

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

Moxian is developing a social commerce platform for the China market that will allow retailers and consumers to trade, communicate and locate goods and services. Named *Moxian+*, the platform employs sophisticated, data-driven marketing techniques in a leading edge social interaction architecture to guide consumers from online resources to offline retailers. The Company plans to initially deploy the 'online-to-offline' platform in major metropolitan areas in China, Singapore and Malaysia.

The mobile application for the platform has been completed and is in testing phase. Management anticipates a 'soft' launch of the mobile app in Fall 2015, that will provide valuable real time experience for further refinement of the platform architecture. An 'hard' launch supported by a marketing and branding campaign is planned for later in 2015.



In our view, the timing of the Moxian social commerce platform could not be better. Social networking and e-commerce have begun to flourish in the China market. Adoption of the Internet and the popularity of social networking platforms in China has been exceptional. Over 46% of mainland China's population are regular Internet users and these users are devoting nearly three-quarters an hour each day to social networking sites. Furthermore, there has been a rapid and widespread adoption of bank and credit cards that is facilitating on-line purchases.

Moxian expects to earn revenue from advertising fees and the sale of memberships to businesses and merchants. The majority of merchants are expected to subscribe to a basic program with a flat fee charged on a monthly basis. However, businesses with more complex requirements will be provided proprietary services on private servers for fees commensurate with the value-added benefits. Revenue is also expected from sales of 'points' to consumers and fees for user generated content.

The Company had \$2.7 million in cash on its balance sheet at the end of June 2015. Since the quarter end the Company closed the first tranche of an equity private placement to raise \$8.2 million in new capital, most of which will be used for working capital. With a cash burn rate near \$400,000 per month, cash resources will be needed to support development activities until the platform is launched.

Besides the new financial capital, Moxian is endowed with strong human capital. The management team has skills and experience in software development and mobile app architectures. Importantly, the CEO is a successful entrepreneur and business strategist.

MARKET DATA

Price: \$5.85 (8/24/15)
 52 Wk Hi-Lo: \$6.50 - \$4.30
 Ave. Volume: 500/day
 Short Interest: <1%

VALUATION

Price/Sales: nm
 Price/CFO: neg
 Price/EPS: neg
 Price/Book Value: neg

Based on TTM ending 6/30/15

Fiscal year ends September

EQUITY SECURITIES

Common Shares Out: 210.8 M
 Insiders: 57%
 Float: 91.5 M
 Institutional: <1%
 5% Holders: 32%
 Common Dividend: nil
 Preferred Shares: -0-
 Shares underlying
 Convertible Notes: 4.9 M
 Warrants and
 Options Outstanding: -0-

As of 8/14/15

Excludes 8.2 million shares of common stock and 32.0 million warrants issued pursuant to private placement initiated in April 2015

INVESTMENT HIGHLIGHTS

Positives

- ◆ Large market opportunity in 'online-to-offline' commerce to draw potential customers from online channels to physical stores in Asia where merchants and consumers have embraced mobile devices.
- ◆ Primary target market particularly receptive to social commerce and marketing techniques. There were as many as 618 million Internet users in China, and over 90% have a social media account.
- ◆ Name *Moxian* or 'magic rising' supports unique branding opportunity for the various 'online-to-off-line' commerce platform elements.
- ◆ China-based equity investor subscribes to private placement of common stock, providing \$8.2 million in new capital and potentially new executive management capacity on the board of directors.

Negatives

- ◆ Moxian is an early stage company that began generating modest revenue in 2013 from the initial launch of its platform, but has not yet reported profits.
- ◆ Convertible notes held by the sellers of the *Moxian* technology present either a \$3.9 million principal payment burden in October 2015 or 2% dilution to current shareholders if converted.
- ◆ Terms of recent \$8.2 million private placement of common stock set operational goals, that if not achieved, could result in the issuance of additional, dilutive shares of common stock.
- ◆ Moxian is closely held, allowing insiders to wield considerable control over strategic direction with 57% common stock ownership.
- ◆ 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 investor due diligence.

