<u>Price</u>	<u>Rating</u>	<u>Target Price</u>
Initial*	1/10/17	\$3.23	Speculative Buy	\$5.25
Update	3/7/17	\$3.15	Speculative Buy	\$5.25

**Initial report in CER Reports series follows earlier coverage under the Focus Report series also published by Crystal Equity Research.*

DISCLOSURES

<u>Name</u>	<u>Symbol: Exchange</u>	<u>Disclosures</u>
Moxian, Inc.	MOXC: Nasdaq	D, G

Disclosure Key

- A A member or employee of Crystal Equity Research, LLC serves on the board of directors of the company.
- B A controlling member of Crystal Equity Research, LLC has a beneficial interest in the common stock of the company.
- C A person or persons preparing this report or an immediate family member of the preparer has a beneficial interest in the common stock of the company.
- D Crystal Equity Research, LLC received compensation for research coverage from the company or one of its agents. The fees are paid in advance in cash.
- E The company has a convertible issue outstanding.
- F The securities covered in this report can be optioned.
- G The securities covered in this report can be margined.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

The information and opinions in this report were prepared by Crystal Equity Research, LLC. The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. We make no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of the report and are subject to change without notice. We have no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Opinions and recommendations in our reports do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities or strategies to particular investors. The recipients of our reports must make their own independent decisions regarding any securities mentioned in our reports.

Crystal Equity Research, LLC may receive compensation from the company or companies mentioned in this report or agents acting on their behalf. Please review the important disclosures in this report.

This report may not be reproduced, distributed or published by any person for any purpose without the prior written consent of Crystal Equity Research. Please cite source when quoting.

Copyright © 2003-2017 Crystal Equity Research, LLC.