

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2017

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 000-55329

**CLEARTRONIC, INC.**

(Exact name of issuer as specified in its charter)

(Exact name of registrant as specified in its charter)

**Florida** **65-0958798**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**8000 North Federal Highway, Suite 100** **33487**  
**Boca Raton, Florida**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(561) 939-3300**

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common stock, par value \$0.00001 per share**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 requirement for the past 90 days. Yes [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] Smaller reporting company [X]

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on March 31, 2017 (based on the closing sale price of \$0.09 per share of the registrant's common stock, as reported on the OTC PINK operated by The OTC Markets Group, Inc. on that date) was approximately \$10,520,027. The stock price of \$0.09 at March 31, 2017, takes into account a one for 3,000 reverse stock split on December 28, 2012. Common stock held by each officer and director and by each person known to the registrant to own five percent or more of the outstanding common stock has been excluded in that those persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. At January 16, 2018 the registrant had outstanding 203,899,190 shares of common stock, par value \$0.00001 per share.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In light of the risks and uncertainties inherent in all projected operational matters, the inclusion of forward-looking statements in this Form 10-K, should not be regarded as a representation by us or any other person that any of our objectives or plans will be achieved or that any of our operating expectations will be realized. Our revenues and results of operations are difficult to forecast and could differ materially from those projected in the forward-looking statements contained in this Form 10-K, as a result of certain risks and uncertainties including, but not limited to, our business reliance on third parties to provide us with technology, our ability to integrate and manage acquired technology, assets, companies and personnel, changes in market condition, the volatile and intensely competitive environment in the business sectors in which we operate, rapid technological change, and our dependence on key and scarce employees in a competitive market for skilled personnel. These factors should not be considered exhaustive; we undertake no obligation to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

### PART I

Except for historical information, this report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve risks and uncertainties, including, among other things, statements regarding our business strategy, future revenues and anticipated costs and expenses. Such forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances taking place after the date of this document.

#### Item 1. Business.

##### The Company

We were initially incorporated on November 15, 1999, as Menu Sites, Inc., a Florida corporation. On March 9, 2001, we changed our name to CNE Communications, Inc. On October 1, 2004, we changed our name to CNE Industries, Inc. On March 29, 2005, we changed our name to GlobalTel IP, Inc. On May 9, 2008, we changed our name to Cleartronic, Inc.

All of our operations are conducted through our wholly owned subsidiaries, VoiceInterop, Inc., a Florida corporation, incorporated on November 13, 2007, and ReadyOp Communications, Inc., a Florida corporation, incorporated on September 15, 2014, which facilitate the marketing and sales of *ReadyOp*<sup>TM</sup> software and AudioMate IP gateways, discussed below.

##### Business Overview

We do not currently have sufficient capital to conduct the present or proposed business activities described below. The costs to operate our business are approximately \$72,000 per month. In order for us to cover our monthly operating expenses, we must generate revenues of approximately \$115,000 per month. Accordingly, in the absence of revenues, we must secure \$72,000 in equity or debt capital each month to cover our overhead expenses. In order to remain in business for one year without any revenues, we must secure \$864,000 in equity or debt capital. If we are unsuccessful in securing sufficient capital or revenues, we will be unable to continue any business activities. We have not obtained any commitments for additional capital, and we may not be able to obtain any additional capital on terms not unfavorable to us, if at all.

From March 2005 to October 2007, we were primarily engaged in providing telecommunications services to our customers employing Voice over Internet Protocol (VoIP) technology. In October 2007, we sold substantially all of our assets utilized in that business. Prior to 2005, we were a website development company.

We are now a provider of Internet Protocol, or IP, unified group communication solutions. The products used in our solutions include our own proprietary products as well as products from other software and hardware vendors.

We have designed and customized standards based audio and voice collaboration solutions for prospective customers as part of a unified group communication system. We consider all aspects of a potential customer's information technology resources and existing telecommunications network in creating a design best suited for that customer. In 2013, we developed our own proprietary group communication solution and have built and installed four of these solutions as of the filing date of this report. Prior to developing our own solution we used *WAVE* software as the core component. We have designed, built and installed 18 unified group communication solutions as of the filing date of this report, 14 of which utilize *WAVE* software. In November 2013, we discontinued using *WAVE* software as a component in our unified communication solution installations.

Revenues have been generated from the design, construction and installation of the group communication systems. We have also generated revenues from maintenance and support contracts, once a unified group communication solution has been installed and tested. While we no longer sell *WAVE* based systems we will continue to support the installations that we have previously installed. We also sell our proprietary line of Internet Protocol Gateway which we have branded the *AudioMate 360 IP Gateway*, discussed below. These units are currently being sold directly to end-users and by Value Added Resellers ("VARs"). As of the date of this filing, we have approximately 10 active VARs, and we have sold our gateways to more than 1,000 end-users in the United States and 18 foreign countries.

We have developed an Internet Protocol Gateway which we call the *AudioMate 360 IP Gateway*. The *AudioMate 360 IP Gateway* has been designed to provide an Internet Protocol Gateway to users of unified group communications. The *AudioMate 360 IP Gateway* is available in different configurations which enable it to be used with various types of communications equipment.

Although other devices are available that perform the same or similar functions, we believe that our price for the *AudioMate 360 IP Gateway* is substantially lower than the prices others are presently charging for similar devices. If we are unable to provide the *AudioMate 360 IP Gateway* to our prospective customers at substantially lower prices than others are charging for similar gateways, our business will be materially adversely affected.

We do not have any other products at this time.

#### **Acquisition of Certain Collabria Assets**

In March 2015, the Company amended its Licensing Agreement with Collabria LLC of Tampa, Florida ("Collabria"). The Agreement grants the Company master distribution rights to market, sell and support Collabria's command and control software, trade-named ReadyOp. ReadyOp software is designed for fast, efficient access to information and for communication with multiple persons, groups and agencies. This agreement will remain in effect for an initial term of five years unless either the Company or Collabria sooner terminates the agreement. Upon expiration of the agreement, the Company's only obligation to Collabria shall be the payment of all outstanding obligations to Collabria. In September 2014, the Company formed ReadyOp Communications, Inc. (a Florida corporation), as a wholly owned subsidiary to facilitate the marketing of ReadyOp software. According to the terms of the agreement ReadyOp Communications will pay Collabria a royalty for all ReadyOp software sold.

In November 2016, the Company cancelled its Licensing Agreement with Collabria LLC of Tampa, Florida ("Collabria") and acquired all of the intellectual property related to Collabria's command and control software, trade-named ReadyOp. In addition the Company acquired Collabria's client list. In exchange for these assets the Company issued Collabria 3,000,000 shares of the Company's restricted Series E Convertible Preferred stock with a fair value of \$292,240. The Company assumed none of Collabria's liabilities.

#### **Need for Unified Group Communications**

Unified group communications and coordination within and between agencies for response actions to incidents and emergencies has been a challenge for many years. The result has been inefficiencies and in some cases the loss of lives, time and money during response activities. Governmental agencies, hospitals and other organizations experience these same interoperability failures.

We believe that *ReadyOp*<sup>TM</sup> software is a new approach to communication, coordination and interoperability that is simple, flexible, low-cost and is already in use by many agencies and enterprises in the governmental and private sectors.

#### ***ReadyOp*<sup>TM</sup> Software**

*ReadyOp* is a simple, innovative web-based planning and communications platform for efficiently and effectively planning, managing, communicating, and directing activities within a single organization or in a unified command structure. *ReadyOp* is a comprehensive solution with multiple means of communications in a single program, including interoperable communications for radios and other devices. *ReadyOp*'s flexibility supports daily operations, exercises and response activities including multi-agency and multi-location operations. *ReadyOp* is a single platform that provides communications, coordination, collaboration and critical response capabilities for first responders and other organizations.

Communication challenges and coordination failures within and between organizations have been well documented and remain a part of the final report for most every exercise and major incident. This is especially evident when multiple agencies are involved in a response effort. In 2003, Homeland Security Presidential Directive-5 (HSPD-5) created the National Incident Management System (NIMS). NIMS is intended to provide a consistent template for government, private sector, and nongovernment organizations to work together during incidents and emergencies.

NIMS was used to create the Incident Command System (ICS) for first responders. ICS is essentially an organizational chart with assigned roles for responsibilities during incident response. Each role has assigned tasks to be accomplished, the goal being that all persons assuming the various roles complete their assigned tasks. Use of ICS is mandated for all law enforcement, fire and other government agencies at all levels plus seaports, airports, universities and hospitals. *ReadyOp* was initially designed based on the structure of ICS, but has evolved into a full response and communications platform.

#### **Patents and Intellectual Property**

If we are able to continue our business activities, our business will be dependent on our intellectual property, some of which we have developed for our software and hardware applications. We do not have any trade secret confidentiality agreements. For projects that are in development, we intend to rely on intellectual property rights afforded by trademark and trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to our technology and other intellectual property. We cannot foretell if these procedures and arrangements will be adequate in protecting our intellectual property.

We have filed a patent application with the United States Patent and Trademark Office in connection with various configurations of our *AudioMate 360 IP Gateway*. We may file similar patent applications in additional countries. The claims in the patent application relate to various aspects of the *AudioMate 360 IP Gateway*. On March 13, 2012, the United States Patent Office notified us that U.S. Patent number 8,135,001 B1 had been granted for the 34 claims of our patent application for Multi Ad Hoc Interoperable Communicating Networks. It may be that one or more of our claims are not meaningful. Furthermore, the validity of issued patents is frequently challenged by others. One or more patent applications may have been filed by others previous to our filing, which encompass the same or similar claims.

A patent application does not in and of itself grant exclusive rights. A patent application must be reviewed by the Patent Office of each relevant country prior to issuing as a patent and granting exclusive rights.

We have obtained trademarks on *ReadyOp* and *VoicInterop*.

Because of our limited resources, we may be unable to protect a patent, either owned or licensed, or to challenge others who may infringe upon a patent. Because many holders of patents in our industry have substantially greater resources than we do and patent litigation is very expensive, we may not have the resources necessary to successfully challenge the validity of patents held by others or withstand claims of infringement or challenges to any patent we may obtain. Even if we prevail, the cost and management distraction of litigation could have a material adverse effect on us.

Because Internet Protocol Gateways and their related manufacturing processes are covered by a large number of patents and patent applications, infringement actions may be instituted against us if we use or are suspected of using technology, processes or other subject matter that is claimed under patents of others. An adverse outcome in any future patent dispute could subject us to significant liabilities to third parties, require disputed rights to be licensed or require us to cease using the infringed technology.

If trade secrets and other means of protection upon which we rely may not adequately protect us, our intellectual property could become available to others. Although we may rely on trade secrets, copyright law, employee and third-party nondisclosure agreements and other protective measures to protect some of our intellectual property, these measures may not provide meaningful protection to us.

The laws of many foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, if at all.

#### Exclusive Licensing Agreement

On May 5, 2017, the Company entered into an Exclusive Licensing Agreement with Sublicensing Terms (the "Agreement") with the University of Southern Florida Research Foundation, Inc. ("USFRF") relating to an exclusive license of certain patent rights in connection with one of USFRF's U.S. Patent Applications. Both parties recognize that the research and development work provided by the Company was sufficient for USFRF to enter into the Agreement with the Company.

The Agreement is effective April 25, 2017 and continues until the later of the date that no Licensed Patent remains a pending application or an enforceable patent or the date on which the Licensee's obligation to pay royalties expires.

The Company paid USFRF a License Issue Fee of \$3,000 and \$7,253.50 as reimbursement of expenses associated with the filing of the Licensed Patent. The Company agreed to complete the first commercial sale of products to the retail customer on or before January 31, 2019 or USFRF has the right to terminate the agreement. In addition, the Company agreed that it will have made and tested a prototype by August 31, 2018 or USFRF has the right to terminate the agreement. The company agreed to pay USFRF a royalty of 3% for sales of all Licensed Products and Licensed Processes and agreed to pay USFRF minimum royalty payments as follows:

Payment	Year
\$1,000	2019
\$4,000	2020
\$8,000	2021

-and every year thereafter on the same date, for the life of the agreement.

In the event the Company proposes to sell any Equity Securities, then USFRF will have the right to purchase 5% of the securities issued in such offering on the same terms and conditions as are offered to other purchasers in such financing.

#### Rapid Technological Change Could Render Our Products Obsolete

Our markets are characterized by rapid technological changes, frequent new product introductions and enhancements, uncertain product life cycles, changes in customer requirements, and evolving industry standards. The introduction of new products embodying new technologies and the emergence of new industry standards could render our existing products obsolete. Our future success will depend upon our ability to continue to develop and introduce a variety of new products and product enhancements to address the increasingly sophisticated needs of our customers. We may experience delays in releasing new products and product enhancements in the future. Material delays in introducing new products or product enhancements may cause customers to forego purchases of our products and purchase those of our competitors.

#### Seasonality of Our Business

We do not anticipate that our business will be affected by seasonal factors.

#### **Impact of Inflation**

We are affected by inflation along with the rest of the economy. Specifically, our costs to complete our products could rise if specific components needed incur a rise in cost.

#### **Manufacturing and Suppliers**

We have outsourced the manufacturing of our *AudioMate 360 IP Gateway*. This outsourcing has allowed us to:

- Avoid costly capital expenditures for the establishment of manufacturing operations;
- Focus on the design, development, sales and support of our hardware products; and
- Leverage the scale, expertise and purchasing power of specialized contract manufacturers.

Currently, we have arrangements for the production of our gateways with a contract manufacturer in Florida. Our reliance on contract manufacturers involves a number of potential risks, including the absence of adequate capacity, ownership of certain elements of electronic designs, and reduced control over delivery schedules. Our contract manufacturers can provide us with a range of operational and manufacturing services, including component procurement and performing final testing and assembly of our products. We intend to depend on our contract manufacturers to procure components and to maintain adequate manufacturing capacity.

We have also relied on a small number of suppliers for several key components utilized in the assembly of our *AudioMate 360 IP Gateway*. For example, our contract manufacturer has purchased a key component that is essential to the production of our gateways from a single source supplier. We have not identified any alternative suppliers for that component. Our contract manufacturer has maintained relatively low inventories and acquired components only as needed. As a result, our ability to efficiently respond to customer orders, if any, may be constrained by, among other things, the then-current availability or terms and pricing of necessary components. We may be unable to obtain a sufficient quantity of these components in a timely manner to meet the demands of our customers. In addition, we have no control over the prices of these components. Any delays or any disruption of the supply of these components could also materially and adversely affect our operating results.

#### **Competition**

The unified group communications industry is extremely competitive. Over the past year, the number of companies entering our industry has increased dramatically. Competitive pricing pressures can negatively impact profit margins, if any. Competitors include Cisco Systems, Inc., Tyco Electronics Ltd., Catalyst Communications Technologies, Inc., Telex, Inc., Federal Signal Corporation and Mutual-Link, Inc. as well as Motorola and its authorized dealers. These and other potential competitors are generally large and well capitalized and have substantially more experience than we do in our industry. Consequently, in order for Cleartronic to be successful in its intended operations, it must be able to compete effectively against its competitors. If Cleartronic cannot effectively compete for whatever reason, we will not be successful.

