INFRAX SYSTEMS, INC.
Quarterly Report
(UNAUDITED)
For the three-month ended
September 30, 2017

INFRAX SYSTEMS, INC.
(Exact name of Registrant as specified in charter)

NEVADA	20-2583185
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

10901 Roosevelt Blvd, Suite 1000c, , St. Petersburg, FL 33716
(Address of principal executive offices) (ZIP Code)

(727) 498-8514
(Registrant's telephone no., including area code)

As of September 30, 2017, the registrant had 1,693,911,416 shares of common stock outstanding.

TABLE OF CONTENTS

Infrax Systems, Inc.
Consolidated Balance Sheets
For the three months ended September 30, 2017
(unaudited)

		September 30, 2017		June 30, 2017
		(unaudited)		(unaudited)
Assets				
Current assets				
Cash	$	63	$	63
Inventory		6,200		6,200
Total current assets		6,263		6,263
Property & equipment, net of accumulated				
Marketable Securities		752,596		752,596
Total Assets	$	758,859	$	758,859
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	$	172,924	$	172,924
Accrued expenses		134,941		134,941
Convertible Notes payable, net		90,580		111,948
Payroll Liabilities		92,201		92,201
Notes payable, affiliates		20,687		20,687
Total current liabilities		511,333		532,701
Non-Current liabilities				
Notes payable to shareholder		342,852		342,852
Total liabilities		854,185		875,553
Stockholders' Equity				
Preferred stock, 50,000,000 authorized, $.001 par value:				
Series A Convertible: 5,000,000 shares designated;				
2,523,624 and 2,523,624 issued and outstanding		2,525		2,525
Series A1 Convertible: 33,000,000 issued and outstanding				-
Common stock, $.001 par value, 2,950,000,000 shares				
authorized; 1,693,911,416 and 1,411,911,416 shares				
issued and outstanding, respectively		1,693,911		1,411,911
Additional paid-in capital		12,765,133		12,987,213
Accumulated deficit		(14,556,896)		(14,518,344)
Total stockholders' equity		(95,326)		(116,694)
Total Liabilities and Stockholders' Equity	$	758,859	$	758,859

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

Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended Sept 30, 2017	For the Three Months Ended Sept 30, 2016
Revenues	$ -	$ -
Direct costs		-
	-	
Operating expenses:		
Salaries and benefits		-
Professional fees	0	0
General and administrative	0	857
Amortization and depreciation	17,052	14,567
Total operating expenses	17,052	15,424
Other income (expense):		
Interest Expense	(21,500)	(1,957)
Total other (expense)	(21,500)	(1,957)
Income (Loss) from continuing operations before income taxes and minority interest	(38,552)	(17,381)
Provision for income taxes	0	0
Income (Loss) from continuing operations before minority interest	(38,552)	(17,381)
Income (Loss) from discontinued operations, Gain from sale of asset (net)	0	0
Net Income (loss)	$ (38,552)	$ (17,381)
Basic net Income (loss) per share		
Loss from continuing operations	$ (0.00)	$ (0.00)
Loss from discontinued operations	(0.00)	(0.00)
Net Income (loss) per share	$ (0.00)	$ (0.00)
Weighted average shares outstanding Basic	1,478,537 ,790	925,518,595

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

Consolidated Statements of Cash Flows for the Three Months Ended

(Unaudited)

	Sept 30, 2017	Sept 30, 2016
Cash Flows from Operating Activities:		
Net (loss) income	$ (38,552)	$ (17,381)
Adjustment to reconcile Net Income to net		
cash provided by or (used in) operations:		
Depreciation and amortization		0
Amortization of deferred revenue		
Amortization of debt discount	17,052	(14,567)
Gain on settlement of debt		-
Stock based compensation		-
Interest expense	0	0
Changes in assets and liabilities:		
Accounts receivable	0	0
Inventory		-
Related party loans	0	0
Accounts Payable	0	806
Accrued Expenses	0	1,957
Change in Convertible Notes	(38,420)	43,292
Change in unamortized debt discount	0	(13,737)
Net Cash (Used) by Operating Activities	(59,920)	(370)
Cash Flows from Investing Activities:		
(Purchase) disposal of property and equipment	-	-
Net Cash (Used) Provided by Investing Activities	0	-
Cash Flows from Financing Activities:		
Net proceeds from debt		-
Change in Capital Stock	282,000	-
Change in Additional Paid in Capital	(222080)	(421)
Net Cash (Used) Provided by Financing Activities	59,920	0
Net increase/decrease in Cash	(0)	(51)
Cash at beginning of period	63	114
Cash at end of period	$ 63	63
Supplemental cash flow information:		
Interest paid	-	-
Taxes paid	-	-