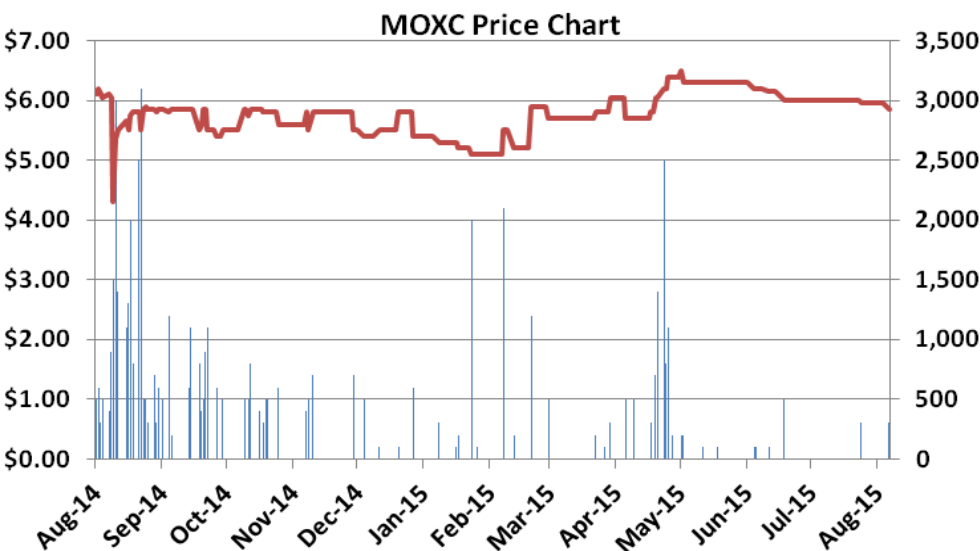
OUTLOOK

Moxian presents an interesting means to capitalize on China's continued strong economic growth and the migration to mobile commerce.

The Company made its debut in the U.S. equity market through a reverse merger with a publicly traded, but non-operational company. As a consequence, the historic trading price of MOXC may not fully reflect future business prospects. We expect MOXC to experience a period of adjustment as investors get better acquainted with the potential in the Company's products and its market opportunities.

The stock could retrace lower prices as trading volumes increase. We believe the \$1.00 price in a recent private sale of common shares may serve as a line of price support.

In our view, MOXC is highly speculative and appropriate only for risk tolerant investors with long-term investment horizons. The current bid-ask spread is wide and could result in losses in the short-term.



COMPARABLES

- **Alliance Data Systems** (ADS: NYSE)
- **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-Promo - social marketing
- Incentive Games Center
Mo-Chess, Bid and Grab - play for prizes
Mo-Puzzle - play for points
- E-Wallet
Mo-Coins - redeemable
Mo-Points - social loyalty program
- Data Analytics
Social Customer Relationship Management (SCRM)
Predictive and precision marketing

REVENUE SOURCES

- Merchant Fees
Basic services
Proprietary server service
- Advertising Fees
User generated content
- Sales of Points
Direct consumer purchases

LAUNCH CALENDAR

- June 2013** - Beta launch of Internet-based *Moxian* platform in Malaysia
- June 2014** - Launch of online *Moxian* platform in China
- July 2015** - Testing of *Moxian Mobile App*
- Sept. 2015** - Official launch of *Moxian Mobile App* in China
- Dec. 2015** - Introduction of *Moxian Mobile App* in major Asian markets

BUSINESS DESCRIPTION

Moxian provides a social commerce platform for merchants and consumers in Asia, including major metropolitan areas in China and Malaysia. The proprietary platform called *Moxian+* is currently accessible on mobile devices through an app. The platform deploys leading edge 'online-to-offline' commerce technologies that draw potential customers from online channels to physical stores. Consumers can connect with each other and merchants for location services, purchasing and communications. Since the beta launch of the *Moxian 1.0* platform in June 2013, the Company has accumulated over 300,000 consumers and 31,600 merchants in its network in the first markets in Malaysia and China.