#### **Sales and Marketing**

We have marketed our unified group communication solutions and *AudioMate 360 IP Gateway* through a commissioned sales person. The majority of our sales leads have come through sales persons, VARs and our website. If we are able to continue our business activities, we intend to expand the use of commissioned sales representatives to market and sell the *ReadyOp™* software solution along with our *AudioMate 360 IP Gateway* line of Internet Protocol Gateways. We will continue to use our network of VARs to market our *AudioMate 360 IP Gateway*.

#### **Key Personnel of Cleartronic**

Our future financial success depends to a large degree upon the personal efforts of our key personnel. Richard J. Martin, our Chairman and Director, Michael M. Moore, our Chief Executive Officer and Director, and Larry M. Reid, our President, Chief Financial Officer, Principal Accounting Officer, and Secretary and Director, and their intended designees will play the major roles in securing the services of those persons deemed capable to develop and execute upon our business strategy. While we intend to employ additional executive, development, and technical personnel in order to minimize the critical dependency upon any one person, we may not be successful in attracting and retaining the persons needed.

At present, Cleartronic has two executive officers, Larry M. Reid and Michael M. Moore. In March 2015, the Company entered into a new employment agreement with the Company's CEO, Larry M. Reid (the "Agreement"). Under the Agreement, Mr. Reid agreed to remit 2.0 billion shares of common stock back to the Company in exchange for 200,000 shares of Series C Convertible Preferred stock with a fair value of \$252,000.

Unless Cleartronic shall have given Mr. Reid and Mr. Moore written notice at least 30 days prior to the Termination Date, the Agreement shall automatically renew and continue in effect for additional one-year periods, provided, however, that we may, at our election at any time after the expiration of the initial term of the Agreement, give Mr. Reid notice of Termination.

Mr. Reid will be paid a base salary of \$8,000 per month. A copy of the employment agreement with Mr. Reid has been previously filed on March 18, 2015 with the SEC as an exhibit to a Form 8-K. See "Item 13. Certain Relationships and Related Transactions and Director Independence."

Mr. Moore will be paid a base salary of \$16,667 per month. A copy of the employment agreement with Mr. Moore has been previously filed on January 13, 2016 as an exhibit to a Form 10-K. is attached as an exhibit to this 10-K report.

#### **Adequacy of Working Capital for Cleartronic**

We estimate that we will need at least \$864,000 to continue operations over the next 12 months. We will apply great efforts to raise through equity or debt offerings what we feel is sufficient working capital for our intended business plan by various means. If we are not able to raise additional capital, we will not be able to continue operations and our business may fail.

#### **The Financial Results for Cleartronic May Be Affected by Factors Outside of Our Control**

Our future operating results may vary significantly from quarter to quarter due to a variety of factors, many of which are outside our control. Our anticipated expense levels are based, in part, on our estimates of future revenues and may vary from projections. We may be unable to adjust spending rapidly enough to compensate for any unexpected revenues shortfall. Accordingly, any significant shortfall in revenues in relation to our planned expenditures would materially and adversely affect our business, operating results, and financial condition. Further, we believe that period-to-period comparisons of our operating results are not necessarily a meaningful indication of future performance.

#### **Employees**

As of the date of this report, we have eight employees, Michael M. Moore, our Chief Executive Officer and Director, Larry M. Reid, our President, Chief Financial Officer, Principal Accounting Officer, Secretary, and Director, James Concannon, Sales Director VoiceInterop, Inc., John Boteler, Engineering Director VoiceInterop, Inc., John Ohl, Engineering Director ReadyOp communications, Inc., Gene Hubbard, Technical Assistant ReadyOp Communications, Inc., Jennifer Ohl, Customer Service Manager, ReadyOp Communications, Inc. and Gabriel Saffold, Director Research and Development.

#### **Transfer Agent**

Our transfer agent is ClearTrust, LLC, whose address is 16540 Pointe Village Drive, Suite 206, Lutz, Florida 33558, and telephone number is (813) 235-4490.

#### **Company Contact Information**

Our principal executive offices are located at 8000 North Federal Highway, Suite 100, Boca Raton, Florida 33487, telephone (561) 939-3300. Our email address is info@cleartronic.com. The Cleartronic Internet website is located at www.cleartronic.com. The information contained in our website shall not constitute part of this report.

**Item 1A. Risk Factors.**

Not applicable.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We lease approximately 1,700 square feet for our principal offices in Boca Raton, Florida, from an unaffiliated party at a monthly rental of approximately \$3,500. The lease expires on November 30, 2018.

**Item 3. Legal Proceedings.**

Cleartronic is not engaged in any litigation at the present time, and management is unaware of any claims or complaints that could result in future litigation. Management will seek to minimize disputes with our customers but recognizes the inevitability of legal action in today's business environment as an unfortunate price of conducting business.

**Item 4. (Removed and Reserved).**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock has been traded on the OTC PINK since May 1, 2015, under the symbol "CLRI." Previously, the shares of our common stock were traded on the OTCQB from May 16, 2013 until May 1, 2015.

The following table sets forth, taking into consideration the one for 3,000 reverse split of our common stock which occurred on December 28, 2012, the high and low bid prices for our common stock on the OTCQB and OTC PINK as reported by various market makers. The quotations do not reflect adjustments for retail mark-ups, mark-downs, or commissions and may not necessarily reflect actual transactions.

	<b>High</b>	<b>Low</b>
<b>Fiscal 2016 Quarter Ended:</b>		
December 31, 2015	\$0.05	\$0.018
March 31, 2016	\$0.09	\$0.03
June 30, 2016	\$0.06	\$0.015
September 30, 2016	\$0.033	\$0.009
<b>Fiscal 2017 Quarter Ended:</b>		
December 31, 2016	\$0.05	\$0.0072
March 31, 2017	\$0.09	\$0.0485
June 30, 2017	\$0.06	\$0.0433
September 30, 2017	\$0.055	\$0.035
<b>Fiscal 2018 Quarter Ended:</b>		
December 31, 2017	\$0.0642	\$0.037

As of December 29, 2017, we were authorized to issue 5,000,000,000 shares of our common stock, of which 203,899,190 shares were outstanding. Our shares of common stock are held by approximately 200 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of our common stock whose shares are held in the names of various securities brokers, dealers, and registered clearing agencies. In addition to our authorized common stock, Cleartronic is authorized to issue 200,000,000 shares of preferred stock, par value \$0.00001 per share, of which 6,800,776 shares are issued or outstanding. There is no trading market for the shares of our preferred stock.

#### Dividends

We have not paid or declared any dividends on our common stock, nor do we anticipate paying any cash dividends or other distributions on our common stock in the foreseeable future. Any future dividends will be declared at the discretion of our board of directors and will depend, among other things, on our earnings, if any, our financial requirements for future operations and growth, and other facts as our board of directors may then deem appropriate. See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for a description of our preferred stock and dividend rights pertaining to the preferred stock.

The Company is obligated to pay dividends on its Series A Convertible Preferred Stock. Each Series A Preferred Holder is entitled to receive cumulative dividends at the rate of 8% of \$1.00 per annum for each outstanding share of Series A Preferred then held by such Series A Preferred Holder, on a pro rata basis. As of September 30, 2017 and 2016, the cumulative arrearage of undeclared dividends totaled \$44,949 and \$6,656, respectively.

#### Securities Authorized for Issuance under Equity Compensation Plans

Plan category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-0-	-0-	75,000,000 (1)
Equity compensation plans not approved by security holders	-0-	-0-	1,871,301 (2)
Total	-0-	-0-	76,871,301

(1) Includes shares available for future issuance under the Cleartronic 2011 Equity Incentive Plan.

(2) Includes shares remaining for issuance under the 2009 Consultant Stock Plan.

#### Recent Sales of Unregistered Securities

On the dates specified below, we have issued unregistered securities to various creditors and investors.

- In December 2015, a shareholder purchased 250,000 shares of common stock for \$5,000 in cash.
- In December 2015, two shareholders converted 7,280 shares of Series C Convertible Preferred stock into 36,400 shares of common stock.
- During the year ended September 30, 2016, a Convertible Note holder converted a \$10,000 in principal of a Convertible note into 847,458 shares of the Company's common stock.
- During the year ended September 30, 2016, a shareholder converted \$10,000 of a Note Payable into 500,000 shares of common stock.
- During the year ended September 30, 2016 a Convertible Note holder converted a \$25,000 Convertible note and \$6,111 of accrued interest into 4,906,565 shares of common stock.
- In November 2016, the Company sold 525,746 shares of Series A Convertible Preferred stock to a private investor and director for \$262,873 in cash.
- In November, 2016, the Board of Directors approved the Asset Purchase Agreement between the Company and Collabria LLC ("Collabria"). Under the terms of the Agreement, the Company acquired all of the intellectual property of Collabria, including

its ReadyOp command, control and communication platform trade named ReadyOp (the "ReadyOp Platform"). In addition, the Company acquired Collabria's customer base ("Collabria Client List"). The Company assumed no liabilities of Collabria under this Agreement. The terms of the Agreement called for the Company to issue 3,000,000 (Three million) shares of restricted Series E Convertible Preferred stock to Collabria with a fair value of \$292,240. Shares of the Series E Convertible Preferred have the following conversion rights and provisions: After a period of two (2) years following the date of issuance, each one (1) share of Series E Preferred shall be convertible into one hundred (100) shares of fully paid and non-assessable Common Stock at the sole option of the holder of Series E Preferred.

Our unregistered securities were issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) of the Securities Act or Rule 506(c) of Regulation D promulgated under the Securities Act. Each investor took his securities for investment purposes without a view to distribution and had access to information concerning us and our business prospects, as required by the Securities Act. Our securities were sold only to an accredited investor, as defined in the Securities Act, and after a thorough discussion. Finally, our stock transfer agent has been instructed not to transfer any of such securities, unless such securities are registered for resale or there is an exemption with respect to their transfer.

All of the above described investors who received shares of our common stock or preferred stock were provided with access to our filings with the SEC, including the following:

- The information contained in our annual report on Form 10-K under the Exchange Act.
- The information contained in any reports or documents required to be filed by Cleartronic under sections 13(a), 14(a), 14(c), and 15(d) of the Exchange Act since the distribution or filing of the reports specified above.
- A brief description of the securities being offered, and any material changes in our affairs that were not disclosed in the documents furnished.

**Purchases of Equity Securities by the Registrant and Affiliated Purchasers**

There were no purchases of our equity securities by Cleartronic or any affiliated purchasers during any month within the fiscal year covered by this report.

**Item 6. Selected Financial Data.**

Not applicable.

**Item 7.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations.**

THE FOLLOWING DISCUSSION SHOULD BE READ TOGETHER WITH THE INFORMATION CONTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K.

The following discussion reflects our plan of operation. This discussion should be read in conjunction with the financial statements which are attached to this report. This discussion contains forward-looking statements, including statements regarding our expected financial position, business and financing plans. These statements involve risks and uncertainties. Our actual results could differ materially from the results described in or implied by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly under the headings "Special Note Regarding Forward-Looking Statements."

Unless the context otherwise suggests, "we," "our," "us," and similar terms, as well as references to "Cleartronic," all refer to Cleartronic, Inc. and our subsidiaries as of the date of this report.

**Going Concern**

On September 30, 2017, we had current assets of \$163,437 and current liabilities of \$842,653. Our independent certified public accountants have stated in their report on our audited consolidated financial statements for the fiscal year end that there is a

substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, we will be completely dependent on additional debt and equity financing. If we are unable to raise needed funds on acceptable terms, we will not be able to execute our business plan, develop or enhance existing services, take advantage of future opportunities, if any, or respond to competitive pressures or unanticipated requirements. If we do not obtain sufficient capital, we will not be able to continue operations.

As of September 30, 2017, Cleartronic had an accumulated deficit of \$15,511,703, which included a net loss of \$859,183 reported for the year ended September 30, 2017. Also, during the year ended September 30, 2017, we used net cash of \$241,062 for operating activities. These factors raise substantial doubt about our ability to continue as a going concern.

While we are attempting to generate revenues, our cash position may not be significant enough to support our daily operations. Management intends to raise additional funds by way of an offering of our debt or equity securities. Management believes that the actions presently being taken to further implement our business plan and generate revenues provide the opportunity for Cleartronic to continue as a going concern. While we believe in the viability of our strategy to generate revenues and in our ability to raise additional funds, we may not be successful. Our ability to continue as a going concern is dependent upon our capability to further implement our business plan and generate revenues.

## **Results of Operations**

### ***Year Ended September 30, 2017, Compared to Year Ended September 30, 2016.***

*Revenues.* Revenues decreased 3% to \$526,319 in 2017, from \$544,782 during 2016. This decrease of approximately \$18,463 was primarily due to revenue recognition policies whereby the Company must defer revenue recognized over the life of a subscription whereas in the past we were able to recognize 100% of revenue on date of sale. Revenue from our other subsidiary, VoiceInterop, Inc., decreased approximately 29% to \$179,377.

*Cost of Revenues and Gross Margins.* Cost of revenues decreased from \$179,765 in 2016, to \$173,645 in 2017. Gross margins remained stable at 67% or \$352,674 in 2017 and \$365,017 in 2016. The primary reason for the stability in gross margin was due to maintaining cost of revenue expenses as they relate to ReadyOp software subscriptions.

*Operating Expenses.* Operating expenses increased approximately 46% in 2017, to \$1,203,645 compared to \$825,156 during 2016. Operating expenses include selling expenses, administrative expenses, research and development costs and amortization and depreciation expense. This increase was primarily due to the recognition of \$164,571 in additional selling expenses and \$180,522 in additional administrative expense.

*Selling Expenses.* Selling expenses increased approximately 109% from \$149,935 in 2016, to \$314,506 in 2017, primarily due to increased travel expenses and salaries associated with sales and customer support.

*Administrative Expenses.* Administrative expenses increased approximately 67% from \$267,917 in 2016, to \$448,439 in 2017, primarily due to a increase in administrative and technical staff combined with additional general office expense.

*Research and Development Expenses.* Research and development expenses increased approximately 622% to \$105,768 in 2017, from \$14,636 in 2016, due to additional development expense related to a technology license agreement with the University of South Florida Research Foundation.

*Amortization and Depreciation Expenses.* Amortization expense was \$334,932 in 2017 and \$139,668 in 2016. The amortization expense incurred in 2017 was primarily due to writing off the expense associated with the Collabria licensing agreement and the amortization of associated with the acquisition of the Collabria ReadyOp software platform and the Collabria client list.

*Other Income and Other Expense.* Interest and other expense decreased from \$117,464 in 2016 to \$8,212 in 2017. The decrease was primarily due to interest expense associated with two short term convertible notes entered into and fully converted and repaid in 2016. Other income of approximately \$3,200 was associated with the collection fees earned by processing accounts receivable for another organization.

*Impairment Expense.* In March 2015, the Company amended its Licensing Agreement with Collabria, which will remain in effect for an initial term of five years unless either the Company or Collabria sooner terminates the agreement. The amendment reduces the royalty to be paid on a sale from 80% to 20%. As consideration for entering into the agreement and the reduction of the stated royalty, the Company issued Collabria 25,000,000 shares of restricted common stock valued at \$.08 per share (Note 6). The Company amortizes this licensing agreement over its remaining life on a straight line basis.

The Company evaluates licensing rights for impairment when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. As of September 30, 2016, management determined that sales of ReadyOp products had failed to meet the projected revenue targets and that the carrying value of the license agreement exceeded the fair value. Accordingly management revised the estimate of undiscounted future cash flows expected to be generated by the licensing agreement and incurred an impairment loss of \$253,000 for the year ended September 30, 2016.