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

Notes to Condensed Consolidated Financial Statements
As of September 30, 2017
(Unaudited)

History of the Company and Nature of the Business

History of the Company

Nature of Business

Since its inception, the Company had been dedicated to selling and/or licensing a fiber optic management software system under the name OptiCon Network Manager, originally developed, and acquired from Corning Cable System, Inc. through a related company, FutureTech Capital, LLC. In October 2009, the Company began developing smart grid energy related products. As of June 29, 2010, the Company acquired the assets and management of Trimax Wireless Systems, Inc. ("Trimax"), in exchange for equity and a note payable. In April 2011, the Company acquired controlling interest in Lockwood Technology Corporation ("Lockwood"), a provider of advanced asset management solutions. In June of 2016, the Company sold its interest in Lockwood Technology Corporation and has accountied for its assets, liabilities and results of operations as a discontinued operation for all periods presented.

While we continue to support the OptiCon Network Management platform, the Company has shifted its focus and energies towards the "Smart Grid" energy sector. The Company believes our secure integrated platform will hasten the deployment of all Smart Grid technology for resource constrained small and mid-sized utilities. Infrax's advantage comes from our products ability to enable the creation of a secure platform scalable to deliver a broad set of intelligent Smart Grid initiatives across millions of endpoints for Utilities.

Summary of Significant Accounting Policies

Basis of Presentation

The consolidated balance sheet as of September 30, 2017, the consolidated statements of operations and statements of cash flows for the nine months then ended, and the statement of stockholders' equity have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures, normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as allowed by such rules and regulations, and the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of management, all adjustments necessary to present fairly the financial position at September 30, 2017, and the results of operations and changes in cash flows for the three months then ended have been made. These financial statements should be read in conjunction with our unaudited financial statements and notes thereto included in our annual report for the year ended June 30, 2016 on Form 10-K filed with the SEC on October 13, 2016.

Certain reclassifications have been made to the Statement of Operations for disclosure purposes and comparability.

Use of Estimates

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of Infrax Systems, Inc., and its wholly owned subsidiary, Infrax Systems SA (Pty) Ltd, an inactive foreign subsidiary.

Variable Interest Entities

The Company considers the consolidation of entities to which the usual condition (ownership of a majority voting interest) of consolidation does not apply, focusing on controlling financial interests that may be achieved through arrangements that do not involve voting interest. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is generally required to consolidate assets, liabilities and non-controlling interests at fair value (or at historical cost if the entity is a related party) and subsequently account for the variable interest as if it were consolidated based on a majority voting interest. The Company has evaluated all related parties, contracts, agreements and arrangements in which it may hold a variable interest. The Company has determined it is not the primary beneficiary in any of these entities, arrangements or participates in any of the activities.

Financial Instruments

The Company's balance sheets include the following financial instruments: cash, accounts receivable, inventory, accounts payable, accrued expenses, deferred revenue, and notes payable and notes payable to stockholder. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization. The carrying values of the note payable to stockholder approximates fair value based on borrowing rates currently available to the Company for instruments with similar terms and remaining maturities.

In September 2006, the Financial Accounting Standards Board (FASB) introduced a framework for measuring fair value and expanded required disclosure about fair value measurements of assets and liabilities. The Company adopted the standard for those financial assets and liabilities as of the beginning of the 2008 fiscal year and the impact of adoption was not significant. FASB Accounting Standards Codification (ASC) 820 "*Fair Value Measurements and Disclosures*" (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2017. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, other current assets, accounts payable, accrued compensation and accrued expenses. The fair value of the Company's notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company applied ASC 820 for all non-financial assets and liabilities measured at fair value on a non-recurring basis. The adoption of ASC 820 for non-financial assets and liabilities did not have a significant impact on the Company's financial statements.

As of September 30, 2017 and September 30, 2016, the fair values of the Company's financial instruments approximate their historical carrying amount.