GROWTH STRATEGY

Moxian management has lofty goals for expansion. Priority markets are twenty first- and second-tier metropolitan areas in China, where the management aspires to sign up at least 50,000 merchants in each city. In addition to China, the Company intends to expand in Malaysia, Hong Kong, Singapore and eventually throughout the balance of Asia, including Taiwan, Thailand, Indonesia, and the Philippines.

We believe deploying the mobile app is a key to Moxian's expansion, at least in China. Chinese consumers and business alike have rapidly adopted mobile devices such as smartphones and tablets. Furthermore, consumers have embraced on-line and mobile purchasing as the availability of bank and credit cards have become more widespread. Indeed, Moxian management attributes the popularity of China's social media giant WeChat with fostering the use of bank and credit cards. WeChat users have sought bank cards to monetize rewards offered by the text and messaging service similar to WhatsApp in the U.S.

MARKETING TACTICS

To promote its innovative online-to-offline commerce platform at this stage, Moxian is using some 'old school' marketing techniques. A cadre of local sales representatives will be deployed in high-priority communities to spread the word about *Moxian+* to merchants. Typical merchant participants are in the food, beverage, beauty and healthcare sectors. Merchants can sign up for a free account that will give them an on-line 'do it yourself' space. A monthly fee allows merchants to benefit from the full effect of social media, with basic access averaging \$100 per month. Based on data from the beta and first commercial launches, management believes that approximately 10% of merchants that sign-up for the *Moxian 1.0* platform will become paying participants.

To accumulate the first consumers in each target market the Company is using a low-cost approach based on affinity groups. Residential groups, sports teams or school affiliations among others are offered the opportunity to set up at no charge a sharing and communications portal on the platform for their interest group. Participants are then exposed to advertising as well as special offers by merchant members.

EARNINGS**As Reported**

	Inception to 6/30/15	Nine Months 6/30/14	Nine Months 6/30/15
Sales	\$142,475	\$15,802	\$86,353
Gross Profit	92,198	-0-	59,501
Margin	72%	nm	69%
Oper. Loss	(8.7M)	(1.2M)	(3.7M)
Margin	nm	nm	nm
Net Loss	(8.7M)	(1.2M)	(3.7M)
CFO	(6.1M)	(1.0M)	(3.6M)
LPS	na	\$0.00	(\$0.01)

Dollars except where indicated by M for Millions

Fiscal year ends September

OPERATING PERFORMANCE

Although still considered a developmental stage company for accounting purposes, Moxian began recording revenue in the second half of the fiscal year ending September 2014. The Company has continued to record modest sales, bringing total revenue to \$142,475 since inception. Like most software-based business models, the Company benefits from relatively low direct costs. The most significant expenditures in Moxian's business model are likely to be for sales and marketing as well as product development. Selling, general and administrative expenses totaled \$3.6 million in the first nine months of fiscal year 2015, bringing the operating loss for the period to \$3.7 million. Software-as-a service business models such as the Moxian platform, typically afford operating leverage. Management believes that operating breakeven can be achieved with the accumulation of 25,000 paying merchants. At an average of \$100 per month in merchant fees a customer base of 25,000 could deliver an estimated \$30 million in annual sales.

BALANCES

	9/30/14	6/30/15*
Cash	\$1,770	\$ 2,722
Current assets	\$2,512	\$ 3,839
PP&E, net	\$ 349	\$ 1,841
Goodwill	-0-	\$ 6,782
Total assets	\$2,861	\$12,462
Accts. Payable	\$ 296	\$ 655
Subscription Deposit	-0-	\$ 2,476
Acquisition Note	\$1,000	\$ 7,782
Other Notes	\$6,152	\$ 9,584
Current Liabilities	\$7,448	\$20,497
Long-term Notes	-0-	-0-
Deficit	(\$4,587)	(\$8,035)
Shares Outstanding	198,300	210,776
Warrants / Options	-0-	-0-
Shares underlying Convertible Debt	7,800	17,400