The company recorded \$334,932 and \$139,668 in amortization expense for the years ended September 30, 2017 and 2016, respectively. The increase was primarily due to the write off in the amount of \$240,332 on a licensing agreement with Collabria LLC in the year ended September 30, 2017.

*Net Loss.* Net losses were \$859,183 and \$574,317 for 2017 and 2016, respectively.

#### **Liquidity and Capital Resources**

Cash and cash equivalents increased by \$22,891 during the fiscal year ended September 30, 2017, to \$25,994. Net cash used in operating activities for the fiscal year ended September 30, 2017, was \$241,062 as compared to \$49,063 for the fiscal year ended September 30, 2016, due primarily to the increase in deferred revenue and the write off of the licensing agreement with Collabria. We funded our operating activities during the most recent fiscal year through financing activities that generated net proceeds of approximately \$263,953.

At September 30, 2017, our total liabilities were \$1,025,009, which included \$456,734 in accounts payable, \$25,345 in accrued expenses, \$134,087 in notes payable stockholders, and \$386,087 in deferred revenue.

Based on our VoiceInterop business and the acquisition of the ReadyOp software platform and the Collabria client list we have developed a business plan. The business plan calls for us to continue to market and sell unified communications hardware and software directly to enterprise customers. We intend to market the *ReadyOp*<sup>TM</sup> software through commissioned sales representatives. We believe these sales will increase the sales of the *AudioMate 360 IP Gateway*

We believe that in order to fund our business plan, we will need approximately \$750,000 in new equity or debt capital. In the past, in addition to revenues and deferred revenues, we have obtained funds from the private sale of our debt and equity securities. We have also had discussions with several securities broker-dealers with respect to a private or public offering of our securities. Although none of such discussions has resulted in any funding, we intend to continue to have such discussions in the future. We also intend to continue to seek private financing from certain of our existing stockholders and others.

Our current operating expenses are approximately \$72,000 per month. In order for us to cover our monthly operating expenses, we must generate approximately \$115,000 per month in revenue. Accordingly, in the absence of sufficient revenues, we must raise \$72,000 in equity or debt capital each month to cover our overhead expenses. In order to remain in business for one year without any revenues, we must secure \$864,000 in equity or debt capital. If we are unsuccessful in securing sufficient capital or revenues, we will be unable to continue our business activities.

#### **Investing Activities**

Net cash used in investing activities was \$0 for both fiscal years ended September 30, 2017, and 2016.

#### **Financing Activities**

In November 2015, we issued an 8% promissory note to a shareholder and director for \$50,000.

- In November 2015, we paid \$33,000 in principal and \$14,974.69 in accrued interest to a convertible note holder.
- In November 2015, a Convertible Note holder converted a \$10,000 in principal of a Convertible note into 847,458 shares of the Company's common stock.
- In December 2015, we issued 250,000 shares of common stock to one investor for \$5,000 cash.
- In December 2015, we issued a 10% convertible note to an investor for \$25,000 cash.
- In June, 2016, a shareholder and director converted \$10,000 of a note payable into 500,000 shares of common stock.
- In June, August and September 2016, a convertible note holder converted \$25,000 in principal and \$6,111 in accrued interest into 4,906,565 shares of common stock.
- In November 2016, the Company sold 525,746 shares of Series A Convertible Preferred stock to a private investor and director for \$262,873 in cash.
- In November 2016, the Company cancelled its Licensing Agreement with Collabria LLC of Tampa, Florida ("Collabria") and acquired all of the intellectual property related to Collabria's command and control software, trade-named ReadyOp. In addition the Company acquired Collabria's client list. In exchange for these assets the Company issued Collabria 3,000,000 shares of the Company's restricted Series E Convertible Preferred stock with a fair value of \$292,240. The Company assumed none of Collabria's liabilities.
- In September 2017, we issued an 8% promissory note to a shareholder and director for \$35,000.
- In the year ended September 30, 2017, the Company repaid \$33,920 of principal of notes payable to shareholders.

#### **Cash from Financing Activities**

Net cash provided by financing activities was \$263,953 during fiscal 2017. This included \$262,873 from proceeds from the issuance of shares of our Convertible Preferred stock, \$35,000 from the issuance of note payable to a stockholder, and the repayment \$33,920 of notes payable to shareholders. Net cash provided by financing activities was approximately \$46,010 during fiscal year 2016. This included proceeds from the issuance of shares, proceeds from convertible notes and repayment of convertible note payable.

#### **Critical Accounting Policies**

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies include revenue recognition and impairment of long-lived assets.

*Revenue Recognition and Deferred Revenues.* Unified group communication solutions consist of three elements to be provided to customers: software licenses and equipment purchased from third-party vendors, proprietary hardware that is manufactured on contract to required specifications and installation and integration of the hardware and software into the cohesive communication source.

The Company's revenue recognition policies are in accordance with Accounting Standards Codification 605-10 "Revenue Recognition" (ASC 605-10). Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment. The Company recognizes revenue for the elements separately as the sales of the equipment and software, installation and integration, and support services represent separate earnings processes that are generally specified under separate agreements.

Revenue from the resale of equipment utilized in unified group communication solutions is recognized when shipped. For software licenses, the Company does not provide any services that are considered essential to the functionality of the software, and therefore revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed and determinable.

The Company also provides support to customers under separate contracts varying from one to five years. The Company's obligations under its service contracts vary by the length of the contract. In all cases the Company is the primary obligor to provide first level support to the client. If the contract has less than one year of service and support remaining on the contract, it is classified as a current liability; if longer, it is classified as a non-current liability.

Installation and integration services are recognized upon completion.

*Inventory.* Inventory consists of finished goods to be shipped along with completed circuit boards and parts necessary for final assembly of finished product. All existing inventory is considered current and usable and no reserve for obsolescence was carried for the years ended September 30, 2017 and 2016.

*Derivative Instruments* The Company evaluates its convertible debt, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Statement of Operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date. As of September 30, 2017 and 2016 there were no derivative liabilities.

#### **Stock-Based Compensation**

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Accounting Standards Codification 718-10 "Compensation" (ASC 718-10) using the modified retrospective transition method. ASC 718-10 (formerly SFAS 123R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. The Company has estimated the fair value of each award as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of the Company's stock price. In March 2005, the SEC issued SAB No. 107, Share-Based Payment ("SAB 107"), which provides guidance regarding the interaction of ASC 718-10 and certain SEC rules and regulations. The Company has applied the provisions of SAB 107 in its adoption of ASC 718-10.

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification ("FASB ASC Section 505-50-30"). Pursuant to FASB ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

## Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will amend current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In April 2016, the FASB issued ASU 2016-10 Revenue from Contract with Customers (Topic 606): identifying Performance Obligations and Licensing “.The amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. Topic 606 includes implementation guidance on (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this Update are intended render more detailed implementation guidance with the expectation to reduce the degree of judgement necessary to comply with Topic 606. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

## Subsequent Events

In October 2017, the Company issued two unsecured 8% promissory notes to a shareholder and director in the amount of \$15,000 each. The notes mature December 31, 2018.

In October 2017, the Company repaid \$7,891 in principal of a note payable to shareholder.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

## Item 8. Financial Statements and Supplementary Data.

The financial statements and related notes are included as part of this report as indexed in the appendix on page F-1, *et seq.*

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

On September 19, 2016, a majority of the directors of Cleartronic Inc. engaged Liggett and Webb (“Liggett”) PA as its independent registered public accounting firm which was reported in the Company's 8-K report filed with the SEC on September 21, 2016.

## Item 9A. Controls and Procedures.

See Item 9A(T) below.

## Item 9A(T). Controls and Procedures.

*Evaluation of Disclosure and Controls and Procedures.* We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness

of our disclosure controls and procedures (as defined) in Exchange Act Rules 13a – 15(c) and 15d – 15(e)). Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period ended September 30, 2017, our disclosure controls and procedures were not effective (1) to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to us, including our Chief Executive and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The term disclosure controls and procedures means 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 Exchange 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. Disclosure controls and procedures 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 Exchange 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.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A 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 inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the registrant have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Management’s Annual Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the issuer’s principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer’s board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer’s assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO-2013) in Internal Control-Integrated Framework.

*Changes in Internal Control Over Financial Reporting.* There have been no changes in the registrant’s internal control over financial reporting through the date of this report or during the period ended September 30, 2017, that materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

*Independent Registered Accountant's Internal Control Attestation.* This report does not include an attestation report of the registrant's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the registrant's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the registrant to provide only management's report in this report.

*Remediation plans for material weaknesses over internal controls.* Our plans to mitigate material weaknesses in disclosure controls and procedures for future filings will be dependent on our ability to obtain adequate financing to fund development of our financial reporting infrastructure. At this time it is not cost beneficial for us to utilize capital to focus on mitigating financial reporting weaknesses; however, we expect to implement a plan for remediation of these deficiencies when sufficient funding to implement such a plan is available.

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The following table sets forth information concerning the directors and executive officers of Cleartronic as of the date of this report:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>
Richard J. Martin	59	Chairman and Director	2016
Michael M. Moore	64	Chief Executive Officer and Director	2015
Larry M. Reid	73	President, Chief Financial Officer, Secretary and Director	1999

The members of our board of directors are subject to change from time to time by the vote of the stockholders at special or annual meetings to elect directors. Our current board of directors consists of three directors, who have expertise in the business of Cleartronic. Upon receipt of sufficient funds either from revenues or through receipt of funds from debt or sales of our common stock and preferred stock, we intend to seek directors and officers who would be able to assist in the execution of our business plan.

The foregoing notwithstanding, except as otherwise provided in any resolution or resolutions of the board, directors who are elected at an annual meeting of stockholders, and directors elected in the interim to fill vacancies and newly created directorships, will hold office for the term for which elected and until their successors are elected and qualified or until their earlier death, resignation or removal.

Whenever the holders of any class or classes of stock or any series thereof are entitled to elect one or more directors pursuant to any resolution or resolutions of the board, vacancies and newly created directorships of such class or classes or series thereof may generally be filled by a majority of the directors elected by such class or classes or series then in office, by a sole remaining director so elected or by the unanimous written consent or the affirmative vote of a majority of the outstanding shares of such class or classes or series entitled to elect such director or directors. Officers are elected annually by the directors. There are no family relationships among our directors and officers.

We may employ additional management personnel, as our board of directors deems necessary. Cleartronic has not identified or reached an agreement or understanding with any other individuals to serve in management positions, but does not anticipate any problem in employing qualified staff.

A description of the business experience for the directors and executive officers of Cleartronic is set forth below.

Richard J. Martin currently serves as Chairman and Director of Cleartronic, Inc. Prior to joining the Cleartronic team, Martin served as CEO of SMARTLogix, Inc., a petroleum logistics technology company which he founded in 2000. With Martin at the

helm for 15 years, SMARTLogix was positioned as the dominant player in the market and was acquired by a private equity firm in 2015. Graduating with an Engineering degree from The University of Buffalo's School of Engineering, Martin was immediately recruited by Exxon to join their Management Development Program where he quickly rose through the ranks. Following a considerable tenure at Exxon, he leaped into entrepreneurship by purchasing a small Exxon distributorship in the Carolinas. As a result of his capable management, Culp Petroleum was transformed into a large southeast regional distribution company. While at Culp, Martin developed and implemented several disruptive technologies that have since become industry standards. Martin sold the petroleum business in 2005 and focused his efforts on his technology ventures including the SMARTank division of SMARTLogix. SMARTank grew substantially and the technology was later sold to a public company in 2011. A proven leader in building companies and incorporating innovations, as well as a current member of several boards driving technology and growth, Martin will prove instrumental in guiding Cleartronic's future.

Michael M. Moore is currently Chief Executive Officer and a Director of Cleartronic, Inc. He was founder and CEO of Collabria, LLC, a private software development company. Prior to founding Collabria in 2008, Moore for 13 years was CEO of DTNet Group and for seven years served as CEO of Payroll Transfers, Inc. He also was an assistant vice president with both Kidder Peabody and Merrill Lynch. Mr. Moore is an honors graduate of the United States Air Force Academy and served as an Air Force fighter pilot for eight years, flying F-4 and F-16 fighter jets. He is also one of six entrepreneurs profiled in the book; Daring Visionaries, How Entrepreneurs Build Companies, Inspire Allegiance, and Create Wealth.

Larry Reid is the founder of Cleartronic and a co-founder of VoiceInterop. With over thirty years of executive management experience including sales and marketing, operations management, and financial management, from 2001 to 2005 Mr. Reid served as CFO and director of Connectivity, Inc., a manufacturer and distributor of emergency call boxes. He was instrumental in Connectivity's acquisition by CNE Group, Inc., (an American Stock Exchange listed company) and served as Executive Vice President and Director of CNE from 2003 to 2005. Mr. Reid has broad experience in venture start-ups, raising capital, building organizational synergies, creating and developing joint ventures and strategic partnerships, opening new markets, and driving key business initiatives. Early in his professional career in corporate financial management, Mr. Reid was responsible for raising more than \$5 million in start-up capital for Ocurest Laboratories, Inc., a company he co-founded to package and distribute over-the-counter eye drops in a new (patented) eye drop dispenser. He forged Ocurest's successful IPO in 1996 and helped lead the company's achieving an estimated 80% market penetration of optical supply retail outlets in the United States.

#### **Committees of the Board**

We do not currently have an Audit, Executive, Finance, Compensation, or Nominating Committee, or any other committee of the Board of Directors.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Under Section 16(a) of the Exchange Act, our directors and certain of our officers, and persons holding more than 10 percent of our common stock are required to file forms reporting their beneficial ownership of our common stock and subsequent changes in that ownership with the United States Securities and Exchange Commission. Such persons are also required to furnish Cleartronic with copies of all forms so filed.

Based solely upon a review of copies of such forms filed on Forms 3, 4, and 5, and amendments thereto furnished to us, we believe that as of the date of this report, our executive officers, directors and greater than 10 percent beneficial owners have not complied on a timely basis with all Section 16(a) filing requirements.

#### **Communication with Directors**

Stockholders and other interested parties may contact any of our directors by writing to them at Cleartronic, Inc., at 8000 North Federal Highway, Suite 100, Boca Raton, Florida 33487, Attention: Corporate Secretary.

Our board has approved a process for handling letters received by us and addressed to any of our directors. Under that process, the Secretary reviews all such correspondence and regularly forwards to the directors a summary of all such correspondence, together with copies of all such correspondence that, in the opinion of the Secretary, deal with functions of the board or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received by us that are addressed to members of the board and request copies of such correspondence.

**Conflicts of Interest**

With respect to transactions involving real or apparent conflicts of interest, we have not adopted any written policies and procedures.

**Code of Ethics for Senior Executive Officers and Senior Financial Officers**

We have not adopted a Code of Ethics for Senior Executive Officers and Senior Financial Officers.

**Item 11. Executive Compensation.****Summary of Cash and Certain Other Compensation**

At present, Cleartronic has two one executive officers, Michael M. Moore and Larry M. Reid. We executed an Employment Agreement with Mr. Reid on March 13, 2015. The Employment Agreement replaces our previously executed Employment Agreement with Mr. Reid. Pursuant to the Employment Agreement (the "Agreement"), Cleartronic and Mr. Reid agreed that for a one year period beginning on March 13, 2015, we employed Mr. Reid to perform services for us both on and offsite. The last day of the one year period shall be the "Termination Date" for purposes of the Agreement. Termination of the agreement can be made by either party without penalty upon 10 days written notice.

