

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-37902

**MOXIAN, INC.**

(Exact name of registrant as specified in its charter)

Nevada

27-3729742

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**Block A, 9/F, Union Plaza, 5022 Binjiang Avenue,  
Futian District, Shenzhen City, Guangdong Province, China**  
(Address of Principal Executive Offices)

Tel: +86 (0) 755-66803251

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Emerging growth Company

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

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

As of May 10, 2018, the registrant had 67,007,199 shares of common stock, par value \$.001 per share, issued and outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOXIAN, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<b>As of</b>	
	<b>March 31, 2018</b>	<b>September 30, 2017</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 53,677	\$ 18,494
Restricted cash	170,000	-
Inventories	-	3,130
Prepayments, deposits and other receivables, net	642,824	152,548
Total current assets	<u>866,501</u>	<u>174,172</u>
Restricted cash, long-term	-	500,000
Property and equipment, net	519,488	686,296
<b>TOTAL ASSETS</b>	<b><u>\$ 1,385,989</u></b>	<b><u>\$ 1,360,468</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accruals and other payables	\$ 2,685,717	\$ 1,861,519
Loan payable – other	1,415,098	1,347,035
Convertible debt – related party	1,000,000	-
Loans payable – related parties	3,172,676	1,110,884
Total current liabilities	<u>8,273,491</u>	<u>4,319,438</u>
Commitments and contingencies		
<b>STOCKHOLDERS' DEFICIENCY</b>		
Preferred stock, \$0.001 par value, authorized: 100,000,000 shares. Nil shares issued and outstanding	-	-
Common stock, \$0.001 par value, authorized: 250,000,000 shares. 67,007,199 shares issued and outstanding as of March 31, 2018 and September 30, 2017	67,007	67,007
Additional paid-in capital	35,475,722	35,475,722
Accumulated deficiency	(42,308,144)	(38,682,546)
Accumulated other comprehensive income (loss)	(122,087)	180,847
Total stockholders' deficiency	<u>(6,887,502)</u>	<u>(2,958,970)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>	<b><u>\$ 1,385,989</u></b>	<b><u>\$ 1,360,468</u></b>

See accompanying notes to unaudited condensed consolidated financial statements

MOXIAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF  
OPERATIONS AND COMPREHENSIVE LOSS

	<b>For the</b>		<b>For the</b>	
	<b>Three Months Ended March 31,</b>	<b>2017</b>	<b>Six Months Ended March 31,</b>	<b>2017</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues	\$ 47,242	\$ 7,475	\$ 108,328	\$ 17,443
Cost of revenues	(1,217)	(389)	(11,284)	(1,391)
Gross Profit	46,025	7,086	97,044	16,052
Depreciation and amortization expenses	179,212	344,849	379,584	694,123
Research and development	147,075	654,418	410,629	1,351,858
Impairment charge on intangible assets	-	2,985,181	-	2,985,181
Selling, general and administrative expenses	1,441,003	1,983,534	2,923,845	3,749,633
Loss from operations	(1,721,265)	(5,960,896)	(3,617,014)	(8,764,743)
Interest expenses	(25,940)	(1,893)	(25,940)	(1,123)
Other income, net	890	7,764	17,356	7,838
Loss before income tax	(1,746,315)	(5,955,025)	(3,625,598)	(8,758,028)
Income tax expense	-	(95,420)	-	(95,420)
Net loss	(1,746,315)	(6,050,445)	(3,625,598)	(8,853,448)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(213,624)	276,959	(302,934)	(54,629)
Comprehensive loss	\$ (1,959,939)	\$ (5,773,486)	\$ (3,928,532)	\$ (8,908,077)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.09)	\$ (0.05)	\$ (0.13)
Basic and diluted weighted average common shares outstanding	67,007,199	66,995,963	67,007,199	66,139,492

See accompanying notes to unaudited condensed consolidated financial statements

MOXIAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Six Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,625,598)	\$ (8,853,448)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	379,584	694,123
Loss on disposition of property and equipment	80	11,124
Impairment charge on intangible assets	-	2,985,181
Deferred tax expense	-	95,420
Changes in operating assets and liabilities:		
Restricted cash	-	63,762
Inventories	3,127	4,107
Prepayments, deposits and other receivables	(428,558)	(116,173)
Accruals and other payables	711,045	(273,082)
Net cash used in operating activities	<u>(2,960,320)</u>	<u>(5,388,986)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(3,998)
Payments on Construction in Progress	(178,579)	-
Purchase of intangible assets	-	(11,137)
Net cash used in investing activities	<u>(178,579)</u>	<u>(15,135)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from related party loans	3,005,224	3,195,296
Repayment of related party loans	(113,297)	(5,582,602)
IPO proceeds (deposited in) released from an indemnification escrow, restricted cash	330,000	(500,000)
Gross proceeds from Initial Public Offering – stock issuance	-	10,005,000
Direct costs disbursed from Initial Public Offering proceeds	-	(927,303)
Net cash provided by financing activities	<u>3,221,927</u>	<u>6,190,391</u>
Effect of exchange rates on cash and cash equivalents	<u>(47,845)</u>	<u>(2,960)</u>
Net increase in cash and cash equivalents	35,183	783,310
Cash and cash equivalents, beginning of period	18,494	76,580
Cash and cash equivalents, end of period	<u>\$ 53,677</u>	<u>\$ 859,890</u>
Supplemental cash flow disclosures:		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities		
Issuance of shares for subscription payable	\$ -	\$ 2,000,000
Reclassification of deferred Initial Public Offering costs to additional paid in capital	\$ -	\$ 290,234
Warrants issued to placement agents in connection with the Company's Initial Public Offering	\$ -	\$ 280,042
Converted loans payable-related party to convertible debt-related party	\$ 1,000,000	\$ -

See accompanying notes to unaudited condensed consolidated financial statements

## MOXIAN, INC.

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Organization and nature of operations

Moxian, Inc. (“the Company”) was incorporated in the State of Nevada on October 12, 2010 and was formerly known as SECURE NetCheckIn Inc. The Company was in the business of offering a cloud-based scheduling and notification product for the medical industry. The Company changed its name to Moxian China, Inc. on December 13, 2013 and to Moxian, Inc. on July 19, 2015.

The Company, through its subsidiaries and variable interest entity, engages in the business of operating a social network platform that integrates social media and business into one single platform. The Company is currently devoting its efforts to develop mobile applications on an online platform that facilitates the small to medium size businesses to attract more clients. The Company’s ability to generate sufficient funds to meet its working capital requirements is dependent upon its ability to develop additional sources of capital, develop apps and websites, generate servicing income, and ultimately, achieve profitable operations (see Note 2).

Moxian HK was incorporated on January 18, 2013 and became Moxian BVI’s subsidiary on February 14, 2013.