Dollars, shares and derivatives in 000s

**Balances at 6/30/15 do not reflect conversion of \$12.5 million in debt to 12.5 million shares of common stock after quarter end.*

Source: Company Reports and Crystal Equity Research Estimates

CASH FLOW AND BALANCES

As an early stage company, Moxian still **requires external cash** to support operations. Since inception in October 2010, the Company has used \$6.1 million in cash to support product development and commercialization activities. Cash usage increased dramatically in the final months of when the Company began marketing and sales activities in China, Singapore and Malaysia. Cash usage was \$3.6 million in the nine months ending June 2015, compared to \$984,580 in the same period in the prior fiscal year. We believe cash usage to support operations could more than double over the next year as the Company accelerates its marketing and sales program.

Moxian has used a **combination of common stock and debt** to support operations and finance the acquisition of the Moxian platform. In early 2015, the owners of the *Moxian Platform* agreed to increase a convertible seller note from \$1.0 million to \$7.8 million. During fiscal year 2014 and the first nine months of fiscal year 2015, the Company received a series of loans totaling \$9.6 million from various parties, including entities controlled or affiliated with management and directors. During the quarter the Company agreed to add conversion features to the various loans. In April 2015, the Company initiated a **private placement** of 8.2 million shares of common stock to raise \$8.2 million in new capital at \$1.00 per share. The first tranche valued at \$2.5 million closed in August 2015, triggering the conversion of a total of \$12.5 million in notes at \$1.00 per share. The Company reported 210.8 million shares outstanding as of August 14, 2015. We estimate total debt at that time was \$4.9 million and shareholder equity increased to \$4.5 million.

GROWTH DRIVERS

- Continued penetration of broadband services in Asia
- Adoption of Internet and mobile apps for commerce
- Increases in per capita income, purchasing power

TARGET MARKETS

- **Merchants**
Small and medium sized Metropolitan areas in China, Singapore and Malaysia
- **Consumers**
Local communities
Affinity groups

INDUSTRY CALENDAR

- **SES Conference & Expo** - Aug 2015, Hong Kong
- **Digital Customer Experience Strategies Summit** - Sept. 2015, Chicago
- **PubCon** - Oct 2015, Las Vegas
- **B2B Marketing Forum 2015** - Oct. 2015, Boston

MARKET OPPORTUNITY

Social commerce presents a compelling market opportunity in Asia in general and China in particular. Since mainland China is among Moxian's initial target markets, we looked closely at its social commerce.

First, there is the **large number of consumers**. While per capital income in China is still below world averages at approximately US\$7,000 per year, Chinese people are enthusiastically embracing the digital world. According to the China Internet Network Information Center, by the end of 2014, there were as many as 618 million Internet users in China, representing a penetration rate of 46%.

Second, there is the **power of the social element**. China is embracing social media in a way that is unparalleled even in the U.S. where the social media phenomenon began in the 1990s. Yodo1, an advisor to social media developers in Beijing, estimates that the vast majority of Chinese Internet users are engaged on social media sites such as QQ, China's first social network. Reportedly, over 90% of China Internet users have a social media account. This compares to 67% of the online population in the U.S. According to the Data Center of China Internet, the Chinese spend an average of 46 minutes per day on social media and 38% claim they are more likely to buy items recommended by other social media users.

Third, most Chinese social media activity takes place on **mobile devices**. Sina Weibo, China's second largest social network, reported in 2014, that more than 60% of the time its network was accessed from a mobile device. Not surprisingly, user interests reflect Chinese culture, with an emphasis on marriage, family and gift giving on China holidays.