Unless Cleartronic shall have given Mr. Reid written notice at least 30 days prior to the Termination Date, the Agreement shall automatically renew and continue in effect for additional one-year periods (and all provisions of this anniversary from such original Termination Date shall thereafter be designated as the "Termination Date" for all purposes under the Agreement, provided, however, that we may, at our election at any time after the expiration of the initial term of the Agreement, give Mr. Reid notice of Termination, in which event he shall continue to receive, as severance pay, six months of his base salary, if any, or the amount due through the next "Termination Date", whichever is less. Mr. Reid may terminate the Agreement without severance pay upon 10 days written notice to the Company. Under the Agreement, Mr. Reid agreed that he shall carry out the strategic plans and policies as established by our business plan. Mr. Reid will advise us from time to time on organization, hiring, mergers, and execution of our business plan.

Mr. Reid is paid a base salary of \$8,000 per month. In addition, Mr. Reid agreed to cancel 2,000,000,000 shares of common stock previously issued to him for conversion of Series C Preferred stock. As additional consideration for the cancellation of the common shares the Company agreed to issue Mr. Reid 200,000 shares of Series C Preferred stock.

Michael M. Moore is the Chief Executive Officer of the Company. We executed an Employment Agreement with Mr. Moore on November 28, 2016. Pursuant to the Employment Agreement (the "Agreement"), Cleartronic and Mr. Reid agreed that for a one year period beginning on November 28, 2016, we employed Mr. Reid to perform services for us both on and offsite. The last day of the one year period shall be the "Termination Date" for purposes of the Agreement. Termination of the agreement can be made by either party without penalty upon 10 days written notice. Mr. Moore is paid a base salary of \$16,667 per month.

Unless Cleartronic shall have given Mr. Moore written notice at least 30 days prior to the Termination Date, the Agreement shall automatically renew and continue in effect for additional one-year periods (and all provisions of this anniversary from such original Termination Date shall thereafter be designated as the "Termination Date" for all purposes under the Agreement, provided, however, that we may, at our election at any time after the expiration of the initial term of the Agreement, give Mr. Moore notice of Termination, in which event he shall continue to receive, as severance pay, six months of his base salary, if any, or the amount due through the next "Termination Date", whichever is less. Mr. Moore may terminate the Agreement without severance pay upon 10 days written notice to the Company. Under the Agreement, Mr. Moore agreed that he shall carry out the strategic plans and policies as established by our business plan. Mr. Moore will advise us from time to time on organization, hiring, mergers, and execution of our business plan.

**Summary Compensation Table**

The following table sets forth, for our named executive officers for the two completed fiscal years ended September 30, 2017, and 2016:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified deferred compensation earnings (\$)	All Other Compensation (\$)	Total (\$)
Larry M. Reid (1)	2016	96,000	-0-	-0-	-0-	-0-	-0-	-0-	96,000
	2017	96,000	-0-	-0-	-0-	-0-	-0-	-0-	96,000
Michael Moore(2)	2016	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	2017	169,000	-0-	-0-	-0-	-0-	-0-	-0-	169,000

(1) Mr. Reid is our president, chief financial officer, principal accounting officer, secretary, and a director.

(2) Mr. Moore is our CEO and a director.

**Outstanding Equity Awards at Fiscal Year-End**

The following table provides information for each of our named executive officers as of the end of our last completed fiscal year, September 30, 2017:

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	
Larry M. Reid (1)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Michael Moore (2)	-0-	-0-	-0-	0-0	-0-	-0-	-0-	-0-	-0-	

(1) Mr. Reid is our president, chief financial officer, principal accounting officer, secretary, and a director.

(2) Mr. Moore is our CEO and a director.

**Employment Agreements**

See "Summary of Cash and Certain Other Compensation," above.

**Director Compensation**

See "Summary of Cash and Certain Other Compensation," above.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table presents information regarding the beneficial ownership of all shares of our common stock and preferred stock as of the date of this report by:

- Each person who owns beneficially more than five percent of the outstanding shares of our common stock;
- Each person who owns beneficially outstanding shares of our preferred stock;
- Each director;
- Each named executive officer; and

All directors and officers as a group.

Name of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned (2)		Shares of Preferred Stock Beneficially Owned (2)	
	Number	Percent	Number	Percent
Larry M. Reid (3)	<u>5,016,325</u>	<u>2.46%</u>	<u>277,586</u>	<u>4.08%</u>
Marc Moore	<u>12,500,000</u>	<u>6.13%</u>	<u>-0-</u>	<u>-0-</u>
Richard J. Martin	<u>-0-</u>	<u>-0-</u>	<u>525,746</u>	<u>7.73%</u>
All directors and officers as a group (one person)	<u>20,016,325</u>	<u>9.82%</u>	<u>803,332</u>	<u>11.81%</u>

- (1) Unless otherwise indicated, the address for each of these stockholders is c/o Cleartronic, Inc., at 8000 North Federal Highway, Suite 100, Boca Raton, Florida 33487. Also, unless otherwise indicated, each person named in the table above has the sole voting and investment power with respect to our shares of common stock or preferred stock which he beneficially owns.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. As of the date of this report, we have 5,000,000,000 authorized shares of common stock, par value \$0.00001 per share, of which 203,899,190 shares were issued and outstanding. As of the date of this report, we have 200,000,000 authorized shares of preferred stock, par value \$0.00001 per share, of which 6,800,776 shares were issued and outstanding. Mr. Reid owns one share of our Series B Preferred Stock and 277,585 shares of our Series C Preferred Stock. See below for a description of our preferred stock and voting rights. Mr. Martin owns 525,746 shares of our Series A Preferred stock.
- (3) Mr. Reid is our president, chief financial officer, principal accounting officer, secretary, and director.

As a result of the stock ownership by Mr. Reid, he is able to influence all matters requiring stockholder approval including the election of directors, merger or consolidation. This concentration of ownership may delay, deter or prevent acts that would result in a change of control, which in turn could reduce the market price of our common stock.

Other than as stated herein, there are no arrangements or understandings, known to us, including any pledge by any person of our securities:

- The operation of which may at a subsequent date result in a change in control of Cleartronic; or
- With respect to the election of directors or other matters.

#### Preferred Stock

As of the date of this report, we have 200,000,000 authorized shares of preferred stock, par value \$0.00001 per share, of which 6,800,776 shares were issued and outstanding. There are currently four series of preferred stock designated as follows:

- 1,250,000 shares have been designated as Series A Preferred Stock, 566,496 of which are issued and outstanding;
- 10 shares have been designated as Series B Preferred Stock, one of which is issued and outstanding;
- 50,000,000 shares have been designated as Series C Preferred Stock, 2,563,375 of which are issued and outstanding; and
- 10,000,000 shares have been designated as Series D Preferred Stock, 670,904 of which are issued and outstanding.
- 10,000,000 shares have been designated Series E Preferred stock, of which 3,000,000 are issued and outstanding.

Pursuant to our Articles of Incorporation establishing our preferred stock:

- A holder of shares of the Series A Preferred Stock is entitled to the number of votes equal to the number of shares of the Series A Preferred Stock held by such holder multiplied by one on all matters submitted to a vote of our stockholders. Each one share of our Series A Preferred Stock shall be convertible into 100 shares of our common stock. Each holder of Series A Preferred Stock is entitled to receive cumulative dividends at the rate of 8% of \$0.50 per annum on each outstanding share of Series A Preferred Stock then held by such holder, on a pro rata basis.

A holder of shares of the Series B Preferred Stock is entitled one vote per share on all matters submitted to a vote of our stockholders. If at least one share of Series B Preferred Stock is issued and outstanding, then the total aggregate issued shares of Series B Preferred Stock at any given time, regardless of their number, shall have voting rights equal to two times the sum of the total number of shares of our common stock which are issued and outstanding at the time of voting, plus the total number of shares of any shares of our preferred stock which are issued and outstanding at the time of voting. A holder of shares of the Series B Preferred Stock shall have no conversion rights or rights to dividends.

A holder of shares of the Series C Preferred Stock is entitled to the number of votes equal to the number of shares of the Series C Preferred Stock held by such holder multiplied by 10 on all matters submitted to a vote of our stockholders. In addition, the holders of our Series C Preferred Stock shall be entitled to receive dividends when, as and if declared by the Board of Directors, in its sole discretion. No dividends have been declared. Finally, each one share of our Series C Preferred Stock shall be convertible into five of shares of our common stock.

A holder of shares of the Series D Preferred Stock is entitled to the number of votes equal to the number of shares of the Series D Preferred Stock held by such holder multiplied by 10 on all matters submitted to a vote of our stockholders. In addition, the holders of our Series D Preferred Stock shall be entitled to receive dividends when, as and if declared by the Board of Directors, in its sole discretion. No dividends have been declared. Finally, each one share of our Series D Preferred Stock shall be convertible into five shares of our common stock.

A holder of shares of the Series E Preferred Stock is entitled to the number of votes equal to the number of shares of the Series E Preferred Stock held by such holder multiplied by 100 on all matters submitted to a vote of our stockholders. In addition, the holders of our Series E Preferred Stock shall be entitled to receive dividends when, as and if declared by the Board of Directors, in its sole discretion. No dividends have been declared. Finally, each one share of our Series E Preferred Stock shall be convertible into one hundred of shares of our common stock.

**Item 13. Certain Relationships and Related Transactions and Director Independence.**

See "Summary of Cash and Certain Other Compensation," above.

**Item 14. Principal Accounting Fees and Services.**

**Audit Fees**

The aggregate fees billed by Liggett & Webb P A for professional services rendered for the audit of our annual financial statements for the fiscal years ended September 30, 2017 and 2016 were \$26,000 and \$26,200, respectively.

**Audit Related Fees**

The aggregate audit-related fees billed by Liggett & Webb PA for professional services rendered for the audit of our annual financial statements for the fiscal years ended September 30, 2017 and 2016 was \$ 0 and \$ 0, respectively.

**Tax Fees**

The aggregate tax fees billed by Liggett & Webb PA professional services rendered for tax services for the fiscal years ended September 30, 2017 and 2016 was \$1,200 and \$1,200, respectively.

**All Other Fees**

There were no other fees billed by Liggett & Webb PA for professional services rendered during the fiscal years ended September 30, 2017 and 2016, other than as stated under the captions Audit Fees, Audit-Related Fees, and Tax Fees.

**Item 15. Exhibits, Financial Statement Schedules.**

- (a) All financial statements are included in Item 8 of this report.
- (b) All financial statement schedules required to be filed by Item 8 of this report and the exhibits contained in this report are included in Item 8 of this report.
- (c) The following exhibits are attached to this report:

<b>Exhibit No.</b>	<b>Identification of Exhibit</b>
<a href="#"><u>3.1**</u></a>	Articles of Incorporation, filed as exhibit 3.01 to the registrant's registration statement on Form SB-2 on July 3, 2006, Commission File Number 333-135585.
<a href="#"><u>3.2**</u></a>	Articles of Amendment to Articles of Incorporation filed March 12, 2001, filed as exhibit 3.02 to the registrant's registration statement on Form SB-2 on July 3, 2006, Commission File Number 333-135585.
<a href="#"><u>3.3**</u></a>	Articles of Amendment to Articles of Incorporation filed October 4, 2004, filed as exhibit 3.03 to the registrant's registration statement on Form SB-2 on July 3, 2006, Commission File Number 333-135585.
<a href="#"><u>3.4**</u></a>	Articles of Amendment to Articles of Incorporation filed March 31, 2005, filed as exhibit 3.04 to the registrant's registration statement on Form SB-2 on July 3, 2006, Commission File Number 333-135585.
<a href="#"><u>3.5**</u></a>	Articles of Amendment to Articles of Incorporation filed May 9, 2008, filed as exhibit 3.02 to the registrant's registration statement on Form S-1 on May 28, 2008, Commission File Number 333-135585.
<a href="#"><u>3.6**</u></a>	Articles of Amendment to Articles of Incorporation filed June 28, 2010, filed as exhibit 3.7 to the registrant's Form 10-Q on February 14, 2011, Commission File Number 333-135585.
<a href="#"><u>3.7**</u></a>	Articles of Amendment to Articles of Incorporation filed May 6, 2011, filed as exhibit 3.1 to the registrant's Form 8-K on May 6, 2011, Commission File Number 333-135585.
<a href="#"><u>3.8**</u></a>	Articles of Amendment to Articles of Incorporation filed April 19, 2012, filed as exhibit 3.09 to the registrant's Form 10-Q on May 14, 2012, Commission File Number 333-135585.
<a href="#"><u>3.9**</u></a>	Articles of Amendment to Articles of Incorporation filed September 7, 2012, filed as exhibit 3.1 to the registrant's Form 8-K on September 7, 2012, Commission File Number 333-135585.
<a href="#"><u>3.10**</u></a>	Articles of Amendment to Articles of Incorporation filed September 19, 2012, filed as exhibit 3.1 to the registrant's Form 8-K on September 19, 2012, Commission File Number 333-135585.
<a href="#"><u>3.11**</u></a>	Articles of Amendment to Articles of Incorporation filed October 5, 2012, filed as exhibit 3.1 to the registrant's Form 8-K on October 5, 2012, Commission File Number 333-135585.
<a href="#"><u>3.12**</u></a>	Articles of Amendment to Articles of Incorporation filed December 28, 2013, filed as exhibit 3.12 to the registrant's Form 8-K on January 14, 2014, Commission File Number 333-135585.
<a href="#"><u>3.13**</u></a>	Bylaws, filed as exhibit 3.05 to the registrant's registration statement on Form SB-2 on July 3, 2006, Commission File Number 333-135585.
<a href="#"><u>3.14**</u></a>	Amended and Restated Bylaws, filed as exhibit 3.1 to the registrant's Form 8-K on July 26, 2010, Commission File Number 333-135585.
<a href="#"><u>10.1**</u></a>	Convertible Promissory Note dated November 15, 2011, in the original principal amount of \$60,000 issued to Asher Enterprises, Inc., filed as exhibit 10.1 to the registrant's Form 10-Q on May 14, 2012, Commission File Number 333-135585.
<a href="#"><u>10.2**</u></a>	Convertible Promissory Note dated January 19, 2012, in the original principal amount of \$37,500 issued to Asher Enterprises, Inc., filed as exhibit 10.2 to the registrant's Form 10-Q on May 14, 2012, Commission File Number 333-135585.
<a href="#"><u>10.3**</u></a>	Promissory Note dated June 26, 2012, in the original principal amount of \$10,000 issued to Dominic Albi, filed as exhibit 10.3 to the registrant's Form 10-Q on August 20, 2012, Commission File Number 333-135585.
<a href="#"><u>10.4*</u></a>	Convertible Promissory Note dated August 22, 2012, in the original principal amount of \$37,500 issued to Asher Enterprises, Inc., filed as exhibit 4.12 to the registrant's Form 10-K on January 14, 2013, Commission File Number 333-135585.