Moxian Shenzhen was incorporated on April 8, 2013 as a wholly-owned subsidiary of Moxian HK and is engaged in the business of internet technology, computer software, and commercial information consulting.

Moxian Malaysia was incorporated on March 1, 2013 and became Moxian HK’s subsidiary on April 2, 2013.

Shenzhen Moyi Technologies Co., Ltd. (“Moyi”) was incorporated on July 19, 2013 under the laws of the People’s Republic of China. On July 15, 2014, Moxian Shenzhen entered into a series of agreements with Shenzhen Moyi Technologies Co., Ltd., a company incorporated under the laws of People’s Republic of China (“Moyi”), and its shareholders which permit us to operate Moyi and the right to purchase all of its equity interests from its shareholders as described below (the “Moyi Agreements”).

On December 18, 2017, the Company entered into a Tripartite Agreement with the original shareholders of Moyi and the new shareholders of Moyi wherein the Company agrees to the transfer the equity interests of Moyi and all related rights, liabilities and obligations under the Moyi Agreements such that the new shareholders stand in place of the old shareholders in all aspects of the Moyi Agreements.

Moyi, which is owned solely by Chinese shareholders, has been granted an Internet Content Provider license (“ICP License”). Businesses in China that are engaged in the business of Internet information services, including online advertisement and e-commerce services, are required to obtain an ICP License. Due to Chinese regulatory restrictions on foreign investments in the Internet sector, we operate our marketing platform and conduct our business through Moyi pursuant to the Moyi Agreements. Under the Moyi Agreements, Moyi will be treated as a variable interest entity in which the Company does not have direct or controlling equity interest but the historical financial results of such entity will be consolidated in our financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Due to the transfer of interests from the Original Moyi Shareholders to the New Moyi Shareholders, the Company's Board of Directors determined that it was appropriate to terminate such Moyi Agreements and to execute substantially similar agreements with the New Moyi Shareholders. Because the Exclusive Business Cooperation Agreement did not include the Original Moyi Shareholders as a party, it has not been terminated. The Share Pledge Agreement, Power of Attorney and Exclusive Option Agreement were officially terminated as to the Original Moyi Shareholders as of January 8, 2018 and a new Share Pledge Agreement, Power of Attorney and Exclusive Option Agreement were entered into with the New Moyi Shareholders at the same date. The parties' intent throughout has been to maintain control of Moyi by Shenzhen Moxian and, by extension, the Company.

Moxian Technologies (Beijing) Co., Ltd. (“Moxian Beijing”) was incorporated on December 10, 2015 under the laws of the People’s Republic of China as a wholly-owned subsidiary of Moxian Shenzhen. Moxian Beijing is engaged in the business of internet technology, computer software, and commercial information consulting.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Organization and nature of operations (Continued)**

On November 14, 2016, the Company announced the completion of a public offering of 2,501,250 shares of its common stock at a public offering price of \$4.00 per share. The net proceeds from the offering were approximately \$8.5 million after deducting placement agents' commissions and other offering expenses. In connection with the offering, the Company's common stock began trading on the NASDAQ Capital Market on November 15, 2016 under the symbol "MOXC".

On January 30, 2018, a wholly-owned subsidiary of Moxian Shenzhen, Moxian Information Technologies (Shanghai) Co. Ltd. ("Moxian Shanghai") was incorporated under the laws of the People's Republic of China. Moxian Shanghai will extend the business operations of the Company to Shanghai, China.

As of March 31, 2018 only Moxian Shenzhen, Moyi and Moxian Beijing have business operations and the other companies are all dormant.

**2. Summary of principal accounting policies**

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and reflect the activities of the following subsidiaries and the VIE: Moxian CN Samoa, Moxian BVI, Moxian HK, Moxian Shenzhen, Moxian Malaysia, Moyi, Moxian Beijing, Moxian Shanghai and Moxian IP Samoa. All intercompany transactions and balances have been eliminated in the consolidation.

The unaudited interim condensed consolidated financial information as of March 31, 2018 and for the three and six months ended March 31, 2018 and 2017 have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K for the fiscal year ended September 30, 2017, previously filed with the SEC on January 8, 2018.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's unaudited condensed consolidated financial position as of March 31, 2018 and its unaudited condensed consolidated results of operations for the three and six months ended March 31, 2018 and 2017, and its unaudited condensed consolidated cash flows for the six months ended March 31, 2018 and 2017, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the fiscal year or any future periods.

The following assets and liabilities of the VIE are included in the accompanying unaudited condensed consolidated financial statements of the Company as of March 31, 2018 and September 30, 2017:

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
Current assets	\$ 2,702	\$ 3,082
Non-current assets	-	-
Total assets	<u>\$ 2,702</u>	<u>\$ 3,082</u>

Current liabilities	\$	896,567	\$	732,910
Non-current liabilities		-		-
Total liabilities	\$	<u>896,567</u>	\$	<u>732,910</u>

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

Going Concern

In assessing the Company's liquidity and its ability to continue as a going concern, the Company monitors and analyzes its cash and cash equivalents and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. As of March 31, 2018, the Company's current liabilities exceeded the current assets by approximately \$7.4 million, its accumulated deficit was approximately \$42.3 million and the Company has incurred losses since inception.

On November 14, 2016, the Company completed its initial public offering ("IPO") with net proceeds of \$8.5 million after deducting placement agents' commission and other offering costs. However, as of the date of this report, the Company has utilized all of the IPO proceeds and is not generating sufficient revenue to support its operations. The Company hopes to fund its cash flow shortfalls as follows:

- Financial support commitments from the Company's major stockholders and a related party; and
- Seeking additional public and/or private issuance of securities.

On November 10, 2017, the Company and Ms. Liu Shu Juan, a director of the Company, entered into a loan agreement for a line of credit of \$1,000,000 or the RMB equivalent. Pursuant to the loan agreement, the Company will issue an unsecured convertible promissory note, which bears an interest rate of 4.75% per annum and is due in one year. Ms. Liu Shu Jian has the right to convert all or any portion of the outstanding and unpaid principal and interest of the note into shares of the Company's common stock at the conversion price set forth in the convertible debt agreement, as amended.

On May 8, 2018, the Company received a notice of conversion from Ms. Liu to convert an outstanding amount of \$1,008,068 comprising \$1 million of principal and \$8,068 of interest into 350,023 ordinary shares of common stock at a volume-weighted price of \$2.88 per share.