Cash and Cash Equivalents

The majority of cash is maintained with major financial institutions in the United States. Deposits with these banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of Three months or less to be cash equivalents.

Accounts Receivable and Credit

Accounts receivable consist of amounts due for the delivery of sales to customers. Prepayments on account are recorded as customer deferred revenue. Additionally, the Company invoices projects when signed agreement or statements of work are received. Amounts are recorded at the anticipated collectible amount and recorded as deferred revenue until such time that the work is performed. Contract revenue is recognized as the contract is completed, based on defined milestones (see policy on revenue recognition). An allowance for doubtful accounts is considered to be established for any amounts that may not be recoverable, which is based on an analysis of the Company's customer credit worthiness, and current economic trends. Based on management's review of accounts receivable, no allowance for doubtful accounts was considered necessary. Receivables are determined to be past due, based on payment terms of original invoices. The Company does not typically charge interest on past due receivables.

Inventories

Inventories are stated at the lower of cost or market, which approximates actual cost. Cost is determined using the first-in, first-out method. Inventory is comprised of component parts and accessories available for sale. Parts are generally purchased for projects, as minimal inventory is held to supply customers.

Property & Equipment

Property and equipment are recorded at historical cost or acquisition value. Depreciation is computed on the straight-line method over estimated useful lives of the respective assets, ranging from five to nine years. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation and amortization period or the unamortized balance is warranted. Based upon the Company's most recent analysis, management believes that no impairment of property and equipment exists at September 30, 2017.

Capitalized Software Development Costs

The Company capitalizes software development costs, under which certain software development costs incurred subsequent to the establishment of technological feasibility have been capitalized and are being amortized over the estimated lives of the related products. Capitalization of computer software costs is discontinued when the computer software product is available to be sold, leased, or otherwise marketed.

Amortization begins when the product is available for release and sold to customers. Software development costs will be amortized based on the estimated economic life of the product, anticipated to be 10 years.

Impairment of Long-Lived Assets

Based upon management's most recent analysis, the Company believes that no impairment of the Company's tangible or intangible assets exist at September 30, 2017 and September 30, 2016.

Discontinued Operations

In accordance with ASC 205-20, *Presentation of Financial Statements-Discontinued Operations* ("ASC 205-20"), we reported the results of Lockwood Technology Corporation as discontinued operations. The application of ASC 205-20 is discussed in the notes to the financial statements.

Revenue Recognition

The Company is principally in the business of providing solutions for a secure intelligent energy platform that incorporates our secure wireless technology. Contracts include multiple revenue components, comprised of our software licensing, hardware platforms, installation, training and maintenance. In accordance with ASC 605-25 Multiple-Element Arrangements, revenue from licensing the software will be recognized upon installation and acceptance of the software by customers. When a software sales arrangement includes rights to customer support, the portion of the license fee allocated to such support is recognized ratably over the term of the arrangement, normally one year. Revenue from professional services arrangements will be recognized in the month in which services are rendered over the term of the arrangement and collection is probable.

Revenue associated with software sales to distributors is recognized, net of discounts, when the Company has performed substantially all its obligations under the arrangement. Until such time as substantially all obligations under the arrangement are met, software sales are recognized as deferred revenue. Costs and expenses associated with deferred revenue are also deferred. When a software sales arrangements include a commitment to provide training and/or other services or materials, the Company estimates and records the expected costs of these training and/or other services and/or materials.

Stock Based Compensation

The Company issues restricted stock to consultants for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete. The Company recognized consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. Stock compensation for the periods presented were issued to consultants for past services provided, accordingly, all shares issued are fully vested, and there is no unrecognized compensation associated with these transactions.

Shipping Costs

The Company includes shipping costs and freight-in costs in cost of goods sold.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising expenses are included in the Company's operating expenses. Advertising expense was $0 and $0 for the six month periods ending September 30, 2017 and 2016, respectively

Income Taxes

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

Earnings (Loss) Per Share

Basic EPS is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is similarly calculated, except that the denominator includes common shares that may be issued subject to existing rights with dilutive potential, except when their inclusion would be anti-dilutive.

Based on an estimated current value of the Company's stock being equal to or less than the exercise price of the warrants, none of the shares assumed issued upon conversion of the warrants, nor any of the stock assumed issued under the Company's 2004 Non statutory Stock Option Plan, are included in the computation of fully diluted loss per share, since their inclusion would be anti-dilutive. Convertible preferred shares have been included in the dilutive computation, as if they would have been converted at the end of the period.