- [10.5\\*\\*](#) Amendment to Consulting Services Agreement dated October 1, 2008, between Larry M. Reid and the registrant, filed as exhibit 10.7 to the registrant's Form 10-K on December 30, 2011, Commission File Number 333-135585.
- [10.6\\*\\*](#) Employment Agreement dated October 5, 2012, between Larry M. Reid and the registrant, filed as exhibit 10.1 to the registrant's Form 8-K on October 12, 2012, Commission File Number 333-135585.
- [10.7\\*\\*](#) Software License Agreement dated August 15, 2014, between Collabria LLC and the registrant, filed as exhibit 10.11 to the registrant's Form 8-K on August 20, 2014 Commission File Number 333-135585.
- [10.8\\*\\*](#) Securities Purchase Agreement dated December 1, 2014, between the registrant and KBM Worldwide, Inc. in connection with the issuance of an 8% convertible promissory note in the amount of \$38,000, filed as Exhibit 10.8 to the registrant's Form 10-K on January 13, 2015, Commission File Number 000-55329
- [10.9\\*\\*](#) Convertible Promissory Note dated December 1, 2014, in the original principal amount of \$38,000 issued to KBM Worldwide, Inc. filed as exhibit 10.9 to the registrant's Form 10-K on January 13, 2015, Commission File Number 000-55329.
- [10.10\\*\\*](#) Lease Agreement dated November 30, 2014, between BGNP Associates, LLC and Cleartronic, Inc. filed as Exhibit 10.10 to the registrant's Form 10-K on January 13, 2015, Commission File Number 000-55329
- [10.11\\*\\*](#) Employment Agreement dated March 13, 2015, between Larry M. Reid and the registrant, filed as Exhibit 10.1 to the registrant's Form 8-K on March 18, 2015, Commission File Number 000-55329
- [10.12\\*\\*](#) Amended Software License Agreement dated March 31, 2015, between Collabria LLC and the registrant, filed as exhibit 10.4 to the registrant's Form 8-K on April 10, 2015, Commission File Number 000-55329
- [10.13\\*\\*](#) Subscription Agreement between registrant and private accredited investor dated March 31, 2015 for purchase of 278,743 shares of Series D Convertible Preferred stock, filed as exhibit 10.1 to the registrant's Form 8-K on April 10, 2015, Commission File Number 000-55329
- [10.14\\*\\*](#) Subscription Agreement between registrant and private accredited investor dated March 31, 2015 for purchase of 270,024 shares of Series D Convertible Preferred stock, filed as exhibit 10.2 to the registrant's Form 8-K on April 10, 2015, Commission File Number 000-55329
- [10.15\\*\\*](#) Subscription Agreement between registrant and private accredited investor dated March 31, 2015 for purchase of 278,743 shares of Series D Convertible Preferred stock, filed as exhibit 10.3 to the registrant's Form 8-K on April 10, 2015, Commission File Number 000-55329
- [10.16\\*\\*](#) Convertible Promissory Note dated May 7, 2015 in the original amount of \$43,000 issued to Vis Vires Group Inc. filed as exhibit 10.16 to the registrant's Form 10-K on January 13, 2016, Commission File 000-55329.
- [10.17\\*\\*](#) Securities Purchase Agreement dated May 7, 2015 between the registrant and Vis Vires Group Inc. in connection with the Convertible Promissory Note issued on even date filed as exhibit 10.17 to the registrant's Form 10-K on January 13, 2016, Commission File 000-55329.
- [10.18\\*\\*](#) Promissory Note date November 24, 2015 in the original amount of \$50,000 issued to Mr. Marc Moore filed as exhibit 10.18 to the registrant's Form 10-K on January 13, 2016, Commission File 000-55329. .
- [10.19\\*\\*](#) Convertible Promissory Note dated December 7, 2015 for an amount up to \$150,000 issued to JMJ Financial filed as exhibit 10.19 to the registrant's Form 10-K on January 13, 2016, Commission File 000-55329.
- [10.20\\*\\*](#) Asset Purchase Agreement dated November 29, 2016 between the registrant and Collabria LLC. Filed as an exhibit to the registrant's Form 8-K on December 5, 2016.
- [10.21\\*](#) Employment Agreement dated November 28, 2016 between the registrant and Mr. Moore.
- [31.1\\*](#) Certification of Michael M. Moore, Chief Executive Officer of Cleartronic, Inc., pursuant to 18 U.S.C. §1350, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
- [31.2\\*](#) Certification of Larry M. Reid, Chief Financial Officer and Principal Accounting Officer of Cleartronic, Inc., pursuant to 18 U.S.C. §1350, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002.
- [32.1\\*](#) Certification of Michael M. Moore, Chief Executive Officer of Cleartronic, Inc., pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
- [32.1\\*](#) Certification of Larry M. Reid, Chief Financial Officer and Principal Accounting Officer of Cleartronic, Inc., pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.
- [101\\*](#) XBRL Interactive Data Tags

\* Filed herewith.  
 \*\* Previously filed.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEARTRONIC, INC.

Date: January 16, 2018

By /s/ Michael M. Moore  
Michael M. Moore, Chief Executive Officer

By /s/ Larry M. Reid  
Larry M. Reid, Chief Financial Officer and  
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Michael M. Moore</u> Michael M. Moore	Chief Executive Officer	January 16, 2018
<u>/s/Larry M. Reid</u> Larry M. Reid	Chief Financial Officer and Principal Accounting Officer	January 16, 2018

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of:  
Cleartronic, Inc.

We have audited the accompanying consolidated balance sheets of Cleartronic, Inc. and Subsidiaries (the "Company") as of September 30, 2017 and 2016 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Cleartronic, Inc. and Subsidiaries as of September 30, 2017 and 2016 and the results of its operations and its cash flows for the years ended September 30, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has a net loss of approximately \$860,000, a working capital deficit of approximately \$679,000, and an accumulated deficit of approximately \$15,500,000. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Liggett & Webb, P.A.

LIGGETT & WEBB, P.A.  
Certified Public Accountants  
Boynton Beach, Florida  
January 16, 2018

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**CLEARTRONIC, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2017 AND 2016**

**ASSETS**

	2017	2016
<b>Current assets:</b>		
Cash	\$ 25,994	\$ 3,103
Accounts receivable, net	96,495	24,000
Inventory	30,259	9,585
Prepaid expenses and other current assets	<u>10,689</u>	<u>16,115</u>
<b>Total current assets</b>	<b>163,437</b>	<b>52,803</b>
<b>Other assets:</b>		
Other assets	8,656	8,656
Licensing agreement (net of amortization)	-	240,332
ReadyOp software platform (net of amortization)	141,270	-
ReadyOp customer list (net of amortization)	<u>56,370</u>	<u>-</u>
<b>Total other assets</b>	<b>206,296</b>	<b>248,988</b>
<b>Total assets</b>	<b><u>\$ 369,733</u></b>	<b><u>\$ 301,791</u></b>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Current liabilities:</b>		
Accounts payable	\$ 456,734	\$ 434,360
Accrued expenses	25,345	35,437
Deferred revenue, current portion	321,320	47,562
Notes payable - stockholders, current portion	16,498	-
Customer deposits	<u>22,756</u>	<u>-</u>
<b>Total current liabilities</b>	<b>842,653</b>	<b>517,359</b>
<b>Long Term Liabilities</b>		
Deferred revenue, net of current portion	64,767	2,962
Notes payable - stockholders, net of current portion	<u>117,589</u>	<u>132,676</u>

<b>Total long term liabilities</b>	<u>182,356</u>	<u>135,638</u>
<b>Total liabilities</b>	<u>1,025,009</u>	<u>652,997</u>
<b>Commitments and Contingencies (See Note 9)</b>		
<b>Stockholders' deficit:</b>		
Series A preferred stock - \$.00001 par value; 1,250,000 shares authorized, 566,496 and 40,750 shares issued and outstanding, respectively.	6	-
Series B preferred stock - \$.00001 par value; 10 shares authorized, 1 share issued and outstanding	-	-
Series C preferred stock - \$.00001 par value; 50,000,000 shares authorized, 2,563,375 and 2,563,575 shares issued and outstanding, respectively	26	26
Series D preferred stock - \$.00001 par value; 10,000,000 shares authorized, 670,904 and 670,904 shares issued and outstanding, respectively.	7	7
Series E preferred stock - \$.00001 par value, 10,000,000 shares authorized, 3,000,000 and no share issued and outstanding, respectively.	30	-
Common stock - \$.00001 par value; 5,000,000,000 shares authorized, 203,899,190 and 203,899,190 shares issued and outstanding, respectively	2,039	2,039
Additional paid-in capital	14,854,319	14,299,242
Accumulated Deficit	<u>(15,511,703)</u>	<u>(14,652,520)</u>
<b>Total stockholders' deficit</b>	<u>(655,276)</u>	<u>(351,206)</u>
<b>Total liabilities and stockholders' deficit</b>	<u>\$ 369,733</u>	<u>\$ 301,791</u>

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

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**CLEARTRONIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
<b>Revenue</b>	<b>\$ 526,319</b>	<b>\$ 544,782</b>
<b>Cost of revenue</b>	<u>173,645</u>	<u>179,765</u>
<b>Gross profit</b>	<b>352,674</b>	<b>365,017</b>
<b>Operating expenses:</b>		
Selling expenses	314,506	149,935
Administrative expenses	448,439	267,917
Research and development	105,768	14,636
Amortization and depreciation	334,932	139,668
Impairment of licensing agreement	-	253,000
<b>Total operating expenses</b>	<u>1,203,645</u>	<u>825,156</u>
<b>Loss from operations</b>	<u>(850,971)</u>	<u>(460,139)</u>
<b>Other Income (Expense)</b>		
Other income	3,202	-
Interest and other expenses	(11,414)	(83,816)
Change in fair value of derivative liability	-	(30,362)
<b>Total Other Income (Expense)</b>	<u>(8,212)</u>	<u>(114,178)</u>
<b>Net loss</b>	<u>\$ (859,183)</u>	<u>\$ (574,317)</u>
<b>Preferred stock dividends Series A Preferred</b>	<u>\$ (38,291)</u>	<u>\$ (3,286)</u>
<b>Net loss attributable to common shareholders</b>	<u>\$ (897,474)</u>	<u>\$ (577,603)</u>
<b>Loss per common share - basic and diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>203,899,190</u>	<u>197,897,821</u>

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

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**CLEARTRONIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
<b>Net Loss</b>	<b>\$ (859,183)</b>	<b>\$ (577,603)</b>
<b>Adjustments to reconcile net (loss) to net cash (used in) operating activities:</b>		
Impairment loss	-	253,000
Write off of license agreement	240,332	139,668
Amortization of ReadyOp software platform	54,333	-
Amortization of ReadyOp client list	40,267	-
Amortization of notes payable discount	-	38,779
Change in fair value of derivative liability	-	30,362
Provision for bad debt	-	2,000
(Increase) decrease in assets:		
Accounts receivable	(72,497)	62,442
Inventory	(20,674)	2,382



for acquisition of assets	-	-	-	-	-	-	-	-	3,000,000	30	-	-	
Series A Convertible Preferred shares issued for cash	525,746	6	-	-	-	-	-	-	-	-	-	-	
Net (loss) for the year ended September 30, 2017	-	-	-	-	-	-	-	-	-	-	-	-	
<b>BALANCE AT SEPTEMBER 30, 2017</b>	<u>566,496</u>	<u>\$ 6</u>	<u>1</u>	<u>\$ -</u>	<u>2,563,375</u>	<u>\$ 26</u>	<u>670,904</u>	<u>\$ 7</u>	<u>3,000,000</u>	<u>\$ 30</u>	<u>203,899,190</u>	<u>\$ 2,039</u>	<u>\$</u>

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

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**CLEARTRONIC, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**September 30, 2017 and 2016**

**NOTE 1 - ORGANIZATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**ORGANIZATION**

Cleartronic, Inc. (the "Company") was incorporated in the state of Florida on November 15, 1999.

The Company, through one of its wholly owned subsidiaries VoiceInterop, Inc., designs, builds and installs unified group communication solutions, including unique hardware and customized software, for public and private enterprises and markets those services and products under the VoiceInterop brand name.

In November 2016, the Company cancelled its Licensing Agreement with Collabria LLC of Tampa, Florida ("Collabria") and acquired all of the intellectual property related to Collabria's command and control software, trade-named ReadyOp, along with Collabria's client list. In exchange for these assets the Company issued Collabria 3,000,000 share of the Company's Series E Convertible Preferred stock. The Company assumed none of Collabria's liabilities. In September 2014, the Company formed ReadyOp Communications, Inc. (a Florida corporation), as a wholly owned subsidiary to facilitate the marketing of ReadyOp software. The Company's two operating subsidiaries are VoiceInterop, Inc. and ReadyOp Communications, Inc.

The Company's two operating subsidiaries are Voiceinterop, Inc. and ReadyOp Communications, Inc.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements and accompanying notes have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Cleartronic, Inc. and its subsidiaries, VoiceInterop, Inc. and ReadyOp Communications, Inc. All intercompany transactions and balances have been eliminated.

**USE OF ESTIMATES**

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and operations for the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant estimates include the assumptions used in valuation of, equity transactions, valuation of fair value of derivative liability, valuation of deferred tax assets, estimated useful life of licensing agreement, valuation of inventory and allowance for doubtful account.

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**CASH AND CASH EQUIVALENTS**

For financial statement purposes, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company did not own any cash equivalents at September 30, 2017 and 2016.

**ACCOUNTS RECEIVABLE**

The Company provides an allowance for uncollectible accounts based upon a periodic review and analysis of outstanding accounts receivable balances. Uncollectible receivables are charged to the allowance when deemed uncollectible. Recoveries of accounts previously written off are used to credit the allowance account in the periods in which the recoveries are made.

The Company provided \$2,000 as allowances for doubtful accounts for the years ended September 30, 2017 and 2016, respectively.

**LICENSING AGREEMENT**

In November 2016, the Company cancelled its Licensing Agreement with Collabria LLC. As a result of this cancellation, the remaining balance of the licensing agreement in the amount of \$240,332 was expensed in 2017. During the year ended September 30, 2016 the Company amortized \$139,668.

**ASSET ACQUISITION**

In November 2016, the Company acquired the ReadyOp software platform and the Collabria customer base from Collabria LLC. In exchange for these assets the Company issued 3,000,000 shares of restricted Series E Convertible Preferred stock valued at \$292,240. This valuation was based on internal calculations and validated by a third party valuation expert. The ReadyOp software platform was valued at \$195,600 to be amortized over three years, amortization expense recognized for the year ended September 30, 2017 was \$54,333. The Collabria customer base was valued at \$96,640 to be amortized over two years, amortization expense recognized for the year ended September 30, 2017 was \$40,267.

**CONCENTRATION OF CREDIT RISK**

The Company currently maintains cash balances at one FDIC-insured banking institution. Deposits held in noninterest-bearing transaction accounts are insured up to a maximum of \$250,000 at all FDIC-insured institutions. At September 30, 2017 and 2016, the Company had no cash balances above the FDIC-insured limit, respectively.

**RESEARCH AND DEVELOPMENT COSTS**

The Company expenses research and development costs as incurred. For the years ended September 30, 2017 and 2016, the Company had \$105,768 and \$14,636, respectively, in research and development costs.

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**REVENUE RECOGNITION AND DEFERRED REVENUES**

Unified group communication solutions consist of three elements to be provided to customers: software licenses and equipment purchased from third-party vendors, proprietary hardware that is manufactured on contract to required specifications and installation and integration of the hardware and software into the cohesive communication source.

The Company's revenue recognition policies are in accordance with Accounting Standards Codification 605-10 "Revenue Recognition" (ASC 605-10). Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment. The Company recognizes revenue for the elements separately as the sales of the equipment and software, installation and integration, and support services represent separate earnings processes that are generally specified under separate agreements.