On May 11, 2018, the board of directors ratified a credit facility of US\$4 million previously granted by Ms. Liu for the purpose of working capital for the Company bearing interest of 4.75% per annum on the amount outstanding at the end of each month. The facility is due to be repaid by May 11, 2020. As of March 31, 2018, the Company has drawn down approximately \$2,000,073 which includes interest accrued of the facility. (See Note 8)

If the Company is unable to obtain the necessary additional capital on a timely basis and on acceptable terms, it will be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures. Any of these factors would have a material adverse effect on its business, prospects, financial condition and results of operations and raise substantial doubts about the ability of the Company to continue as a going concern.

The unaudited condensed consolidated financial statements for the three and six months ended March 31, 2018 have been prepared on a going concern basis due to the Company's expectation that it may be able to receive further financial support from its major stockholders and related parties. They do not include any adjustments to reflect the possible future effects on the recoverability and classifications of assets, or the amounts and classifications of liabilities that may result from the inability of the Company to continue as a going concern.



MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Risks and Uncertainties

The Company's operations are substantially carried out in the People's Republic of China ("PRC"). Accordingly, the Company's business, financial condition and results of operations will be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC's economy. The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Fair value of financial instruments

The Company follows the provisions of Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs other than quoted prices that are observable for the asset or liability in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect management's assumptions based on the best available information.

The carrying value of cash and cash equivalents, restricted cash, prepayments, deposits and other receivables, accruals and other payables and, loans from related parties approximate their fair values because of the short-term nature of these instruments.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include but not limited to, useful lives of property and equipment, intangible assets valuation, inventory valuation and deferred tax assets. Actual results could differ from those estimates.

Restricted cash

Restricted cash represents cash held in an indemnification escrow account pursuant to the financing agreement signed with the placement agents.

Under the terms of the placement agreement, \$500,000 in cash funded an escrow account for a period of two years after the completion of the IPO; this amount was recorded as restricted cash, long-term as of September 30, 2017. On

November 9, 2017, \$330,000 was released from this escrow account with the approval of the placement agents and the escrow agents.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Property and Equipment, net

Property and equipment are recorded at cost less accumulated depreciation and impairment. Significant additions or improvements extending useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Electronic equipment	3-6 years
Furniture and fixtures	3-6 years
Leasehold improvements	Shorter of estimated useful life or term of lease

Impairment of long-lived assets

The Company classifies its long-lived assets into: (i) computer and office equipment; (ii) furniture and fixtures, (iii) leasehold improvements, and (iv) finite – lived intangible assets.

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. It is possible that these assets could become impaired as a result of technology, economy or other industry changes. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, relief from royalty income approach, quoted market values and third-party independent appraisals, as considered necessary.

The Company makes various assumptions and estimates regarding estimated future cash flows and other factors in determining the fair values of the respective assets. The assumptions and estimates used to determine future values and remaining useful lives of long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as the Company's business strategy and its forecasts for specific market expansion.

Due to the continuing losses from operations with minimal revenues, the Company recorded a valuation reserve against its remaining intangible assets in 2017.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Revenue recognition

The Company currently recognizes revenue from the sale of merchandise through its online platforms. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Revenue is recorded on a gross basis, net of surcharges and value added tax ("VAT"). The Company recorded revenue on a gross basis because the Company has the following indicators for gross reporting: it is the primary obligor of the sales arrangements, is subject to inventory risks of physical loss, has latitude in establishing prices, has discretion in suppliers' selection and assumes credit risks on receivables from customers.

Revenue from advertising is recognized as advertisements are displayed. Revenue from software development services comprises revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. Revenue on fixed price contracts is recognized in accordance with percentage of completion method of accounting.

Income taxes

The Company utilizes ASC Topic 740 ("ASC 740") "Income taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 "Income taxes" clarifies the accounting for uncertainty in tax positions. This interpretation requires that an entity recognizes in the unaudited condensed consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the unaudited consolidated statements of operations and comprehensive losses. The Company evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of March 31, 2018 and September 30, 2017, the Company did not have any unrecognized tax benefits. The Company does not anticipate any significant increase to its liability for unrecognized tax benefit within the next 12 months.

As of March 31, 2018, the tax years ended December 31, 2012 through December 31, 2017 for the Company's PRC entities remain open for statutory examination by the PRC tax authorities.

Foreign currency transactions and translation

The reporting currency of the Company is United States Dollars (the "USD") and the functional currency of Moxian Shenzhen, Moyi and Moxian Beijing is Renminbi (the "RMB") as China is the primary economic environment in which they operate, the functional currency of Moxian HK is Hong Kong Dollar (the "HKD"), and the functional currency of Moxian Malaysia is Malaysia Ringgit (the "RM").



MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Foreign currency transactions and translation (continued)

For financial reporting purposes, the financial statements of Moxian Shenzhen, Moyi, Moxian Beijing, Moxian HK and Moxian Malaysia, which are prepared using their respective functional currencies, are translated into the reporting currency, USD, so to be consolidated with the Company's. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated into the reporting currency at the rates of exchange ruling at the balance sheet date. Revenues and expenses are translated using average rates prevailing during the reporting period. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income (loss) in stockholders' equity (deficiency). Transaction gains and losses are recognized in the unaudited consolidated condensed statements of operations and comprehensive loss.

The exchange rates applied are as follows:

<b>Balance sheet items, except for equity accounts</b>	<b>March 31, 2018</b>	<b>September 30, 2017</b>
RMB:USD	6.2807	6.6549
HKD:USD	7.8491	7.8116
RM:USD	3.8635	4.2225

Items in the unaudited condensed consolidated statements of operations and comprehensive loss, and unaudited condensed consolidated statements of cash flows

	<b>Six Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
RMB:USD	6.4872	6.8614
HKD:USD	7.8177	7.7590
RM:USD	4.0431	4.3860

Research and Development

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other related expenses associated with product development. Research and development expenses also include third-party development, programming costs, and localization costs incurred to translate software for local markets. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached. Once technological feasibility is reached, such costs are capitalized and amortized as part of the cost of revenue over the estimated lives of the product.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Recent accounting pronouncements

On October 2, 2017, The FASB has issued Accounting Standards Update (ASU) No. 2017-13, “Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments.” The ASU adds SEC paragraphs to the new revenue and leases sections of the Codification on the announcement the SEC Observer made at the 20 July 2017 Emerging Issues Task Force (EITF) meeting. The SEC Observer said that the SEC staff would not object if entities that are considered public business entities only because their financial statements or financial information is required to be included in another entity’s SEC filing use the effective dates for private companies when they adopt ASC 606, Revenue from Contracts with Customers, and ASC 842, Leases. This would include entities whose financial statements are included in another entity’s SEC filing because they are significant acquirees under Rule 3-05 of Regulation S-X, significant equity method investees under Rule 3-09 of Regulation S-X and equity method investees whose summarized financial information is included in a registrant’s financial statement notes under Rule 4-08(g) of Regulation S-X. The ASU also supersedes certain SEC paragraphs in the Codification related to previous SEC staff announcements and moves other paragraphs, upon adoption of ASC 606 or ASC 842. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