	September 30,	
	2017	2016
Earnings (Loss) per share:		
Net Loss	$ (38,552)	$ (17,381)
Common shares – weighted average	1,076,710,512	925,518,595
Earnings (loss) per share, basic	$ (0.00)	$ (0.00)

* Potentially issuable preferred shares, if converted to common, were considered but not included in the calculation of diluted earnings per share for the period ended March 31, 2017 and 2016, respectively, because their inclusion would be anti-dilutive.

Recently Issued Accounting Pronouncements

We have reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration.

Going Concern

As of September 30, 2017, the Company has a working capital deficit and has incurred a loss from operations and recurring losses since its inception resulting in a significant accumulated deficit. As of September 30, 2017, the Company had negative working capital of approximately $59,920 and approximately $63 in cash with which to satisfy any future cash requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company currently has no revenue, although management's plans do anticipate revenue in the future. Accordingly, the Company depends upon capital to be derived from future financing activities such as loans from its officers and directors, subsequent offerings of its common stock or debt financing in order to operate and grow the business. There can be no assurance that the Company will be successful in raising such capital. The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, acceptance of the Company's business plan, the ability to raise capital in the future, to continue receiving funding from its officers, directors and shareholders, the ability to expand its customer base, and the ability to hire key employees to grow the business. There may be other risks and circumstances that management may be unable to predict.

Accounts Receivable

Accounts receivable reflect the amounts that have billed at their anticipated collectible amount. The Company receives contract acceptances on submitted quotes. Due to the advanced planning required, contract modifications occur, therefore, management invoices contracts upon signing, however, may reserve against invoicing until final scope of project negotiations or good faith deposits are made.

Property and Equipment

Property and equipment consists of the following:

	Sept 30, 2017 (unaudited)	June 30, 2017 (unaudited)
Office and computer equipment	$ 0	$ 0
Furniture and fixtures & improvements	0	0
Computer software	0	0
	0	0
Accumulated depreciation	0	0
	$ 0	$ 0

For the Three months ended September 30, 2017 and 2016, the total depreciation expense charged to continuing operations was $0, and $0 respectively.

Discontinued Operations

In June of 2016, the Company sold its 70% controlling interest in Lockwood Technology Corporation to Sam Talari, the Company's Chairman in exchange for approximately $735,000 of accrued compensation and related party debt payable to Mr. Talari. As a result of the decision to sell this subsidiary, the Company has identified the assets and liabilities of Lockwood as pertaining to discontinued operations at March 31, 2017 and 2016 and has segregated its operating results and presented them separately as a discontinued operation for all periods presented.

Notes payable

Notes payable consist of the following as of September 30, 2017;

		September 30, 2017
Convertible note to KBM Worldwide in the original amount of $43,000. Interest at 8% Convertible at 61% of market.	$	47,580
Convertible note to KBM Worldwide in the original amount of $43,000. Interest at 8% Convertible at 61% of market.		43,000
		90,580
Less unamortized Discount		0
Long-term portion	$	90,580

Related Parties Disclosures

Employment Agreements

The Company currently does not have any employment agreements in place.

Line of Credit, Master Agreement

On September 1, 2005, Mr. Sam Talari, one of the Company's directors, agreed to make advances to the Company as an interim unsecured loan for operational capital up to a maximum of $350,000, evidenced by a non-interest bearing master promissory note, based on amounts advanced from time to time, payable annually. Mr. Talari has pledged additional funding for operating capital, up to $500,000, under the same terms as the original Master Note. Mr. Talari, from time to time, has converted advances and accrued interest in exchange for equity shares. Mr. Talari continued making advances to the Company on the loan, of which $342,852 and $342,862 remains outstanding at March 31, 2017 and June 30, 2016, respectively.

Accounts Payable

The Company relies on advances from the majority shareholder and other key members. Advances are normally in the form of a loan. Payments are made on behalf of the Company by these individuals and are treated as trade payables. These amounts are considered liquid and if payment is not made, may be formally converted in the form of a note. The Company currently has an aggregate of $172,924 due to two individuals as of September 30, 2017.