Revenue from the resale of equipment utilized in unified group communication solutions is recognized when shipped. For software licenses, the Company does not provide any services that are considered essential to the functionality of the software, and therefore revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed and determinable. Upon acquisition of the ReadyOp software platform, the Company changed its revenue recognition for ReadyOp software. For ReadyOp software the Company currently defers the license fee on issuance of the license and recognizes the revenue over the term of the agreement. This is due to the fact that the software license comes with customer support for the license period. The Company now provides support to customers which was previously provided by Collabria LLC. Royalties paid to software vendors are categorized as Cost of Goods Sold.

The Company also provides support to customers under separate contracts varying from one to five years. The Company's obligations under its service contracts vary by the length of the contract. In all cases the Company is the primary obligor to provide first level support to the client. If the contract has less than one year of service and support remaining on the contract, it is classified as a current liability; if longer, it is classified as a non-current liability.

Installation and integration services are recognized upon completion.

**EARNINGS PER SHARE**

In accordance with accounting guidance now codified as FASB ASC 260 "Earning per Share", basic income (loss) per common share is calculated using the weighted average number of shares outstanding during the periods reported. Diluted earnings per share include the weighted average effect of all dilutive securities outstanding during the periods presented. Diluted per share loss is the same as basic per share loss when there is a loss from continuing operations.

As of September 30, 2017 and 2016, we had no options and warrants outstanding. As of September 30, 2017 and 2016, we had 566,496 and 40,750 shares of Series A Convertible Preferred stock outstanding, respectively. As of September 30, 2017, 40,750 shares of Series A Convertible Preferred stock are convertible into 4,075,000 shares of common stock and 525,746 shares of Series A Convertible Preferred are convertible after a two-year period from the issuance date. As of September 30, 2017 and 2016, we have 2,563,375 shares of Series C Convertible Preferred stock outstanding which are convertible into 12,816,875 shares of common stock. As of September 30, 2017 and 2016, we had 670,904 shares of Series D Convertible Preferred stock outstanding which are convertible into 3,354,520 shares of common stock. As of September 30, 2017 we had 3,000,000 shares of Series E Convertible Preferred stock outstanding which are convertible after a two-year period from date of issuance. As of September 30, 2016 there were no shares of Series E Convertible Preferred stock outstanding.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company adopted ASC topic 820, "Fair Value Measurements and Disclosures" (ASC 820), "Fair Value Measurements," effective January 1, 2009. ASC 820 defines "fair value" as the 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 describes three levels of inputs that may be used to measure fair value:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial instruments consist principally of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and deferred revenue. The carrying amounts of such financial instruments in the accompanying consolidated balance sheet approximate their fair values due to their relatively short-term nature. The fair value of long-term debt is based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying amounts approximate fair value. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

The Company's fair value hierarchy for intangible assets as of September 30, 2017 and 2016, respectively, was as follows:

	<b>September 30, 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Intangible assets</b>				
Licensing agreement, net of amortization	\$ -	\$ -	\$ -	\$ -
ReadyOp software platform, net of amortization	141,270	-	-	141,270
ReadyOp customer list, net of amortization	56,370	-	-	56,370
Total	<u>\$ 197,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,640</u>
	<b>September 30, 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Intangible assets</b>				
Licensing agreement, net of amortization	\$ 240,332	\$ -	\$ -	\$ 240,332
ReadyOp software platform, net of amortization	-	-	-	-
ReadyOp customer list, net of amortization	-	-	-	-
Total	<u>\$ 240,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,332</u>

#### INVENTORY

Inventory consists of components held for assembly and finished goods held for resale or to be utilized for installation in projects. Inventory is valued at lower of cost or market on a first-in, first-out basis. The Company purchases completed circuit boards at a price that includes component parts and assembly charges. The Company only carries finished goods to be shipped along with completed circuit boards and parts necessary for final assembly of finished product. All existing inventory is considered current and usable and the Company recorded no reserve for obsolete inventory for the years ended September 30, 2017 and 2016.

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost. For financial statement purposes depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the asset.

Expenditures for replacements, maintenance and repairs that do not extend the lives of the respective assets are charged to expense as incurred. When assets are retired, sold or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are recognized.

As of September 30, 2017 and 2016 all property and equipment had been fully depreciated.

**INCOME TAXES**

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC Topic 740, "Income Taxes," which requires that the Company recognizes income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company records valuation allowance to reduce net deferred tax assets to the amount considered more likely than not to be realized. Changes in estimates of future taxable income can materially change the amount of such valuation allowances.

The Company is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company will not be subject to additional tax penalties, and interest as a result of such challenge. The federal and state income tax returns of the Company for the years ended September 30, 2016, 2015 and 2014 are subject to examination by the IRS and state taxing authorities generally for three years after they were filed. There are no tax examinations currently in process.

**STOCK-BASED COMPENSATION**

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Accounting Standards Codification 718-10 "Compensation" (ASC 718-10) using the modified retrospective transition method. ASC 718-10 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. The Company has estimated the fair value of each award as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of the Company's stock price. In March 2005, the SEC issued SAB No. 107, Share-Based Payment ("SAB 107"), which provides guidance regarding the interaction of ASC 718-10 and certain SEC rules and regulations. The Company has applied the provisions of SAB 107 in its adoption of ASC 718-10.

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification ("FASB ASC Section 505-50-30"). Pursuant to FASB ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

**DERIVATIVE INSTRUMENTS**

The Company evaluates its convertible debt, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Statement of Operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date. As of September 30, 2017 and 2016 there were no derivative liabilities.

**ADVERTISING COSTS**

Advertising costs are expensed as incurred. The Company had advertising costs of \$6,850 during the year ended September 30, 2017 and \$4,275 during the year ended September 30, 2016.

**NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will amend current lease accounting to require lessees to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 does not significantly change lease accounting requirements applicable to lessors; however, certain changes were made to align, where necessary, lessor accounting with the lessee accounting model. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

In April 2016, the FASB issued ASU 2016-10 Revenue from Contract with Customers (Topic 606): identifying Performance Obligations and Licensing ". The amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. Topic 606 includes implementation guidance on (a) contracts with customers to transfer goods and services in exchange for consideration and (b) determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The amendments in this Update are intended render more detailed implementation guidance with the expectation to reduce the degree of judgement necessary to comply with Topic 606. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

**NOTE 3 -GOING CONCERN**

During the years ended September 30, 2017 and 2016, and since inception, the Company has experienced cash flow problems. From time-to-time, the Company has experienced difficulties meeting its obligations as they became due. As reflected in the accompanying consolidated financial statements, the Company incurred net losses from operations of approximately \$860,000 for the year ended September 30, 2017 and had working capital deficit of approximately \$679,000 for the year ended September 30, 2017. The Company also had an accumulated deficit of approximately \$15,500,000 and a stockholders' deficit of approximately \$655,000 at September 30, 2017. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The Company believes the acquisition of the ReadyOp software platform along with the Collabria client list, will allow the Company to generate additional income through the sale of ReadyOp software and will result in expanding the distribution of the AudioMate AM360 line of IP gateway devices. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management is currently seeking funding from significant shareholders and outside funding sources sufficient to meet its minimal operating expenses. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary if the Company is unable to continue as a going concern.

**NOTE 4 -DEFERRED INCOME TAXES**

The Company calculates its deferred tax assets based upon its consolidated net operating loss (NOL) carryovers available to offset future taxable income, net of other tax credit(s) or tax deferred liabilities, if any. No deferred tax assets for the years ended September 30, 2017 and 2016 have been recorded since any available deferred tax assets are fully offset by increases in its valuation allowances. The Company increased its valuation allowance based on its history of consolidated net losses. At September 30, 2017, the Company has an adjusted net operating loss carryforward of approximately \$13,000,000 that expire through 2032. Should a cumulative change in the ownership of more than 50% occur within a three-year period, there could be an annual limitation on the use of the net operating loss carryforwards.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes plus any available consolidated, net deferred tax credits. Significant components of the Company's net deferred income tax assets at September 30, 2017 and 2016, respectively are as follows:

	<u>2017</u>	<u>2016</u>
Amortization and impairment of license agreement	\$ 529,503	\$ 582,500
Allowance for doubtful account	750	750
Net operating loss carryforward	<u>4,909,891</u>	<u>4,560,033</u>
Net deferred income tax asset	5,440,144	5,143,283
Less: valuation allowance	<u>(5,440,144)</u>	<u>(5,143,283)</u>
Total deferred income tax assets	<u>\$ 0.00</u>	<u>\$ 0.00</u>

A reconciliation of the Federal and respective State income tax rate as a percentage of income before taxes is as follows:

	<u>2017</u>	<u>2016</u>
Federal statutory income tax rate	32.13%	32.13%
State taxes, net of federal benefit	<u>5.5%</u>	<u>5.5%</u>
Effective rate for deferred tax asset	<u>37.63%</u>	<u>37.63%</u>
Less: Valuation allowance	<u>(37.63%)</u>	<u>(37.63%)</u>
Effective income tax rate	<u>0.0%</u>	<u>0.0%</u>

Management has determined that it is more likely than not that the Company will not use the NOL carryforward and has a 100% valuation allowance against the deferred asset. The reserve is based on historical experience of the Company's operations as it has not recognized net income in its current incarnation and there is no indication of any events or conditions that would show that trend will not continue due to the Company's current expectation of expense requirements.

**NOTE 5 -NOTES PAYABLE – STOCKHOLDERS**

As of September 30, 2017 and 2016, the Company has unsecured notes payable to stockholders totaling \$134,087 and \$132,676, respectively. These notes range in interest from 8% to 15% which are payable quarterly. One note in the amount of \$16,498 matures on December 31, 2017 and the balance of these notes mature December 31, 2018.

During the year ended September 30, 2017, the Company issued an unsecured 8% promissory note maturing on December 31, 2018 to a shareholder, and director for \$35,000.

Interest expense on notes payable – stockholders was \$15,700 and \$14,907 for the years ended September 30, 2017 and 2016, respectively.

**NOTE 6 - CONVERTIBLE PROMISSORY NOTES**

The Company entered into a securities purchase agreement (the "Purchase Agreement") with a private investors and issued a convertible promissory note in the amount of \$43,000 respectively (the "Note"). The Note was dated May 7, 2015, bore interest at 8% per annum and matured on February 11, 2016. The note was convertible into shares of the Company's common stock at the greater of; (i) the variable conversion price (58% multiplied by the market price) that is equal to the average of the three (3) lowest closing bid prices of the Common Stock during the ten (10) trading day period prior to the date of conversion or (ii) the fixed conversion price of \$.00005. The Note also contained a prepayment option whereby the Company may make payments to the holder based on the length of time the Note has been outstanding, upon three (3) trading days' prior written notice to the holder.

During the first 30 days, the Company may make a payment to the holder equal to 115% of the then outstanding unpaid principal and interest, from days 31 until 60 days, the Company may make a payment to the holder equal to 120% of the then outstanding unpaid principal and interest, from days 61 until 90 days, the Company may make a payment to the holder equal to 125% of the then outstanding unpaid principal and interest, from days 91 until 120 days the Company may make a payment to the holder equal to 130% of the then outstanding unpaid principal and interest, from days 121 until 150 days, the Company may make a payment to the holder equal to 135% of the then outstanding unpaid principal and interest, from days 151 until 180 days, the Company may make a payment to the holder equal to 140% of the then outstanding unpaid principal and interest, after 180 days, the Company has no right of prepay. In the event of default before the maturity dates, the payment is immediately due, in the amount of 22% of the outstanding unpaid principal, along with interest and any penalties.

*Beneficial Conversion Feature*

In connection with the convertible note entered into in May 2015, the Company determined that a beneficial conversion feature existed on the date the note was issued. The beneficial conversion feature related to this note was valued as the difference between the effective conversion price (computed by dividing the relative fair value allocated to the convertible note by the number of shares the note is convertible into) and the fair value of the common stock multiplied by the number of shares into which the note may be converted.

In accordance with ASC 470 "Debt with Conversion and other Options", the intrinsic value of the beneficial conversion features were recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the instrument. The Company recorded a beneficial conversion feature related to the May 2015 convertible note financing of \$31,000.

On November 23, 2015, a convertible note holder converted \$10,000 in principal of the \$43,000 May 2015 note into 847,458 shares of common stock. On November 27, 2015 the Company repaid the remaining balance of the convertible note along with accrued interest and penalties for a total amount of \$47,975. The remaining discount on the convertible note payable was recognized as interest totaling \$13,779.

In December 2015, the Company entered into a Convertible Promissory Note with a private investor in the principal sum of \$150,000. The note matures on December 6, 2017 and carries a 10% Original Issue Discount and incurs a one-time 12% interest charge on March 6, 2016. The principal sum due to the investor shall be based on the consideration actually paid by the investor plus a 10% original issue discount on the consideration paid as well as any other interest or fees. The Company is only required to repay the amount funded and is not required to repay any unfunded portion of the note. The Company received \$22,500, less \$2,500 of original issuance discount pursuant to the terms of this convertible note. The note is convertible into shares of the Company's common stock at the greater of: (i) the variable conversion price (60% multiplied by the market price) that is equal to the average of the lowest trading price of the Common Stock during the twenty five (25) trading days prior to the date of conversion (ii) the investor has the right, at any time after 180 days after principal consideration has been paid to convert all or part of the outstanding principal along with interest and any fees into the Company's common stock. The Company may repay the note at any time on or before 90 days from the effective date, after which the Company may not make further payments on the Note prior to the maturity date without written approval from the investor. On the issuance date, the fair value of derivative liability was \$62,359. The Company recorded a debt discount of \$25,000 and encountered a day-one derivative loss of \$37,359.

In February 2016, the Company and noteholder agreed to amend the conversion price. In accordance with the amended convertible promissory note, the note is convertible into shares of the Company's common stock at the greater of: (i) the variable conversion price (60% multiplied by the market price) that is equal to the average of the lowest trading price of the Common Stock during the twenty five (25) trading days prior to the date of conversion or (ii) the fixed conversion price of \$.00005 (iii) the investor has the right, at any time after 180 days after principal consideration has been paid to convert all or part of the outstanding principal along with interest and any fees into the Company's common stock. Upon amendment, the Company determined that this convertible note is now considered as a conventional convertible debt and recorded a gain of \$6,997 in the change of fair value of derivative liability. The Company reclassified the fair value of \$55,362 to equity on the amendment date. In June, August and September 2016, the noteholder converted \$25,000 in principal and \$6,111 in accrued interest into 4,906,565 shares of common stock. Accordingly, the Company recognized \$25,000 of interest expense for the debt discount and \$2,500 of interest expense for the original issue discount. As of September 30, 2016, the note was fully converted.

## NOTE 7 - EQUITY TRANSACTIONS

### *Preferred Stock*

In June 2010, the Board of Directors voted to amend the Company's Articles of Incorporation in order to authorize the issuance of 200 million shares of Preferred Stock with a par value of \$0.00001 per share. Concurrently, the Board designated the preferred stock as Series A Convertible Preferred Stock. Among other things, the Certificate of Designation of Series A Convertible Preferred (i) authorizes 1,250,000 shares of the Corporation's preferred stock to be designated "Series A Convertible Preferred Stock (ii) is convertible into the Company's common stock after two years at a conversion price of \$0.01 per share at the holder's option (iii) each holder of Series A Preferred Stock is entitled to receive cumulative dividends, payable quarterly in either cash or equivalent shares of common stock at the rate of 8% of \$1.00 per annum on each outstanding share of Series A Preferred then held by such Series A Preferred Holder, on a pro rata basis.