On November 22, 2017, the FASB ASU No. 2017-14, “Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release 33-10403.” The ASU amends various paragraphs in ASC 220, Income Statement — Reporting Comprehensive Income; ASC 605, Revenue Recognition; and ASC 606, Revenue From Contracts With Customers, that contain SEC guidance. The amendments include superseding ASC 605-10-S25-1 (SAB Topic 13) as a result of SEC Staff Accounting Bulletin No. 116 and adding ASC 606-10-S25-1 as a result of SEC Release No. 33-10403. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, “Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income.” The ASU amends ASC 220, *Income Statement — Reporting Comprehensive Income*, to “allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.” In addition, under the ASU, an entity will be required to provide certain disclosures regarding stranded tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company does not expect that the adoption of this guidance will have a material impact on its unaudited condensed consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05 — Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”), which amends the FASB Accounting Standards Codification and XBRL Taxonomy based on the Tax Cuts and Jobs Act (the “Act”) that was signed into law on December 22, 2017 and Staff Accounting Bulletin No. 118 (“SAB 118”) that was released by the Securities and Exchange Commission. The Act changes numerous provisions that impact U.S. corporate tax rates, business-related exclusions, and deductions and credits and may additionally have international tax consequences for many companies that operate internationally. The Company does not believe this guidance will have a material impact on its unaudited condensed consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the unaudited condensed consolidated financial position, statements of operations and cash flows.



MOXIAN, INC  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**3. Prepayments, deposits and other receivables, net**

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
Prepayments to suppliers	\$ 296,777	\$ 57,551
Rental and other deposits	170,039	107,040
Employee advances, and others	211,661	21,393
Sub total	678,477	185,984
Less: allowance for doubtful accounts	(35,653)	(33,436)
Prepayments, deposits and other receivables, net	<u>\$ 642,824</u>	<u>\$ 152,548</u>

No provision was recorded for the three and six months ended March 31, 2018 and 2017, respectively.

**4. Property and equipment, net**

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
Electronic equipment	\$ 2,443,835	\$ 2,333,401
Furniture and fixtures	74,377	80,780
Leasehold improvements	383,084	361,544
Construction in progress	184,450	-
Total property and equipment	3,085,746	2,775,725
Less: Accumulated depreciation and amortization	(2,566,258)	(2,089,429)
Total property and equipment, net	<u>\$ 519,488</u>	<u>\$ 686,296</u>

Depreciation and amortization expense for the three and six months ended March 31, 2018 were \$179,212 and \$379,584, respectively. Depreciation and amortization expense for the three and six months ended March 31, 2017 were \$206,633 and \$417,421, respectively.

**5. Intangible assets**

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
IP rights	\$ 1,410,335	\$ 1,410,335
Other intangible assets	394,883	394,883
	1,805,218	\$ 1,805,218
Less: accumulated amortization	(1,805,218)	(1,805,218)
Net intangible assets	<u>\$ -</u>	<u>\$ -</u>

Due to continuing losses from operations, the Company impaired the remaining intangible assets in 2017. Amortization expense for the three and six months ended March 31, 2018 was \$Nil. During the six months ended March 31, 2017, the Company recognized an impairment loss of \$2,985,181 for the IP rights and other intangible assets. Amortization expense for the three and six months ended March 31, 2017 was \$138,216 and \$276,702, respectively.

MOXIAN, INC  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**6. Accruals and other payables**

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
Salary payable	\$ 308,921	\$ 379,902
Advances from customers	43,723	61,078
Other tax payable	7,007	28,625
Accrued expenses	1,760,002	1,275,466
Other payables	566,064	116,448
Total	<u>\$ 2,685,717</u>	<u>\$ 1,861,519</u>

**7. Loan payable, other**

On May 15, 2017, the Company and Shenzhen Bayi Consulting Co. Ltd. (“Bayi”) entered into a line of credit agreement. Pursuant to the agreement, Bayi agreed to provide a line of credit in the maximum amount of \$3 million to the Company on an as needed basis to support the Company’s working capital needs. Any withdrawal from this line is non-interest bearing and shall be repaid on the maturity date of the line of credit. The maturity date of the unsecured line of credit is May 15, 2018. The Company is in the process of negotiating with Bayi on an extension of this loan.

As of March 31, 2018 and September 30, 2017, the loan payable balance to Bayi was \$1,415,098 and 1,347,035, respectively. When the line of credit agreement was entered and funded, Bayi was a related party of the Company. Bayi is no longer a related party to the Company as of September 30, 2017.

MOXIAN, INC  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**8. Related party transactions and balances**

The table below sets forth related parties having transactions during the six months ended March 31, 2018 and balances as of March 31, 2018 and September 30, 2017, respectively.

<u>Name</u>	<u>Relationship with the Company</u>
Moxian China Limited	A below 5% shareholder of the Company
Beijing Xinhua Huifeng Equity Investment Center (“Xinhua”)	A Shareholder of the Company
Zhongtou Huifeng Investment Management (Beijing) Co. Ltd (“Zhongtou”)	Affiliated company of Xinhua
Vertical Venture Capital Group Limited	A below 1% shareholder of the Company
Zhang Ying	A below 1% shareholder of the Company as of September 30, 2017. Not a shareholder as of March 31, 2018
Liu Shu Juan	A director of the Company and legal representative of Shanghai Shewn Wine Co. Ltd.

On January 3, 2017, the Company issued 500,000 shares of its common stock to Shenzhen Bayi Consulting Co. Ltd. (“Bayi”) and Moxian China Limited at a price of \$4.00 per share in full settlement of stock subscription payable in accordance to the note conversion agreements signed on September 7, 2016. As of September 30, 2017, Bayi was no longer a related party of the Company.

Details of loans payable (receivable) – related parties are as follows:

<u>Nature and Company</u>	<u>March 31, 2018</u>	<u>September 30, 2017</u>
<b><u>Loan payable – related parties</u></b>		
Vertical Venture Capital Group Limited	\$ 1,197,378	\$ 1,133,228
Xinhua	(25,475)	(24,042)
Liu Shu Juan	2,000,773	-
Zhang Ying	-	1,698
	<u>\$ 3,172,676</u>	<u>\$ 1,110,884</u>

For the six months ended March 31, 2018, the Company obtained additional borrowings, net of repayments, aggregating \$2,891,927 from related parties.

For the six months period ended March 31, 2017, the Company repaid the loans, net of additional borrowings, aggregating \$2,387,305 from related parties, respectively.

The loans and advances made by the related parties to Moxian HK, Moxian Shenzhen, Moyi, Moxian Beijing and Moxian Malaysia and are unsecured, interest free and due on various dates specified on the loan agreements except for the loans from Liu Shu Juan.