CHINA SOCIAL MEDIA

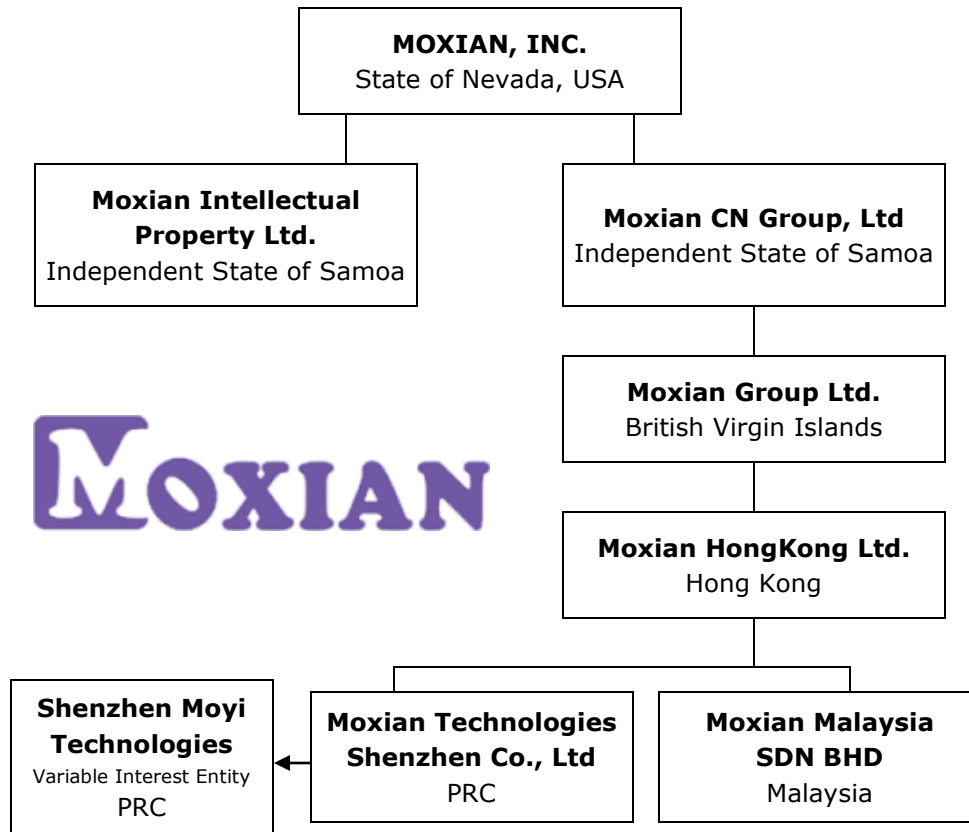


COMPETITIVE POSITION

Importantly, China **businesses are becoming savvy** to the power of mobile marketing. Since Chinese consumers are increasingly occupied on their mobile devices and have a preference for social media, China business must be involved to win customers and garner loyalty. We believe an online-to-offline commerce network is particularly timely in Asia and in China in particular.

The Chinese government exerts significant control of Internet usage in China. Foreign sites such as Facebook and Twitter are blocked and local networks such as Sina Weibo are frequently censored. Nonetheless, social media has flourished in China, with a variety of domestic counterparts to U.S. social networks.

Unlike the U.S. where social media participation is focused on a few networks, China has several networks which exceed 100 million active users. These social networks serve many different purposes, from messaging to gaming to communications. In our view, such **diversity of usage** creates opportunity for new entrants with a particular commerce or communications offering despite the existence of well-established platforms.

ORGANIZATION**OPERATIONS**

In Malaysia the Company operates through Moxian Malaysia and in China through Shenzhen Moyi Technologies, which is a variable interest entity recognized in the PRC as effectively controlled through a series of operating contracts.

The Company maintains offices in Shenzhen, China Hong Kong and Kuala Lumpur, Malaysia. The Company's executive officers are located in Shenzhen. Customer support as well as sales and marketing are focused in the China offices. Research and development activities are concentrated in Kuala Lumpur.