In August 2012, the Board of Directors voted to amend the Company's Articles of Incorporation to designate the Series B Preferred Stock setting forth the rights and preferences of the Series B Preferred Stock. Among other things, the Certificate of Designation (i) authorizes 10 (ten) shares of the Corporation's preferred stock to be designated as Series B Preferred Stock; (ii) grants no conversion rights to the holders of the Series B Preferred Stock; (iii) provides the holders of Series B Preferred Stock shall vote with the holders of the Corporation's common stock and any class or series of capital stock of the Corporation hereafter created; and (iv) provides that if at least one share of Series B Preferred Stock is issued and outstanding, then the total aggregate issued shares of Series B Preferred stock at any given time, regardless of their number, shall have voting rights equal to two (2) times the sum of: i) the total number of shares of Common Stock which are issued and outstanding at the time of voting, plus ii) the total number of shares of any Preferred Stocks which are issued and outstanding at the time of voting.

In October 2012, the Board of Directors voted to amend the Company's Articles of Incorporation to designate the Series C and Series D Convertible Preferred Stock setting forth the rights and preferences of the Series C and D Convertible Preferred Stock, par value \$.00001 per share. Among other things, the Certificate of Designation for the Series C Preferred (i) authorizes fifty million (50,000,000) shares of the Corporation's preferred stock to be designated as "Series C Convertible Preferred Stock"; (ii) grants conversion rights to the holders of the Series C Preferred Stock; (iii) provides that each share of Series C Preferred Stock shall ten votes for any election or other vote placed before the shareholders of the Corporation; (iv) provides for anti-dilutive rights; (v) provides for liquidation rights; (vi) establishes the initial price at \$2.50 per share; (vii) entitles the holder of the Series C Preferred Stock to receive dividends when, as and if declared by the Board of Directors. Among other things, the Certificate of Designation for the Series D Preferred (i) authorizes ten million (10,000,000) shares of the Corporation's preferred stock to be designated as "Series D Convertible Preferred Stock"; (ii) grants conversion rights to the holders of the Series D Preferred Stock; (iii) provides that each share of Series D Preferred Stock shall ten votes for any election or other vote placed before the shareholders of the Corporation; (iv) provides for anti-dilutive rights; (v) provides for liquidation rights; (vi) establishes the initial price at \$5.00 per share; (vii) entitles the holder of the Series D Preferred Stock to receive dividends when, as and if declared by the Board of Directors.

*Preferred Share Designations*

In December 2013, the Board of Directors voted to amend the Company's Articles of Incorporation to change the conversion rights of the Series C and Series D Convertible Preferred Stock. Each share of the Series C and Series D Preferred Stock is convertible into five shares of common stock.

In October 2016, the Board of Directors voted to amend the Company's Articles of Incorporation to designate the Series E Convertible Preferred Stock setting forth the rights and preferences of the Series E Convertible Preferred Stock, par value \$.00001 per share. Among other things, the Certificate of Designation for the Series E Preferred (i) authorizes ten million (10,000,000) shares of the Corporation's preferred stock to be designated as "Series E Convertible Preferred Stock"; (ii) grants conversion rights to the holders of the Series E Preferred Stock; (iii) provides that each share of Series E Preferred Stock shall be ten votes for any election or other vote placed before the shareholders of the Corporation; (iv) provides for anti-dilutive rights; (v) provides for liquidation rights; (vi) establishes the initial price at \$1.00 per share; (vii) entitles the holder of the Series C Preferred Stock to receive dividends when, as and if declared by the Board of Directors.

As of September 30, 2017 and 2016, the cumulative arrearage of undeclared dividends for Series A Preferred stock totaled \$44,949 and \$6,656, respectively

**Common Stock**

On September 13, 2012, the Board of Directors voted to increase the Company's authorized shares of common stock to 5,000,000,000 shares and to decrease the par value to \$.00001 per share.

In December 2015, two shareholders converted 7,280 shares of Series C Convertible Preferred stock into 36,400 shares of common stock.

*Common stock issued for cash*

In May 2016, an investor cancelled a subscription agreement to purchase 16,500 shares of common stock for \$990.

In December 2015, a shareholder purchased 250,000 shares of common stock for \$5,000 in cash.

*Common Stock Issued for Conversion of Notes and Note Payable*

During the year ended September 30, 2016, a Convertible Note holder converted a \$10,000 in principal of a Convertible note into 847,458 shares of the Company's common stock.

During the year ended September 30, 2016, a shareholder converted \$10,000 of a Note Payable into 500,000 shares of common stock.

During the year ended September 30, 2016 a Convertible Note holder converted a \$25,000 Convertible note and \$6,111 of accrued interest into 4,906,565 shares of common stock.

*Preferred stock issued for cash*

In November 2016, the Company sold 525,746 shares of Series A Convertible Preferred stock to a private investor and director for \$262,873 in cash.

*Preferred stock issued for acquisition of assets*

In November, 2016, the Board of Directors approved the Asset Purchase Agreement between the Company and Collabria LLC ("Collabria"). Under the terms of the Agreement, the Company acquired all of the intellectual property of Collabria, including its ReadyOp command, control and communication platform trade named ReadyOp (the "ReadyOp Platform"). In addition, the Company acquired Collabria's customer base ("Collabria Client List"). The Company assumed no liabilities of Collabria under this Agreement. The terms of the Agreement called for the Company to issue 3,000,000 (Three million) shares of restricted Series E Convertible Preferred stock to Collabria with a fair value of \$292,240. Shares of the Series E Convertible Preferred have the following conversion rights and provisions: After a period of two (2) years following the date of issuance, each one (1) share of Series E Preferred shall be convertible into one hundred (100) shares of fully paid and non-assessable Common Stock at the sole option of the holder of Series E Preferred.

*Consultant Stock Plans*

During the year ended September 30, 2011, the Company adopted the Cleartronic, Inc. 2011 Consultant Stock Plan to assist the Company in obtaining and retaining the services of persons providing consulting services to the Company. In April 2011, the Company filed a registration statement with the Securities and Exchange Commission registering 6,666 shares of the Company's common stock for issuance under the plan.

The following table summarizes information about stock options outstanding at September 30, 2017 and 2016:

	Options	Stock Options	
		Wtd. Avg. Price	Exercise
Outstanding at September 30, 2015	167		\$90.00
Granted/Issued	--		--
Exercised	--		--
Expired/Canceled	(167)		(90.00)
Outstanding at September 30, 2016	--		--
Granted/Issued	--		--
Exercised	--		--
Expired/Cancelled	--		--
Outstanding at September, 30 2017	--		--

During the year ended September 30, 2016, the Company granted no options, no options were exercised and 167 options expired or were cancelled. During the year ended September 30, 2017, the Company granted no options, no options were exercised and no options expired or were cancelled.

No outstanding options were held by officers as of September 30, 2017, and September 30, 2016.

#### NOTE 8 – RELATED PARTY TRANSACTIONS

The Company leases its office space from another entity that is also a stockholder. Rent expense paid to the related party was \$60,258 and \$42,454 for the years ended September 30, 2017 and 2016, respectively.

In December 2016, the Board of Directors accepted the resignation of Larry M. Reid as Chief Executive Officer of the corporation and appointed Mr. Reid as Chief Financial Officer. The Board also appointed Michael M. Moore as Chief Executive Officer.

Under the terms of an employment agreement effective on November 28, 2016, Mr. Moore as CEO receives an annual salary of \$200,000. The term of agreement is for a one-year period beginning on the effective date and shall automatically renew and continue in effect for additional one-year periods.

Under the terms of an employment agreement effective on March 13, 2015, Mr. Reid as CFO receives an annual salary of \$96,000. The term of agreement is for a one-year period beginning on the effective date and shall automatically renew and continue in effect for additional one-year periods.

In November 2015, the Company entered into a promissory note for \$50,000 with a stockholder, officer and director of the Company. The note bears an 8% interest rate, is unsecured and is due on December 31, 2017. In December 2017, the maturity date was extended to December 31, 2018.

In November 2016, the Company sold 525,746 shares of Series A Convertible Preferred stock to a private investor and director for \$262,873 in cash.

During the year ended September 30, 2017, the Company repaid the principal amount of \$33,920 of a note payable to a shareholder.

In September 2017, the Company issued an 8% unsecured promissory note in the amount of \$35,000 to a shareholder and director. The note matures December 31, 2018.

In November 2016, the Company cancelled its Licensing Agreement with Collabria LLC of Tampa, Florida ("Collabria") and acquired all of the intellectual property related to Collabria's command and control software, trade-named ReadyOp. In addition the Company acquired Collabria's client list. In exchange for these assets the Company issued Collabria 3,000,000 shares of the Company's restricted Series E Convertible Preferred stock with a fair value of \$292,240. The Company assumed none of Collabria's liabilities.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*OBLIGATIONS UNDER OPERATING LEASES*

The Company leases approximately 1,700 square feet for its principal offices in Boca Raton, Florida at a monthly rental of approximately \$3,500. The lease, which provides for annual increases of base rent of 4%, expires on November 30, 2018.

The Company rents office space on a month to month basis for its Tampa operations at a cost of \$2,000 per month.

Future lease commitments are as follows for the years ended September 30:

2018	43,560
2019	<u>7,260</u>
	<u>\$50,820</u>

Rent expense incurred during the years ended September 30, 2017 and 2016 was \$60,258 and \$42,524, respectively.

*MAJOR CUSTOMERS*

No customer accounted for more than 10% of the Company's revenues for the year ended September 30, 2017. As of September 30, 2017 two customers accounted for approximately 24% of the Company's total outstanding accounts receivable. As of September 30, 2016 two customers accounted for approximately 78% of the Company's total outstanding accounts receivable.

*MAJOR SUPPLIER AND SOLE MANUFACTURING SOURCE*

During 2014, the Company developed a proprietary interoperable communications solution. The Company relies on no major supplier for its products and services. The Company has contracted with a single local manufacturing facility to provide completed circuit boards used in the assembly of its IP gateway devices. Interruption to the manufacturing source presents additional risk to the Company. The Company believes that other commercial facilities exist at competitive rates to match the resources and capabilities of its existing manufacturing source.

*Exclusive Licensing Agreement*

On May 5, 2017, the Company entered into an Exclusive Licensing Agreement with Sublicensing Terms (the "Agreement") with the University of Southern Florida Research Foundation, Inc. ("USFRF") relating to an exclusive license of certain patent rights in connection with one of USFRF's U.S. Patent Applications. Both parties recognize that the research and development work provided by the Company was sufficient for USFRF to enter into the Agreement with the Company.

The Agreement is effective April 25, 2017 and continues until the later of the date that no Licensed Patent remains a pending application or an enforceable patent or the date on which the Licensee's obligation to pay royalties expires.

The Company paid USFRF a License Issue Fee of \$3,000 and \$7,253.50 as reimbursement of expenses associated with the filing of the Licensed Patent. The Company agreed to complete the first commercial sale of products to the retail customer on or before January 31, 2019 or USFRF has the right to terminate the agreement. In addition, the Company agreed that it will have made and tested a prototype by August 31, 2018 or USFRF has the right to terminate the agreement. The company agreed to pay USFRF a royalty of 3% for sales of all Licensed Products and Licensed Processes and agreed to pay USFRF minimum royalty payments as follows:

Payment	Year
\$1,000	2019
\$4,000	2020
\$8,000	2021

-and every year thereafter on the same date, for the life of the agreement.

In the event the Company proposes to sell any Equity Securities, then USFRF will have the right to purchase 5% of the securities issued in such offering on the same terms and conditions as are offered to other purchasers in such financing.

**NOTE 10 - SUBSEQUENT EVENTS**

In October 2017, the Company issued an unsecured 8% promissory note to a shareholder and director in the amount of \$15,000. The note matures December 31, 2018.

In October 2017, the Company repaid \$7,891 in principal of a note payable to shareholder.



**NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.**

**Principal Amount: \$37,500.00**

**Date: August 22, 2012**

**Purchase Price: \$37,500.00**

**Issue**

### CONVERTIBLE PROMISSORY NOTE

**FOR VALUE RECEIVED**, , a corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of **ASHER ENTERPRISES, INC.**, a Delaware corporation, or registered assigns (the "Holder") the sum of \$37,500 together with any interest as set forth herein, on May 24, 2013 (the "Maturity Date"), and to pay interest on the unpaid principal balance hereof at the rate of eight percent (8%) (the "Interest Rate") per annum from the date hereof (the "Issue Date") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of twenty two percent (22%) per annum from the due date thereof until the same is paid ("Default Interest"). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into common stock, \$0.001 par value per share (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the "Purchase Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

At the Maturity Date or later, upon two days written notice, the Borrower or the Holder can demand to repay or demand to be repaid the remaining (if any) outstanding principal balance together with interest.

The following terms shall apply to this Note:

#### ARTICLE I. CONVERSION RIGHTS

**1.1 Conversion Right.** The Holder shall have the right from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso. The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below;

provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Borrower's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Borrower's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

## 1.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean % multiplied by the Market Price (as defined herein) (representing a discount rate of 42%). "Market Price" means the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Trading Price" means, for any security as of any date, the closing bid price on the Over-the-Counter Bulletin Board, or applicable trading market (the "OTCBB") as reported by a reliable reporting service ("Reporting Service") designated by the Holder (i.e. Bloomberg) or, if the OTCBB is not the principal trading market for such security, the closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no closing bid price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the "pink sheets" by the National Quotation Bureau, Inc. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the OTCBB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded.

(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to purchase 50% or more of the Borrower's Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the "Announcement Date"), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date

(as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 1.2(a). For purposes hereof, "Adjusted Conversion Price Termination Date" shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved four times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the "Reserved Amount"). The Reserved Amount shall be increased from time to time upon request from the Holder in order to ensure that a four times reserve is maintained. After such request is made the Holder shall have ten (10) days to effectuate such increase in reserve.. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder

shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$1,500 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to quantify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv)

such shares are transferred to an “affiliate” (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

**“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”**

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in the form of the Form of Opinion attached as Exhibit B to the Note, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

#### 1.6 Effect of Certain Events.

(a) Effect of Merger, Consolidation, Etc. At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. "Person" shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note. The Borrower shall only be in default of this provision if when made aware of such adjustment or readjustment it does not take reasonable steps to comply with this provision.

1.7 Trading Market Limitations. Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Notes issued pursuant to the Purchase Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the "Maximum Share Amount"), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Purchase Agreement), subject to equitable adjustment from time to time for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower's ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note. This section is subject to the right of the Borrower to pay off the Note at the Maturity Date as described above or in accordance with Section 1.9 below.

1.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

1.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the Issue Date and ending on the date which is sixty (60) days following the issue date, the

Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any notice of prepayment hereunder (an "Optional Prepayment Notice") shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the "Optional Prepayment Date"), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Optional Prepayment Amount") equal to 130%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding anything to the contrary contained in this Note, at any time during the period beginning on the date which is sixty-one (61) days following the issue date and ending on the date which is one hundred twenty (120) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Second Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Second Optional Prepayment Amount") equal to 135%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Second Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding any to the contrary stated elsewhere herein, at any time during the period beginning on the date that is one hundred twenty-one (121) days from the issue date and ending one hundred eighty (180) days following the

issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Third Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the "Third Optional Prepayment Amount") equal to 140%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Third Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

After the expiration of one hundred eighty (180) following the date of the Note, the Borrower shall have no right of prepayment, subject to the right to pay off the Note at the Maturity Date as described earlier in the Note.