MOXIAN, INC  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**8. Related party transactions and balances (Continued)**

Convertible Debt - Liu Shu Juan

On November 10, 2017, the Company and Ms. Liu Shu Juan, a director of the Company, entered into a convertible loan agreement for a line of credit of \$1,000,000 or the RMB equivalent. Pursuant to the loan agreement, the Company will issue an unsecured convertible promissory note, which bears an interest rate of 4.75% per annum and is due in one year. Ms. Liu Shu Jian has the right to convert all or any portion of the outstanding and unpaid principal and interest of the note into shares of the Company's common stock at the conversion price set forth in the convertible debt agreement, as amended.

As of March 31, 2018, the Company had drawn down \$2,000,773 of the facility from the new credit facility line in the amount of \$4 million granted by Ms. Liu (see detail at Note 2). The Company recorded \$26,841 as the interest expense for this loan as of March 31, 2018.

On May 8, 2018, the Company received a notice from Ms. Liu to convert the total sum outstanding of US\$1,000,000 in principal and interest of \$8,068 into 350,023 ordinary shares of common stock at a conversion price of \$2.88 per share.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**9. Capital stock**

Public Offering Warrants

In connection with and upon closing of the Public Offering on November 14, 2016, the Company issued warrants (the “Public Offering Warrants”) equal to four percent (4%) of the shares issued in the Public Offering, totaling 100,050 units, to the placement agents for the offering. The warrants carry a term of five years, and shall not be exercisable for a period of nine months from the closing of the Public Offering and shall be exercisable at a price equal to \$4.60 per share. Management determined that these warrants meet the definition of a derivative under ASC 815-40, however, they fall under the scope exception which states that contracts issued that are both a) indexed to its own stock; and b) classified in stockholders' equity are not considered derivatives. The warrants were recorded at their fair value on the date of grant as a component of additional paid-in capital.

The aggregated fair value of the Public Offering Warrants on November 14, 2016 was \$280,042. The fair value has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of \$4.09; risk free rate of 1.66%; expected term of 5 years; exercise price of the warrants of \$4.60; volatility of 90.7%; and expected future dividends of Nil. As of March 31, 2018, 100,050 shares of warrants were issued and outstanding; and none of the warrants has been exercised.

**10. Income taxes**

The Company and its subsidiaries file separate income tax returns.

*The United States of America*

Moxian is incorporated in the State of Nevada in the U.S. and is subject to U.S. federal corporate income taxes. The State of Nevada does not impose any state corporate income tax. As of March 31, 2018, future net operation losses of approximately \$8.8 million are available to offset future operating income through 2036.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. As the Company has a September 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 24.5% for our fiscal year ending September 30, 2018, and 21% for subsequent fiscal years. Accordingly, we have to remeasure our deferred tax assets on net operating loss carryforward in the U.S. at the lower enacted corporate tax rate of 21%. However, this re-measurement has no effect on the Company’s income tax expenses as the Company has provided a 100% valuation allowance on its deferred tax assets previously.

Additionally, the Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The change in rate has caused us to remeasure all U.S. deferred income tax assets and liabilities for temporary differences and NOL carryforwards and recorded one time income tax payable to be paid in 8 years. However, this one-time transition tax has no effect on the Company’s income tax expenses as the Company has no undistributed foreign earnings prior to March 31, 2018, as the Company has cumulative foreign losses as of March 31, 2018.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**10. Income taxes (Continued)**

*British Virgin Islands*

Moxian BVI is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, Moxian BVI is not subject to tax on income or capital gains. In addition, upon payments of dividends by Moxian BVI, no British Virgin Islands withholding tax is imposed.

*Hong Kong*

Moxian HK is incorporated in Hong Kong and Hong Kong's profits tax rate is 16.5%. Moxian HK did not earn any income that was derived in Hong Kong for the three and six months ended March 31, 2018 and 2017, and therefore, Moxian HK was not subject to Hong Kong Profits Tax.

*Malaysia*

Moxian Malaysia did not have taxable income for the three and six months ended March 31, 2018 and 2017. Management estimated that Moxian Malaysia will not generate any taxable income in the future.

*PRC*

Effective from January 1, 2008, the PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to an income tax rate of 25%, unless otherwise specified.

As of March 31, 2018, the Company had net operating loss carry forwards of approximately \$23.0 million in PRC tax jurisdiction, which expires in the years 2018 through 2022.

Moxian Shenzhen was incorporated in the People's Republic of China. Moxian Shenzhen did not generate taxable income in the People's Republic of China for the period from April 8, 2013 (date of inception) to March 31, 2018. Management estimated that Moxian Shenzhen will not generate any taxable income in the future.

Moyi was incorporated in the People's Republic of China. Moyi did not generate taxable income in the People's Republic of China for the period from July 19, 2013 (date of inception) to March 31, 2018.

Moxian Beijing was incorporated in the People's Republic of China. Moxian Beijing did not generate taxable income in the People's Republic of China for the period from December 10, 2015 (date of inception) to March 31, 2018.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**10. Income taxes (Continued)**

The Company's effective income tax rates were 0% and 0.7% for the six months ended March 31, 2018 and for the year ended September 30, 2017, respectively. Income tax mainly consists of foreign income tax at statutory rates and the effects of permanent and temporary differences.

	<b>March 31, 2018</b>	<b>September 30, 2017</b>
U.S. statutory rate	24.5%	34.0%
Foreign income not registered in the U.S.	(24.5)%	(34.0)%
PRC statutory rate	25.0%	25.0%
Changes in valuation allowance and others	(25.0)%	(24.3)%
Effective tax rate	<u>0%</u>	<u>0.7%</u>

Because of the uncertainty regarding the Company's ability to realize its deferred tax assets, a 100% valuation allowance has been established as of March 31, 2018 and September 30, 2017, respectively.

As of March 31, 2018 and September 30, 2017, the valuation allowance was approximately \$9.0 million and \$9.0 million, respectively. For the three and six months ended March 31, 2018, there was a decrease of \$0.6 million and a decrease of \$0.04 million in the valuation allowance. For the three and six months ended March 31, 2017, the increase in valuation allowance was approximately \$0.8 million and \$1.4 million, respectively

	<b>March 31, 2018</b>	<b>September 30, 2017</b>
Deferred tax asset from net operating loss and carry-forwards	\$ 8,990,329	\$ 9,032,129
Valuation allowance	(8,990,329)	(9,032,129)
Deferred tax asset, net	<u>\$ -</u>	<u>\$ -</u>

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**11. Commitments and contingencies**

*Operating Lease*

The Company leases a number of properties under operating leases. Rental expenses under operating leases for the three and six months ended March 31, 2018 were \$160,143 and \$321,707, respectively. Rental expenses under operating leases for the three and six months ended March 31, 2017 were \$159,575 and \$328,405 respectively.