Income Taxes

There is no current or deferred income tax expense or benefit allocated to continuing operations for the period ended September 30, 2016 and June 30, 2016. The Company has not recognized an income tax benefit for its operating losses generated through September 30, 2016 based on uncertainties concerning the Company's ability to generate taxable income in future periods. The tax benefit is offset by a valuation allowance established against deferred tax assets arising from operating losses and other temporary differences, the realization of which could not be considered more likely than not. In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not.

For income tax purposes the Company has available a net operating loss carry-forward of approximately $14,518,344 from inception to March 31, 2017, which will expire, unless used to offset future federal taxable income beginning in 2024. The tax years ending June 30, 2010 through March 31, 2017 are open for inspection by both Federal and State Agencies.

Equity

Preferred stock

The Company has issued convertible preferred shares. Shares are convertible into the Company's common stock, at the option of the holder, at the prescribed conversion rate. Conversions are as follows:

The Company has 50,000,000 shares of preferred stock authorized at $.001 par value.

	Shares Outstanding	**Conversion Rate to Common**
Preferred Series A	2,400,000	375
Preferred Series A1	8,889	89
Preferred Series A2	88,889	20
Preferred Series A3	25,846	16
Preferred Series B1	830	300
Preferred Series B2	1,210	300
	2,525,664	

Common stock

The Company has 2,950,000,000 shares of common stock authorized at $.001 par value.

Commitments and Contingencies

Lease/Rental Agreements

Our executive office, located in an office complex under an annual five year lease through the discontinued operations of Lockwood Technology Corporation, began June 1, 2012 at a rent of $ 4,729 per month in St. Petersburg, Florida with Kalyvas Group II, LLC. The lease provides approximately 4,100 square feet of: reception area, nine offices, a lab/production area, inventory room, server room, kitchenette and one conference rooms.

Rent expense for the three months ended September 30, 2017 and 2016 for continuing operations amounted to $0 and $0 respectively. Rent is shared with other affiliated companies.

Legal Matters

From time to time the Company may be a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company's consolidated financial position or results of operations as of September 30, 2017.

Subsequent Events

N/A

Item 2. Management's Discussion and Analysis or Plan of Operation

Management's Discussion and Analysis or Plan of Operation

The information contained in Item 2 contains 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, as amended. Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. This filing contains a number of forward-looking statements which reflect management's current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words "believe," "expect," "intend," "anticipate," "estimate," "may," variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the risks to be discussed in our Annual Report on form 10-K and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors which may affect our business. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The following discussions should be read in conjunction with our financial statements and the notes thereto presented in "Item 1 – Financial Statements" and our audited financial statements and the related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our report on Form 10-K for the fiscal year ended June 30, 2016. The information set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes forward-looking statements that involve risks and uncertainties. Many factors could cause actual results to differ materially from those contained in the forward-looking statements.

Our Business

INFRAX is a pioneer designer, developer, systems integrator and manufacturer of turnkey secure solutions for the utility industry. We are a provider of unique secure, cost-efficient solutions that provide everything required to bring the utility's technological platform into the 21st. century. Our SIEP™ platform provides: 1) Network Transport and Management (secure 2 way communications), 2) Secure Smart Devices (Smart Meters), and 3) Asset management, Grid Optimization and Security, all in an integrated state-of-the-art Smart Grid solution that truly provides our customers with end to end grid management capability.

We believe our Secure Integrated Platform will facilitate and hasten the deployment of Smart Grid technology among resource constrained small and mid-sized utilities. INFRAX' advantage comes from our advanced patented technologies, which provide a highly secure, reliable platform that allows two-way communication with our Secure Intelligent Endpoint Devices for Advanced Metering Infrastructure and Substations applications.

Based on our review of the Smart Grid related products against which the Secure Intelligent Energy Platform now competes, we believe that none of them provide the required encryption and threat detection capabilities required to secure the energy grid.

The Utility industry's aggressive deployment of Advanced Metering Infrastructure (AMI) and data management devices has led to the accelerated reliance on fiber optic communications to many of the key substations. However, the existing utility networks cannot provide the security, reliability and connectivity to extend the reach to the consumer locations.

Today's evolution of Smart Grid design and implementations actually began several years prior to the current initiatives. The same applies to the products designed by most of the major players including Itron, Silver Spring and GridPoint. Although the current security initiatives and elected officials have good intentions, they have missed the window of opportunity to truly integrate security from the beginning by several years. Similar to the credit card industry, banking, health care, and most other industries that conduct business online, the next electrical infrastructure will need to feature security as an add-on that is applied after the Smart Grid is implemented.