## ARTICLE II. CERTAIN COVENANTS

2.1 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, (a) create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any other person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or (b) suffer to exist any liability for borrowed money, except any borrowings that does not render the Borrower a "Shell" company as defined in Rule 12b-2 under the Securities Exchange Act of 1934.

2.2 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business, unless such sale, lease or disposition does not render the Borrower a "Shell" company as defined in Rule 12b-2 under the Securities Exchange Act of 1934.

2.3 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder's written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances that does not render the Borrower a "Shell" company as defined in Rule 12b-2 under the Securities Exchange Act of 1934.

### ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an “Event of Default”) shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent. If at the option of the Holder, the Holder advances any funds to the Borrower’s transfer agent in order to process a conversion, such advanced funds shall be paid by the Borrower to the Holder within forty eight (48) hours of a demand from the Holder.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed, unless such assignment for the benefit of creditors or appointment of a receiver does not stop the Company from being traded on an exchange or impact on the liquidity of the Borrower's stock..

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTCBB or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Maintenance of Assets. The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.13 Financial Statement Restatement. The material restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.14 Reverse Splits. The Borrower effectuates a reverse split of its Common Stock without notifying the Holder at the same time it files a Form 8-K disclosing such a split. .

3.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Borrower, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. "Other Agreements" means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term "Other Agreements" shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note upon a Trading Market Prepayment Event pursuant to Section 1.7 or upon acceleration), 3.3, 3.4, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14, and/or 3. 15 exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), and upon the occurrence of an Event of

Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the "Mandatory Prepayment Date") plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the "Default Sum"). Upon the occurrence and notification by the Holder of any Event in Default (except for a default under Section 3.2 above, in which case the cure period is discussed in Section 3.2) the Borrower shall have the opportunity to cure any defaults within a reasonable time period (such time period shall not exceed ten (10) Business Days, without the express consent of the Holder).

If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

#### ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:  
CLEARTRONIC, INC  
8000 North Federal Highway  
Boca Raton, FL 33487  
Attn: Larry M. Reid, Chief Fiancial Officer  
facsimile:

With a copy by fax only to (which copy shall not constitute notice):  
Richardson & Patel, LLP  
Attn: Peter Hogan  
1100 Glendon Ave., Suite 850  
Los Angeles, CA 90024  
facsimile: 310-208-1154

If to the Holder:  
ASHER ENTERPRISES, INC.  
1 Linden Pl., Suite 207  
Great Neck, NY. 11021  
Attn: Curt Kramer, President  
facsimile: 516-498-9894

With a copy by fax only to (which copy shall not constitute notice):  
Naidich Wurman Birnbaum & Maday, LLP  
80 Cuttermill Road, Suite 410  
Great Neck, NY 11021  
Attn: Bernard S. Feldman, Esq.  
facsimile: 516-466-3555

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the state and county of Nassau. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for,

purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at the same time it notifies the public or its shareholders, of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.

4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this August 22, 2012.

By: /s/ Larry M. Reid  
Larry M. Reid  
Chief Fiancial Officer

**EMPLOYMENT AGREEMENT**

**EMPLOYMENT AGREEMENT** entered into November 28, 2016,

**BETWEEN: Marc Moore** (hereinafter referred to as the “**Employee**”);

**AND: Cleartronic, Inc. is** a corporation duly incorporated under the laws of the State of Florida, which with its affiliated and related entities and subsidiaries are hereinafter referred to as “**CLRI**”;

**WHEREAS** CLRI wishes to retain the services of Employee;

**WHEREAS** the Employee and CLRI are desirous of entering into an agreement for the Employee’s employment, all subject to the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

**1. EMPLOYMENT**

CLRI hereby employs the Employee and the Employee hereby accepts employment with CLRI upon the terms and subject to the conditions set forth herein.

**2. TERM**

Unless sooner terminated as provided for in this Agreement, the term of the Employee’s employment under this Agreement shall commence on November 28, 2016 and shall continue for one year (the “**Term**”).

**3. COMPENSATION**

The Employee shall receive a salary of \$200,000 during the term of this Agreement plus other compensation as set by the CLRI Board of Directors.

**4. RETURN OF DOCUMENTS AND PROPERTY**

Upon the termination of Employee’s employment with CLRI, or at any time upon the request of CLRI, Employee (or his heirs or personal representatives) shall deliver to CLRI (a) all documents and materials (including without limitation, computer files) containing trade secrets or other confidential information relating to the business and affairs of CLRI, and (b) all documents, materials and other property (including, without limitation, computer files) belonging to CLRI, which in either case are in the possession or under the control of Employee (or his heirs or personal representatives).

**5. DISCOVERIES AND WORKS**

All Discoveries and Works (which includes all intellectual property, trade secrets and other confidential information) made or conceived by Employee during his employment by CLRI, jointly or with others, that relate to the present or anticipated activities of CLRI or any Subsidiary, or are used or usable by CLRI or any Subsidiary shall be owned by CLRI or the respective Subsidiary, as the case may be. Employee shall (a) promptly notify, make full disclosure to, and execute and deliver any documents requested by CLRI or any Subsidiary to evidence or better assure title to Discoveries and Works in CLRI or any Subsidiary, as so requested, (b) renounce any and all claims, including but not limited to, claims of ownership and royalty, with respect to all Discoveries and Works and all other property owned or licensed by CLRI or any Subsidiary, (c) assist CLRI or any Subsidiary in obtaining or maintaining for itself at its own expense American and foreign patents, copyrights, trade secret protection or other protection of any and all Discoveries and Works, and (d) promptly execute, whether during the Term or thereafter, all applications or other endorsements necessary or appropriate to maintain patents and other rights for CLRI or any Subsidiary and to protect the title of CLRI or any Subsidiary thereto, including but not limited to assignments of such patents and other rights. Any Discoveries and Works which, within six (6) months after the Termination Date, are made, disclosed, reduced to a tangible or written form or description, or are reduced to practice by Employee and which pertain to the business carried on or products or services being sold or developed by CLRI or any Subsidiary at any time during the Term shall, as between Employee and CLRI or any Subsidiary be presumed to have been made during Employee’s employment pursuant to this Agreement.

**6. TERMINATION FOR CAUSE BY CLRI**

The Employee's employment under this Agreement may be terminated by CLRI for Cause. In the event that the Employee's employment under this Agreement shall validly be terminated by CLRI for Cause pursuant to this Section 6, CLRI shall promptly pay accrued but unpaid salary and reimburse or pay any other accrued but unpaid amounts due under this Agreement as of the date of termination, and thereafter CLRI shall have no further obligations under this Agreement. All other benefits the Employee may have under the Employee and/or Group or senior executive benefit bonus and/or stock option plans and programs of CLRI or other contract shall be determined in accordance with the terms and conditions of such plans, programs and contracts. In the event of a termination for Cause, CLRI or any Subsidiary, as the case may be, shall retain all rights that it may have against Employee for any breach of this Agreement or otherwise. "**Cause**" shall mean the Employee has committed a wilful, serious act such as fraud, embezzlement or theft; committed any act against CLRI intending to wrongfully enrich himself at the expense of CLRI or made an unauthorized use or disclosure of secret or confidential information pertaining to CLRI; the Employee has been convicted of a felony or commits an act constituting a felony; the Employee has wilfully engaged in conduct which has caused demonstrable and serious injury, monetary or otherwise, to CLR.

## **7. CONFIDENTIALITY**

During the Term and for a period of three years thereafter, the Employee shall keep secret and retain in strictest confidence, and shall not use for his benefit or for the benefit of others, directly or indirectly, any and all confidential information relating to CLRI of which the Employee shall obtain knowledge by reason of his employment under this Agreement, including, without limitation, trade and business secrets or any other non-public or proprietary information concerning the business, customer lists, financial plans or projections, pricing policies, marketing plans or strategies, business acquisition or divestiture plans, new personnel acquisition plans, technical processes, inventions and other research projects, and except in connection with the performance of his duties under this Agreement, he shall not disclose any such information to anyone outside CLRI, except as required by law (provided prior written notice is given by the Employee to CLRI) or except with the prior written consent of CLRI, unless such information is known generally to the public or the trade through sources other than the unauthorized disclosure by the Employee.

## **8. NON-COMPETITION AND NON-SOLICITATION**

8.1 The Employee acknowledges that CLRI has legitimate business interests in protecting its trade secrets, confidential information, customer relationships, and customer goodwill. For purposes of this Agreement and the Non-Competition provisions herein, the "Business" shall mean CLRI's ReadyOp program, a secure web-based application that integrates multiple databases and a communications platform to support planning, response, command and communications for client organizations.

8.2 The Employee shall not, without the prior written consent of CLRI, at any time during the Term plus a period of twelve (12) months following the Employee's termination for any reason ("Restriction Period"), either individually or in partnership or jointly or in connection with any Person, as principal, agent, consultant, lender, contractor, employer, employee, investor or shareholder, or in any other manner, directly or indirectly, anywhere within in North America or Europe (the "Territory"):

- (a) advise, manage, carry on, establish, acquire control of, work for, perform, render, or engage in, any business or service or activity that is similar to or competitive with the Business or any portion of the Business; or
- (b) invest in or lend money to, or guarantee the debts or obligations of, any business or service or activity, or any Person engaged in any business or service or activity, that is similar to or competitive with the Business or any portion of the Business; or
- (c) Without limiting the effect of the foregoing, competing with or competitive with the Business, includes without limitation, directly or indirectly, engaging in or permitting the solicitation or sale of any products or services of the type included within the meaning of the term Business as of the termination of the Employee's employment with CLRI.

8.3 The Employee shall not during the Restriction Period, without the written consent of CLRI, directly or indirectly (as owner, principal, agent, partner, officer, employee, independent contractor, consultant, stockholder, or otherwise), (i) solicit any Client (as this term is defined below) for a purpose or objective of providing to such Client, or obtaining an engagement from such Client to provide, any services, businesses or products included within the term Business or (ii) solicit for employment or otherwise induce any employee employed by CLRI or any Affiliate at the date of termination of the Employee's employment with CLRI to leave such employ or offer to employ or employ such employee. The term "**Client**" shall mean one or more of the following:

- (a) any current or former client or customer of CLRI;
- (b) any current client or current customer of CLRI if at any time since the Commencement Date the Employee had contact with such client or customer, or personally solicited such client or customer, or rendered services to such client or customer, or otherwise developed any relationship with such client or customer, or
- (c) any former client or former customer of CLRI who was, during the thirty-six (36) months preceding the Termination Date, a client or customer of CLRI, if at any time since the Commencement Date the Employee had contact with such client or customer, or solicited such client or customer, or rendered services to such client or customer, or otherwise developed any relationship with such client or customer.

8.4 The Employee acknowledges that the provisions of this Section 7 and 8 are expressly for the benefit of CLRI, that CLRI would be irreparably injured by a violation of the provisions of this Section and that CLRI would have no adequate remedy at law in the event of such violation. Therefore, the Employee acknowledges and agrees that in addition to any other remedies available, injunctive relief, specific performance or any other appropriate equitable remedy (without any bond or other security being required) are appropriate remedies to enforce compliance by the Employee with the provisions of this Section 8. To the extent that any provision of this Section 8 is held to be overbroad, the parties request the Court to "blue pencil" or modify any such overbroad provision to the maximum amount that is enforceable.

## **9. GENERAL PROVISIONS**

### **9.1 Further Assurances**

Each of the parties upon the request of any other party, whether before or after the date hereof, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

9.2 **Successors in Interest**

This Agreement and the provisions hereof shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns.

9.3 **Notices**

Any notice, direction or other instrument required or permitted to be given hereunder shall be in writing and shall be deemed given when addressed as set forth below and actually delivered to such address:

- (a) in the case of CLRI at:  
8000 N. Federal Highway  
Suite 100  
Boca Raton, FL 33487  
Fax: 561.953.5073
  
- (b) in the case of the Employee at:  
Marc Moore  
1211 N Westshore Blvd, Suite 401  
Tampa, FL 33607

Any party may change his or its address for service by written notice given as aforesaid.

9.4 **Amendments**

This agreement may not be amended except by written instrument duly executed by or on behalf of the Parties.

9.5 **Governing Laws and Exclusive Jurisdiction**

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida. The Parties hereby agree that any litigation directly or indirectly relating to this Agreement must be brought before and determined by a court of competent jurisdiction in Hillsborough County, Florida or in the Federal District Court for the Southern District of Florida and the Parties hereby agree to waive any rights to object to, and hereby agree to submit to, the jurisdiction of such courts.

9.8 **Severability**

Any article, section, subsection or other subdivision of this Agreement or any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed herefrom and shall be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof, which provisions shall be severed from any illegal, invalid or unenforceable article, section, subsection or other subdivision of this Agreement or any other provision of this Agreement.

9.9 **Waiver**

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in a written document duly executed by the party to be bound thereby.

9.10 **Attorney's Fees**

If any legal proceeding is necessary to enforce or interpret the terms of this Agreement or to recover damages for breach hereof, the prevailing party shall be entitled to reasonable attorney's fees as well as costs and disbursements in addition to any other relief to which he or it may be entitled.

**IN WITNESS WHEREOF**, this Agreement has been executed as of the day and year first above written.

**Cleartronic, Inc.**

**Employee:**

/s/ Larry Reid

/s/ Marc Moore

**By: Larry Reid, CFO**

**Marc Moore**

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael M. Moore, certify that:

1. I have reviewed this Form 10-K, of Cleartronic, 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 present 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 13-a-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 principals;
  - (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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 16, 2018

/s/ Michael M. Moore

Michael M. Moore, Chief Executive Officer

**Exhibit 31.1**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Larry M. Reid, certify that:

1. I have reviewed this Form 10-K, of Cleartronic, 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 present 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 13-a-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 principals;
  - (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 involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 16, 2018

/s/ Larry M. Reid.

Larry M. Reid, Chief Financial Officer and Principal Accounting  
Officer of Cleartronic, Inc.,

**Exhibit 32.1**

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

In connection with the accompanying Annual Report on Form 10-K, of Cleartronic, Inc. for the fiscal year ending September 30, 2017, I, Michael M. Moore, Chief Executive Officer of Cleartronic, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Annual Report on Form 10-K, for the fiscal year ending September 30, 2017, 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 such Annual Report on Form 10-K, for the fiscal year ending September 30, 2017, fairly presents, in all material respects, the financial condition and results of operations of Cleartronic, Inc.

Date: January 16, 2018

/s/Michael M. Moore

Michael M. Moore, Chief Executive Officer of Cleartronic, Inc.

**Exhibit 32.2**

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

In connection with the accompanying Annual Report on Form 10-K, of Cleartronic, Inc. for the fiscal year ending September 30, 2017, I, Larry M. Reid, Chief Financial Officer and Principal Accounting Officer of Cleartronic, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Annual Report on Form 10-K, for the fiscal year ending September 30, 2017, 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 such Annual Report on Form 10-K, for the fiscal year ending September 30, 2017, fairly presents, in all material respects, the financial condition and results of operations of Cleartronic, Inc.

Date: January 16, 2018

/s/ Larry M. Reid

Larry M. Reid, Chief Financial Officer and Principal Accounting  
Officer of Cleartronic, Inc.