On January 12, 2018, Moxian Shenzhen signed a 5 year lease agreement to rent office buildings located in Pudong New District, Shanghai, China, as the research and development centre for the Company's newly incorporated subsidiary, Moxian Information Technologies (Shanghai) Co. Ltd. ("Moxian Shanghai"). The average annual rent is approximately \$696,812 (RMB4.52 million).

As of March 31, 2018, the Company was obligated under non-cancellable operating leases for minimum rentals as follows:

<b>For the Twelve Months Ending March 31,</b>	
2019	\$ 775,976
2020	774,894
2021	670,674
2022	704,569
2023 and thereafter	<u>1,007,295</u>
Total minimum lease payments	<u>\$ 3,933,408</u>

*Arrangement with Xinhua New Media Co., Ltd*

The Company entered into an exclusive advertising agency agreement and sponsor agreement with Xinhua New Media Co., Ltd ("Xinhua New Media"). Pursuant to the agreements, the Company, as an exclusive agent, is authorized to operate and sell advertisements in the gaming channel of Xinhua New Media's mobile application and sponsor related advertising events. The exclusive advertising agency agreement and sponsor agreement expired on December 31, 2020 and December 31, 2017, respectively. The Company entered into amendments with Xinhua News Media for both the agency agreement and sponsor agreement during the six months period ended March 31, 2017. The fees payable under the amended exclusive advertising agency agreement and sponsor agreement have been reduced. The amended payment schedule as of March 31, 2018 for the exclusive agency agreement and sponsor agreement is listed below:

<b>For the Twelve Months Ended</b>	
March 31, 2019	\$ 1,164,217
March 31, 2020	1,541,497
March 31, 2021	<u>1,541,497</u>
Total agency payments	<u>\$ 4,247,211</u>

For the six months ended March 31, 2018 and 2017, the Company incurred \$765,993 and \$120,994 advertising agent fee expense, respectively. For the three months ended March 31, 2018 and 2017, the Company incurred \$392,633 and \$365,287 advertising agent fee expense, respectively.

For the six months ended March 31, 2018 and 2017, the Company incurred \$109,068 and \$45,831 sponsor expense, respectively. For the three months ended March 31, 2018 and 2017, the Company incurred \$2,080 and \$95,064 sponsor expense, respectively. These expenses were included in the selling, general and administrative expense.

*Legal Proceeding*

As of March 31, 2018, the Company is not aware of any material outstanding claim and litigation against them.

## ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those financial statements appearing elsewhere in this Report.*

*Certain statements in this Report constitute forward-looking statements. These forward-looking statements include statements, which involve risks and uncertainties, regarding, among other things, (a) our projected sales, profitability, and cash flows, (b) our growth strategy, (c) anticipated trends in our industry, (d) our future financing plans, and (e) our anticipated needs for, and use of, working capital. They are generally identifiable by use of the words “may,” “will,” “should,” “anticipate,” “estimate,” “plan,” “potential,” “project,” “continuing,” “ongoing,” “expects,” “management believes,” “we believe,” “we intend,” or the negative of these words or other variations on these words or comparable terminology. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. You should not place undue reliance on these forward-looking statements.*

*The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.*

*The “Company,” “we,” “us,” “our” or “Moxian” are references to the combined business of*

- (i) Moxian, Inc., a company incorporated under the laws of Nevada;*
- (ii) Moxian CN Group Limited, a company incorporated under the laws of Independent State of Samoa (“Moxian CN Samoa”);*
- (iii) Moxian Intellectual Property Limited, a company incorporated under the laws of Independent State of Samoa (“Moxian IP Samoa”);*
- (iv) Moxian Group Limited, a company incorporated under the laws of British Virgin Islands (“Moxian BVI”),*
- (v) Moxian (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong (“Moxian HK”),*
- (vi) Moxian Technologies (Shenzhen) Co., Ltd., a company incorporated under the laws of People’s Republic of China (“Moxian Shenzhen”),*
- (vii) Moxian Malaysia Sdn.Bhd. (“Moxian Malaysia”), a company incorporated under the laws of Malaysia (“Moxian Malaysia”),*
- (viii) Moxian Technologies (Beijing) Co., Ltd., a company incorporated under the laws of People’s Republic of China (“Moxian Beijing”) and*
- (ix) Shenzhen Moyi Technologies Co. Ltd., a contractually controlled affiliate of Moxian Shenzhen formed under the laws of People’s Republic of China (“Moyi”).*

### Overview

We are in the O2O (“Online-to-Offline”) business. While there are many definitions of O2O, with respect to our business, O2O means providing an online platform for small and medium sized enterprises (“SMEs”) with physical stores to conduct business online, interact with existing customers and obtain new customers. We refer to our customers as “Merchant Clients” and the existing and potential users of our platform as “Users.” Through our platform

and the products and services offered through it, we seek to create interaction between our Users and Merchant Clients by allowing Merchant Clients to study consumer behavior. Our products and services are designed to allow Merchant Clients to conduct targeted advertising campaigns and promotions which are more effective because they are geared for those customers that a Merchant Client wishes to reach. Our platform is designed to encourage Users to return and to recruit new Users, each of which is a potential customer for our Merchant Clients.

We believe we are different from other companies in that our plan is to sign up merchants first and build our user base utilizing their customers.

The current version of our platform is called “Moxian+” which consists of our user mobile application (“App”) called the Moxian+ User App and a separate App for our Merchant Clients called the Moxian+ Business App. Both versions of the App are currently available in the Google Play Store and the Apple App Store and can be downloaded free of charge. We also have a website that can be accessed at [www.moxian.com](http://www.moxian.com) where either App can also be downloaded.

Moxian principally operates in Shenzhen and Beijing. As of March 31, 2018, we had a total of 97 employees, of which are in research and development, in sales and marketing and the balance in other functions, including finance and administration.

### Going Concern

As of March 31, 2018, and September 30, 2017, our accumulated deficiency was approximately \$42.3 million and \$38.7 million, respectively. Our stockholders’ deficit was \$6.89 million as of March 31, 2018 and our stockholders’ deficit was \$2.96 million as of September 30, 2017.

We have generated \$108,328 and \$17,443 revenue for the six months ended March 31, 2018 and 2017, respectively. Our losses have principally been attributed to a lack of recurrent revenue while operating overhead such as selling, general and administrative, advertising agency fees, depreciation and amortization and research and development expenses are recurrent.

The Company has been dependent on the financial support given by a related party, Ms. Liu Shu Juan. As of the date of the report, she has extended a total lending of \$4,000,000 in a mix of convertible loan and credit facilities. On May 8, 2018, the board of directors ratified a new credit facility line in the amount of \$4 million which had previously been granted by Ms. Liu. The Company has drawn down \$2,000,773 as of March 31, 2018.