Recently discovered vulnerabilities in smart meters have been identified that could allow an attacker to obtain complete control of the meters. Specifically, an attacker could exploit these vulnerabilities to turn off electricity to hundreds of thousands of homes. Thus, an attacker could execute a wide-scale Denial of Service ("DoS") attack against homes and businesses.

The Advantage of Our Technology

By entering the market without the burden of legacy products and technology, Infrax is able to focus on future technologies and will be poised to provide advanced solutions for companies that are yet to deploy AMI and harden previously installed networks and devices.

While the current use of RF technology is inherently less reliable, Infrax is focused on using highly encrypted data over secure tunnels using a variety of communications medium including WiFi, Cellular or other public communication media. Infrax's secure smart grid platform incorporates a communications transport known as GridMesh™, and a device and data security management tool known as GRiM. Secure management of the "last mile" backhaul is necessary for utilities to implement Smart Grid applications such as AMI, and substation and distribution automation.

We believe that our Secure Intelligent Energy Platform will give us a competitive advantage in the emerging and evolving Smart Grid environment. By utilizing our solution, Utilities can secure their networks and prolong the lifecycle of previously deployed components by eliminating the security concerns that would necessitate replacement.

Infrax Strategy

We intend to generate revenues from the design, sales, installation, and support of the hardware, software and technology, associated with our integrated solution, Infrax Secure Intelligent Energy Platform (SIEP) ™. Additionally, revenues may be generated from licensing our Security, GRiM and, Infrax Networks wireless communications and future products.

Our Product Portfolio

(a) SNIC

Over the last several quarters, Infrax has been developing the company's flagship product - Secure Network Interface Card (SNIC) for electric meters. While the initial focus will be to develop the card for one of the largest meter manufactures in the world, the final objective is to have a universal card that can be used in any meter in the world. The wireless part of the first prototype has been completed and successfully tested. With the development and improvements continuing, we will have a complete working prototype by the end of this summer. Although details of the card cannot be disclosed for obvious reasons, our emphasis has been to address the security of the data to and from a meter as well as to provide a robust communication platform that can be used not only for meter data but also in Distribution Automation projects such as capacitor bank and volt/var controllers. The Company believes that the SNIC along with newly created Professional Services division will hasten the deployment of all Smart Grid technology for resource constrained small and mid-sized utilities.

(b) SPIDer – Secure Perimeter Intrusion Detection

Building on our expertise in network and physical security platforms, the company has introduced the first active and secure intrusion detection network. The SPIDer Network initial offering is directed to the electrical energy company concerns with copper and material theft and its related impact to safety and homeland security. Infrax Systems is committed to change the present paradigm in the electric utility industry as to how physical and data security processes are deployed to protect electrical substations, remote critical infrastructure facilities, communications networks, advanced distributed controls and intelligent meter networks. Copper theft and its potential threat to safety and homeland security has been estimated by the Department of Energy and other sources as approaching a Billion dollar cost annually in the US alone. Attacks on critical infrastructure such as electric and water resources can cause wide scale economic devastation which would greatly amplify these costs. Most of these assets have little to no security or intrusion detection and what little exists is forensic in nature as it helps to identify what happens but does not detect the threat at the moment it occurs. Infrax Systems' vision is based on a trusted network of intelligent devices which detect intrusion at any level and quickly determines friend or foe thus taking action when necessary to secure critical infrastructure and intelligent property.

Infrax Systems has recently started a marketing campaign for the SPIDer product line. Currently we have demonstrated the basic SPIDer system to three utilities and are scheduled for another two demonstrations. Five additional utilities have expressed interest in the product. Most are for the image based level although one has shown initial interest in the first level coaxial based system. One customer utility has requested a proposal for a complete network linking 12 facilities. Initial projections indicate a strong market and revenue. Revenues are expected to grow logarithmically as utilities finish their pilot stages and budget for next year.