CORPORATE HISTORY

February 2014	Moxian CN Group incorporated in Independent State of Samoa.
February 2014	Acquired Moxian Group Ltd. based in British Virgin Islands, including Moxian Hong Kong Ltd., a subsidiary engaged in online social media; deal valued at \$1.0 million.
May 2015	Entered into agreement with milk tea retailer Dakasia Corp. for loyalty reward program to be deployed in twenty-five of Dakasia retail outlets in Guangdong Province.
Sept. 2014 - Feb. 2015	Received series of loans from private and related parties totaling \$8.1 million.
January 2015	Acquired Moxian Intellectual Property Ltd. for \$6.8 million, including various technologies, trademarks, patents and copyrights related to Mo-Promo platform.
February 2015	Issued convertible promissory note to sellers of Moxian Group and Moxian Intellectual Property for \$7.8 million due in October 2015; convertible at \$1.00 per share.
April 2015	Private placement negotiation to raise \$8.2 million in new capital through the issuance of 8,169,000 new shares of common stock and 32.0 million in new warrants; shares were valued at \$1.00 per share; warrants exercisable at \$2.00 per share.
June 2015	Negotiated additional loans from private party totaling \$2.0 million.
August 2015	Closed first tranche of \$8.2 million equity private placement for \$2.5 million; converted \$12.5 million in debt to 12.5 million shares of common stock

CAPITAL REQUIREMENTS

Moxian has used a combination of common stock and debt to support its operations and finance the acquisition of the *Moxian Platform*. At the end of June 2015, the Company had a total of \$17.4 million in debt. At that date \$7.8 million of the debt outstanding was owed to the sellers of the *Moxian Platform* and was due in October 2015.

With payment obligations looming, in April 2015, management began negotiating a private placement of 8.2 million shares of common stock at \$1.00 per share. The private placement has been 100% subscribed by Xinhau Huifeng Equity Investment Center LP based in Beijing with final closing in September 2015. The balance sheet at the end of June 2015, reflected a subscription deposit of \$2.5 million for the first tranche. When the private placement is completed shares outstanding will be 219.0 million, excluding exercise of any warrants. The subscriber could also received 32 million warrants exercisable at \$2.00 per share expiring in September 2015. If exercised the warrants could deliver an incremental \$64 million in capital to Moxian.

In May 2015, the Company also negotiated a change in terms of outstanding debt, adding a conversion feature to third-party and shareholders loans. Closing the first tranche of the private placement in August 2015, triggered conversion of all but \$3.9 million of the Moxian sellers' note and \$1.0 million in third-party and shareholder notes.

The private placement also involves operational commitments. To comply with terms of the subscription agreement, the Company must launch a full working version of the *Moxian+ App* by September 2015, and have 25,000 new paying merchants signed up by September 2016. Failure to meet these and other operational goals entitle the subscriber to additional shares of common stock. The investor would also have rights to appoint accounting personnel in addition to nominating a representative to serve on the board of directors.

MANAGEMENT

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 chief executive officer of 8i Capital Ltd., a corporate advisory firm based in Hong Kong and focused on public companies in Asia. Tan also serves as Interim Chief Financial Officer.

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 commercial marketer and has worked with several Fortune 500 firms.

CAPITALIZATION

Recent Price:	\$5.85
Shares Out:	210.8 M
Market Capital:	\$1,231.1 M
+ Preferred Stock	\$ -0- M
+ Debt*	\$ 4.9 M
- Cash	<u>\$ 2.7 M</u>
Enterprise Val:	\$1,233.3 M
Shareholder Equity:	\$ 4.5 M
Working Capital:	(\$ 16.7) M

Balances as of 8/14/15

**Reflects recent debt conversion*

*Source: Company Reports and
Crystal Equity Research estimates*

EQUITY SECURITIES

Common Stock*	210.8 M
Warrants*	-0-
Options	-0-
Shares Underling	
Convertible Debt	4.9 M

Excludes 8.2 million shares of common stock and 32.0 million warrants negotiated in April 2015

OWNERSHIP

Shares of Common Stock

Insiders:

Tan, CEO & Director	119.28 M
Wee, CTO	-0-
Yeow, Director	<u>-0-</u>
Total Insiders	119.28 M
As % of Shares Outstanding	57%

5% Holders	67.00 M
As % of Shares Outstanding	32%

Based on 210.8 million shares outstanding as of 8/14/15

*Source: Company Reports and
Crystal Equity Research Estimates*



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