The Company is reviewing its business operations and developing new apps, which the Company expects will be launched in the market within the next quarter. Notwithstanding this, the Company will require additional funding. If the Company is unable to obtain the necessary additional funding on a timely basis and on acceptable terms, it will be unable to implement its revised business plans, pay debt obligations or respond to competitive pressures. Any of these factors would have a material adverse effect on its business, prospects, financial condition and results of operations and raise substantial doubts about the ability of the Company to continue as a going concern. The unaudited condensed consolidated financial statements for the period ended March 31, 2018 have been prepared on a going concern basis due to the Company’s expectation of further financial support from its major shareholders and related parties. They do not include any adjustments to reflect the possible future effects on the recoverability and classifications of assets, or the amounts and classifications of liabilities that may result from the inability of the Company to continue as a going concern.

## Results of Operations

### *For the three months ended March 31, 2018 compared with the three months ended March 31, 2017*

#### **Overview**

Based on the Memorandum of Understanding signed between the Company and Shewn International Group (“SIG”) in August 2017, in the quarter ended March 31, 2018, the Company continued to work closely with Shanghai Shewn Wine Company Limited, an affiliated company of SIG. Within the next quarter, this close co-operation will result in the launch of new apps in the market.

Since the main development work on the Moxian platform is complete, there was a reduced demand for in-house staff in the form of software engineers and developers. Selective skills have been outsourced to third parties. As a result, there has been a significant drop in manning levels across all major departments of the Company with a corresponding drop in overheads. The Company had revenues of \$47,242 in the three months ended March 31, 2018 compared to \$7,475 being generated in the three months ended March 31, 2017. The increase in revenue was the result of less sales of tailored-made application packages that the Company developed at the request of its clients.

#### **Operating Expenses**

Operating expenses in the quarter ended March 31, 2018 and 2017 were approximately \$1.8 million and \$6.0 million, respectively. The decrease was mainly due to less selling and general administrative expenses, and the impairment charge of approximately \$3.0 million on intangible assets recognized during the three months ended March 31, 2017.

Selling and general administrative expenses for the three months ended March 31, 2018 and 2017 were \$1,441,003 and \$1,983,534, respectively. The lower level of such expenses were because of a reduced number of employees and less investor relationship expenses. During the quarter ended March 31, 2017, the Company recruited more sales staff following the expansion of business activities in Beijing and Shenzhen. There were also additional expenses incurred to build investor relationships following the uplisting of the stock in November 2016 during the quarter ended March 31, 2017.

The research and development expenses for the three months ended March 31, 2018 and 2017 were \$147,075 and \$654,418, respectively. The R&D expense decreased by \$0.5 million mainly due to a lower level of staffing in the R&D department and less R&D activities during the quarter ended March 31, 2018 compared to the same quarter in fiscal year 2017.

Depreciation and amortization expense for the three month period ended March 31, 2018 was \$179,212, decreased from the depreciation and amortization expense of \$344,849 incurred in the same period of last year. The decrease in depreciation and amortization expense in the three months ended March 31, 2018 was due to less amortization expense because of the impairment charge of approximately \$3.0 million on intangible assets recognized during the three months ended March 31, 2017.

We expect that our operating expenses will still fluctuate due to the Company’s restructuring its operations in the coming quarters.

#### **Net Loss**

Net loss for the three months period ended March 31, 2018 and 2017 were approximately \$1.7 million and \$6.1 million respectively.

*For the Six months ended March 31, 2018 compared with the six months ended March 31, 2017*

**Revenues**

The Company had revenues of \$108,328 in the six months ended March 31, 2018 compared to \$17,443 being generated in the six months ended March 31, 2017. The increase in revenue was the result of less sales of tailored-made application packages that the Company developed at the request of its clients.

**Operating Expenses**

Operating expenses for the six months ended March 31, 2018 and 2017 were approximately \$3.7 million and \$8.8 million, respectively. The decrease was mainly due to less selling and general administrative expenses in the current period and the recognition of an impairment charge of approximately \$3.0 million on intangible assets during the six months ended March 31, 2017.

Selling and general administrative expenses for the six months ended March 31, 2018 and 2017 were \$2,923,845 and \$3,749,633, respectively. The lower level of such expenses were because of reduced head-count indicated in the overview above with a corresponding reduction in most expenses. For the six months ended March 31, 2017, the Company recruited more sales staff following the expansion of business activities in Beijing and Shenzhen. In that period, there were also additional expenses incurred to build investor relationships following the uplisting of the stock in November, 2016. Research and development expenses for the six months ended March 31, 2018 and 2017 were \$410,629 and \$1,351,858, respectively. The R&D expense decreased by approximately \$1.0 million mainly due to a lower level of staffing in the R&D department and less R&D activities during six months ended March 31, 2018 compared to the six months ended March 31, 2017.

Depreciation and amortization expense for the six months ended March 31, 2018 and 2017 were \$379,584 and \$694,123, respectively. The decrease in depreciation and amortization expense in the six months ended March 31, 2018 was due to a lower amortization expense, following from a full allowance having been made of impairment of intangible assets in an earlier period.

We expect that our general and administrative expenses will arise in future quarters as we incur additional costs to support the growth of our business.

**Net Loss**

Net losses for the six months ended March 31, 2018 and 2017 was \$3,625,598 and \$8,853,448, respectively. The decrease in net loss for the six months ended March 31, 2018 compared to six months ended March 31, 2017, as has been explained above, was largely due to an across-the-board decrease in various overhead expenses due to a reduced level of business activity necessitating a lower level of staff.

Liquidity and Capital Resources

As of March 31, 2018, we had working capital deficit of \$7.4 million as compared to \$4.1 million as of September 30, 2017.

Net cash used in operating activities for the six months ended March 31, 2018 was \$2,960,320 as compared to net cash used in operating activities of \$5,388,986 for the six months ended March 31, 2017. The decrease in cash used in operating activities for the six months ended March 31, 2018 was mainly due to the reduced expenses and the lower losses of the Company.

Net cash used in investing activities for the six months ended March 31, 2018 was \$178,579 as compared to \$15,135 for the six months ended March 31, 2017. The higher spending for the six months ended March 31, 2018 was because the Company had expenditures on its construction on progress in Moxian Shenzhen.

Net cash provided by financing activities for the six months ended March 31, 2018 was \$3,221,927 as compared to \$6,190,391 for the six months ended March 31, 2017. During the six months ended March 31, 2018, the Company obtained loans of \$3,005,224 from related parties, and repaid related party loans of \$113,297. The Company also received \$330,000 from the escrow account maintained after the completion of the IPO.