(c) Professional Services

Infrax Systems has introduced a new division which provides engineering and professional services to its energy customers. This division is charged with packaging Infrax Systems products into engineered solutions that are marketed to their customers. Professional services provides engineering, construction and project managements services to the smaller utilities such as local municipalities, Rural Electric Cooperatives and Investor Owned Utilities who may not have the manpower or expertise to accomplish their goals. By leveraging our over 100 years of combined experience in the electric utility and telecommunications industries, Infrax Systems is well placed in an industry which is becoming the newest high tech phenomenon. The Smart Grid vision relies on vast networks of intelligent devices which sources in the Data and Enterprise Network industry indicate will surpass by several orders of magnitude of any know data network of today. Even a relatively small utility will have upwards of a million devices operating on thousands of individual domains. These networks not only will control instant and real time power flow but will also be the cash register for the Utility industry. Security, scalability and authenticity as well as day to day maintainability are the utmost concerns in providing an intelligent power grid that is safe and secure. Infrax Systems will be a leader in designing, building and securing these networks and solutions.

Initial marketing campaigns have been targeting the municipalities and Electrical Cooperatives. Currently we have responded to one major RFP for Capacitor Bank networks and Smart Grid infrastructure worth in excess of 1.5 million dollars. We are also working on a pilot project for our AMI product with the availability of the SNIC, with a major utility. If the pilot project is accepted and successful, we may be asked to provide AMI to all their customers. The revenue from such project, for only one utility, will be overwhelmingly substantial. We are also in the process of negotiations for a contract to provide customer engineer expertise for a fiber optic construction project and we have installed several radios for one of our initial customers. We have started to communicate with few utilities in Florida to become qualified bidders for the coming projects. We will continue this process with utilities all along the east coast of USA.

Our Market

INFRAX market opportunity exists in one of the largest industries in the world. Globally, according to the International Energy Agency (IEA), this industry is expected to spend close to $10 trillion dollars by 2030 to upgrade electrical infrastructure. Technology innovations in power delivery have been fermenting for years, but only now is the confluence of physical need and social expectations creating an environment in which real and sustained monetary commitments are being made to create a "Smart Grid" built on information-based devices, digital communication and advanced analytics. Networking giant Cisco has estimated that the market for smart grid communications will grow into a $20 billion-a-year opportunity as the infrastructure is built out over the next five years. Researchers at Specialists in Business Information (SBI) forecast the market will grow to $17 billion-per-year by 2014 from today's $6 billion. Globally, SBI expects the market for smart grid technologies to grow to about $171 by 2014 up from approximately $70 billion in 2009.

Name Changes

None.

Changes in Management

None.

Critical Accounting Policies

Our significant accounting policies are more fully described in the notes to the financial statements. However, certain accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management; as a result they are subject to an inherent degree of uncertainty. In applying these policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on knowledge of our industry, historical operations, terms of existing contracts, our observance of trends in the industry and information available from other outside sources, as appropriate.

<u>Our critical accounting policies include</u>:

- *Principals of Consolidation* -The consolidated financial statements include the accounts and operations of the Infrax Systems, Inc., and its wholly owned subsidiary Infrax Systems SA (Pty) Ltd. (collectively referred to as the "Company"). Accordingly, the assets and liabilities, and expenses of this company have been included in the accompanying consolidated financial statements, and intercompany transactions have been eliminated.

- *Revenue Recognition* - The Company is principally in the business of providing solutions for a secure intelligent energy platform that incorporates our secure wireless technology. Contracts include multiple revenue components, comprised of our software licensing, hardware platforms, installation, training and maintenance. In accordance with ASC 605-25 Multiple-Element Arrangements, revenue from licensing the software will be recognized upon installation and acceptance of the software by customers. When a software sales arrangement includes rights to customer support, the portion of the license fee allocated to such support is recognized ratably over the term of the arrangement, normally one year. Revenue from professional services arrangements will be recognized in the month in which services are rendered over the term of the arrangement.

  Revenue associated with software sales to distributors is recognized, net of discounts, when the Company has performed substantially all its obligations under the arrangement. Until such time as substantially all obligations under the arrangement are met, software sales are recognized as deferred revenue. Costs and expenses associated with deferred revenue are also deferred. When a software sales arrangements include a commitment to provide training and/or other services or materials, the Company estimates and records the expected costs of these training and/or other services and/or materials.

- *Long-Lived Assets* - We depreciate property and equipment and amortize intangible assets, including software development costs over the respective assets' estimated useful life and periodically review the remaining useful lives of our assets to ascertain that our estimate is still valid. If we determine a useful life has materially changed, we either change the useful life or write the asset down or if we determine the asset has exhausted its useful life, we write the asset off completely.

