

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the fiscal year ended **September 30, 2017**

OR

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

For the transition period from _____ to _____

Commission file number: **000-54239**



digipath, inc.
(OTCQB : **DIGP**)

DIGIPATH, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

27-3601979

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

6450 Cameron Street, Suite 113

Las Vegas, Nevada 89118

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(702) 527-2060**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant based upon the closing price of \$0.25 per share as of March 31, 2017 was approximately \$6,957,404.

As of December 22, 2017, there were 37,285,676 shares of registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

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PART I

Forward Looking Statements

This Form 10-K contains “forward-looking” statements including statements regarding our expectations of our future operations. For this purpose, any statements contained in this Form 10-K that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” or “continue” or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control.

These risks and uncertainties include demand for our products and services, governmental regulation of the cannabis industry, our ability to maintain customer and strategic business relationships, the impact of competitive products and pricing, growth in targeted markets, the adequacy of our liquidity and financial strength to support our growth, general economic and market conditions; our ability to sustain, manage, or forecast growth, our ability to successfully make and integrate acquisitions, new product development and introduction, existing government regulations and changes in, or the failure to comply with, government regulations, adverse publicity, difficulty in forecasting operating results, change in business strategy or development plans, business disruptions, and the ability to attract and retain qualified personnel. Although the forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. In light of these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Except as required by law, we undertake no obligation to announce publicly revisions we make to these forward-looking statements to reflect the effect of events or circumstances that may arise after the date of this report. All written and oral forward-looking statements made subsequent to the date of this report and attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section.

ITEM 1. DESCRIPTION OF BUSINESS

Overview

Digipath, Inc. was incorporated in Nevada on October 5, 2010. Digipath, Inc. and its subsidiaries (“Digipath,” the “Company,” “we,” “our” or “us”) supports the cannabis industry’s best practices for reliable testing, cannabis education and training, and brings unbiased cannabis news coverage to the cannabis industry. Our business units as of September 30, 2017 are described below.

- Digipath Labs, Inc. Digipath Labs’ mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our clients’ products through research, development, and standardization. We have been operating a cannabis testing lab in Nevada since 2015 and have plans to open labs in other states that have legalized the sale of cannabis, beginning with California.
- The National Marijuana News Corp. provides a balanced and unbiased approach to cannabis news, interviews and education with a news/talk radio show, app, national marijuana news website and social media presence focusing on the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving—and profoundly controversial—medicinal and recreational marijuana industry.

Business

Digipath Labs, Inc. - Cannabis Testing

Our cannabis testing business is operated through our wholly owned subsidiary, Digipath Labs, Inc., which performs all cannabis related testing using FDA-compliant laboratory equipment and processes. We opened our first testing lab in Las Vegas, Nevada in May of 2015 to serve the new State approved and licensed medical marijuana industry. We have plans to open labs in other legal states, assuming resources permit.

We seek to be the nation’s highest standard, full-service testing lab for cannabis and ancillary cannabis infused products. We are a third party independent testing laboratory facility for cannabis, cannabis infused products and other botanical nutraceuticals to serve growers, dispensaries, caregivers and all end users of cannabis and botanical products.

Our mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our client’s products through research, development and standardization.

As a premier cannabis testing laboratory, we take a careful, strategic approach to all of our cannabis testing. A diverse array of tests combined with our lab equipment and analytical instrumentation enable us to accurately test cannabis for potency, the presence of pesticides, or microbial contamination. Digipath Labs takes further caution by also testing for metals and heavy metals, which include, but are not limited to, substances like arsenic, cadmium, lead, or mercury. Not only is testing for potency and Cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) content important, we recognize that more profound testing is needed particularly as a true national standard is developed. Digipath Labs is committed to follow Food and Drug Administration (“FDA”), Drug Enforcement Agency (“DEA”), Environmental Protection Agency (“EPA”), US Department of Agriculture (“USDA”) guidelines, standard operating procedures (“SOP”), and Good Lab Practices (“GLP”) that are in line with current Federal and State governing bodies. We utilize a variety of tests to safely and effectively share enhanced understanding of the cannabis plant with caregivers, dispensaries and patients. We are committed to the advancement of science by offering a method of standardization for cannabis that is more intricate and accurate than any other. This approach and our investment in state-of-the-art testing equipment is of the utmost importance as many testing labs often return inconsistent results for the exact same test sample; a common concern of many end-users and clients alike.