During the three months ended March 31, 2017, the Company completed a public offering with gross proceeds of approximately \$10 million, deducting placement agents' commissions and other offering expenses of approximately \$0.9 million, resulting in net proceeds of approximately \$9.0 million, of which \$500,000 was placed in an indemnification escrow account. In addition, during the three months ended March 31, 2017, the Company also received proceeds of approximately \$3.2 million from various related party loans and repaid a majority of all related party loans of approximately \$5.6 million with IPO proceeds.

Following this strategic review and collaboration with Shewn, the Company expects to launch new apps in the market to increase its sales revenue gradually over the course of fiscal year 2018. However, if the revenue does not reach the level anticipated in the Company's plan, the Company expects to fund any cash flow shortfalls as follows:

- Financial support commitments from the Company's major stockholders and a related party; and
- Public and/or private issuance of our securities.

If we are not able to obtain the necessary funding on a timely basis, on acceptable terms, or at all, we may be unable to implement operational plans, repay our debt obligations or respond to competitive pressures. Any of these factors would have a material adverse effect on our business, prospects, financial condition and results of operations and raise concerns on the ability of the Company to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

## Critical Accounting Policies and Estimates

### **Use of estimates**

The preparation of the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include but not limited to, useful lives of property and equipment, intangible assets valuation, inventory valuation and deferred tax assets. Actual results could differ from those estimates.

### **Recently Issued Accounting Pronouncements**

Reference is made to the “Recent Accounting Pronouncements” in Note 2 to the Unaudited Condensed Consolidated Financial Statements included in this Report for information related to new accounting pronouncements, as well as the related impact of those recent accounting pronouncements.

### **Off-Balance Sheet Arrangements**

As of March 31, 2018, we did not have any off-balance sheet arrangements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

### **ITEM 4. CONTROLS AND PROCEDURES**

#### Disclosures Control and Procedures

As of March 31, 2018, the Company carried out an evaluation, under the supervision of and with the participation of management, including our Company’s chief executive officer, of the effectiveness of the design and operation of our Company’s disclosure controls and procedures under the 2013 COSO framework. Based on the foregoing, the chief executive officer concluded that our Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were ineffective in timely alerting management to information required to be included in the Company’s periodic filings to the Securities and Exchange Commission filings.

#### Management’s Remediation Initiatives

To mediate the identified material weaknesses and other deficiencies, we have introduced the following measures:

- (1) Ensured that the Audit Committee meets regularly, either through conference calls or at physical meetings and reviewed all related party transactions to ensure that they are in the best interest of the Company
- (2) Kept all board members regularly informed of all major developments in the Company through circularization of resolutions on important issues, followed by explanatory telephone calls or emails
- (3) Reviewed and documented several key operating cycles of the Company, ensuring that there are sufficient internal controls at key points and segregation of important duties.
- (4) Designed and monitored controls over financial reporting, including the introduction of a proper checklist of cut-off procedures to ensure proper accounting of accruals and payables.
- (5) Continued to provide training to financial staff on U.S. GAAP and educate management staff and directors on NASDAQ Listing Rules and SEC Reporting Requirements.
- (6) Continued to engage an external accounting firm to prepare consolidation and the preparation of financial statements in accordance with the requirements of U.S GAAPs.

#### Changes in internal controls over financial reporting

There have been no changes in our internal controls over financial reporting that occurred during the period covered by this Report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

None.

### **ITEM 1A. RISK FACTORS.**

Not applicable to a smaller reporting company.

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

(a) None.

(b) The section entitled "Use of Proceeds" from our registration statement filed on March 16, 2016, as amended (the "Registration Statement") is incorporated herein by reference. The effective date of the Registration Statement is October 4, 2016, and the Commission file number assigned to the Registration Statement is 333-210250. The Registration Statement registered the offering of up to 5,000,000 common shares (the "Offering").

On November 14, 2016, the Company completed the Offering of 2,501,250 shares of its common stock at a public offering price of \$4.00 per share. The gross proceeds from the Offering were approximately \$10,005,000 before deducting placement agents' commissions and other offering expenses, resulting in net proceeds of approximately \$9.0 million, of which \$500,000 was placed in an indemnification escrow account. In connection with the Offering, the Company's common stock began trading on the NASDAQ Capital Market beginning on November 15, 2016 under the symbol "MOXC".

As of March 31, 2018, the Company had fully utilized its IPO proceeds in its development of the Moxian platform and related software applications and for general working capital and corporate purposes.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

[31.1 Rule 13\(a\)-14\(a\)/15\(d\)-14\(a\) Certification of principal executive officer](#)

[31.2 Rule 13\(a\)-14\(a\)/15\(d\)-14\(a\) Certification of principal financial officer](#)

[32.1 Section 1350 Certification of principal executive officer](#)

[32.2 Section 1350 Certification of principal financial officer](#)

101\* XBRL data files of Financial Statements and Notes contained in this Quarterly Report on Form 10-Q.

\* In accordance with Regulation S-T, the Interactive Data Files in Exhibit 101 to the Quarterly Report on Form 10-Q shall be deemed “furnished” and not “filed.”

## SIGNATURES

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

### **Moxian, Inc.**

Date: May 15, 2018

By: /s/ Yin Yi Jun

Name: Yin Yi Jun

Title: Chief Executive Officer  
(Principal Executive Officer)

### **Moxian, Inc.**

Date: May 15, 2018

By: /s/ Tan Wan Hong

Name: Tan Wan Hong

Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

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### **Exhibit 31.1**

#### **Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission Release 34-46427**

I, Yin Yi Jun, certify that:

- (1) I have reviewed this Form 10-Q of Moxian, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 15, 2018

/s/ Yin Yi Jun

Yin Yi Jun

Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**

**Certification of Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  
and Securities and Exchange Commission Release 34-46427**

I, Tan Wan Hong, certify that:

(1) I have reviewed this Form 10-Q of Moxian, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 15, 2018

/s/ Tan Wan Hong  
\_\_\_\_\_  
Tan Wan Hong  
Chief Financial Officer (Principal Financial  
Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Form 10-Q report of Moxian, Inc. for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Yin Yi Jun, certify that:

(1) This report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the this period report fairly presents, in all material respects, the financial condition and results of operations of Moxian, Inc.

Date: May 15, 2018

/s/ Yin Yi Jun  
\_\_\_\_\_  
Yin Yi Jun

Chief Executive Officer (Principal Executive Officer)

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Form 10-Q report of Moxian, Inc. for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Tan Wan Hong, certify that:

(1) This report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the this period report fairly presents, in all material respects, the financial condition and results of operations of Moxian, Inc.

Date: May 15, 2018

/s/ Tan Wan Hong  
\_\_\_\_\_  
Tan Wan Hong  
Chief Financial Officer (Principal Financial Officer)