- *Capitalized Software Development Costs* - We capitalize software development costs incurred subsequent to the establishment of technological feasibility and amortize them over the estimated lives of the related products. We discontinue capitalization of software when the software product is available to be sold, leased, or otherwise marketed. Amortization of software costs begins when the developed product is available for sale to our customers. We amortize our software development costs over the estimated economic life and estimated number of units of the product to be sold.

- *Stock Based Compensation* - We recognize stock-based compensation expense net of an estimated forfeiture rate and therefore only recognize compensation cost for those shares expected to vest over the service period of the award. Calculating stock-based compensation expense requires the input of subjective assumptions, including the expected term of the option grant, stock price volatility, and the pre-vesting option forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns. We estimate stock price volatility based on historical implied volatility in our stock. In addition, we are required to estimate the expected volatility rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience of our stock-based awards that are granted, exercised or cancelled.

Recent Accounting Pronouncement

We have reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration. Those standards have been addressed in the notes to the unaudited financial statement and in our Annual Report, filed on Form 10-K for the period ended June 30, 2016.

Off-Balance Sheet Arrangements:

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as special purpose entities or variable interest entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes.

Subsequent Events:

N/A

RESULTS OF OPERATIONS

For the Six Months Ended March 31, 2017 and 2016:

Discontinued Operations

The Company is reporting the results of operations of Lockwood Technology Corporation as discontinued operations for the three Months Ended September 30, 2017 and 2016.

In June of 2016, The Company sold all of its 70% ownership interest of Lockwood to a related party. Consequently, during the three months ended September 30, 2016, there are no results of operations.

Continuing Operations

During the three month period ended September, 2017 and 2016 we had no sales.

Amortization and depreciation expense was $17,052 for the three Months Ended September 30, 2017 as compared to $14,567 for the three months ended September 30, 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2017, we had approximately $63 in cash with which to satisfy our cash requirements for the next twelve months, along with approximately $650,000 remaining on the line of credit from Mr. Talari to pay normal operating expenses, while we attempt to secure other sources of financing.

Since the inception of our Master Note Agreement, Mr. Talari has continued to advance funds to us as needed. Mr. Talari remains committed to continue funding the Company and has regularly converted amounts outstanding and accrued interest, under the note agreement, to our common stock, in order to have money available. At September 30, 2017, we owe Mr. Talari $342,852 on the master promissory note plus accrued interest. Mr. Talari has pledged funding for operating capital, up to $1,000,000, under the same terms as the original Master Note.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a Smaller Reporting Company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures

Disclosure controls and procedures: As of September 30, 2017, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, with the participation of our principal executive and principal financial officers. Disclosure controls and procedures are defined in Exchange Act Rule 15d–15(e) as "controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure." Based on our evaluation, our President/Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2017, such disclosure controls and procedures were not effective.

Changes in internal control over financial reporting: Based upon an evaluation by our management of our internal control over financial reporting, with the participation of our principal executive and principal financial officers, there were no changes made in our internal control over financial reporting during the quarter ended September 30, 2017 that have materially affected or are reasonably likely to materially affect this control.

Limitations on the Effectiveness of Internal Control: Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material errors. An internal 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. Because of the inherent limitations on all internal control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, and/or by management override of the control. The design of any system of internal control is also based in part upon certain assumptions about risks and the likelihood of future events, and there is no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of ---changes in circumstances and the degree of compliance with the policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective internal control system, financial reporting misstatements due to error or fraud may occur and not be detected on a timely basis.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings.

None.

Item 1A Risk Factors.

There have been no material changes to the risk factors previously disclosed in our Report on Form 10-K for the year ended June 30, 2016 filed on October 14, 2016 with the Securities and Exchange Commission.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3 Defaults Upon Senior Securities.

Not applicable.

Item 4 Mine Safety Disclosures.

Not applicable.

Item 5 Other Information.

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant cause this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Infrax Systems, Inc.
(Registrant)

Date: December 29, 2017

By: */s/ John Verghese*
John Verghese
Principal Executive Officer

Date: December 29, 2017

By: */s/ Sam Talari*
Sam Talari
CEO, Financial & Accounting Officer