Digipath Labs screens medicinal cannabis for potentially harmful contaminants, including:

- Solvents (for extracts)
- Pesticides
- Mold and Yeast
- Heavy metals, including mercury, arsenic, lead, and cadmium
- Biological toxins, such as aflatoxin, ricin, and botulinum toxins
- Microbial contaminants including E. coli, salmonella, Aspergillus and fungus

Digipath Labs also tests cannabis for its quality, potency, and cannabinoid and terpene profiles, which determine the suitability of specific cannabis strains for the treatment of specific ailments.

We utilize our own Ultra-High Performance Liquid Chromatograph (“UPLC”), which accurately separates and measures the cannabinoid content of any sample of flower, edible, concentrate or other cannabis product. Our Inductively Coupled Plasma Mass Spectrometer (“ICP-MS”) is utilized for heavy metals testing, and provides accurate readings for harmful metals ensuring that the Parts Per Million (“PPM”) are substantially below the regulated and accepted trace amounts. Our laboratory testing equipment is calibrated using third party reference standards to ensure precision measurements throughout the testing process.

With accurate science becoming a major part of the cannabis industry, the major question is one of standards; we hold ourselves accountable and provide efficient and accurate research and results to our clients. Our test results are meant to help dispensaries, caregivers and patients know the concentration and quality of their cannabis without having to question the credibility of the data.

Market Overview

According to Arcview Market Research, “North American marijuana sales grew by an unprecedented 30% in 2016 to \$6.7 billion as the legal market expands in the U.S. and Canada”. Closer to home, the Nevada Department of Taxation recently disclosed that it collected more than \$5.8 million in tax revenue on the sale of nearly \$38 million worth of cannabinoid-related products during the month of October 2017, and more than \$19 million in tax revenue on north of \$126 million of sales during the four months since the legalized sale of recreational cannabis went into effect on July 1, 2017. As the cannabis industry expands, we expect to see a parallel increase in state regulations related to the testing and disclosure of cannabis and cannabis related products. We believe that there will be a strong demand for qualified laboratories to perform such testing, both to assist producers of cannabis and cannabis products to meet expected state mandated requirements, and to provide assurance to consumers and state regulators regarding the safety and composition of such products. According to the Las Vegas Sun, “By legalizing recreational marijuana, Nevada voters would spark \$7.5 billion in economic activity in the first seven years of sales. That’s the biggest number in an extensive report released this week by RCG Economics and the Marijuana Policy Group, but it’s not the only eye-popping figure.”

With increased legalization nationwide, the lab-testing sector is expected to experience substantial growth. GreenWave Advisors, an independent research and financial analyst firm, projects annual revenue of \$553 million for lab testing alone if the U.S. legalizes cannabis on a federal level. When adding in related services, such as data analytics and consulting, the revenue potential could surpass \$866 million annually. The data troves collected through the testing process are already creating value and could become an increasingly valuable asset and generate substantial revenue for the most accomplished laboratories. This data could also be used to determine specific genetic attributes of targeted cannabinoids and assist with maximizing medicinal benefits and individualized medicine in the future.

Competition

The cannabis industry in the United States is highly fragmented, rapidly expanding and evolving. The industry is characterized by new and potentially disruptive or conflicting legislation promulgated on a state-by-state basis. Our competitors include local enterprises, some of which may have financial, technical, sales, marketing and other resources greater than ours. These companies also compete with us in recruiting and retaining qualified personnel and consultants.

Our competitive position depends on our ability to attract and retain qualified scientists and other personnel, develop effective proprietary products and solutions, the personal relationships of our executive officers and directors, and our ability to secure adequate capital resources. We compete to attract and retain customers of our services. We compete in this area on the basis of price, regulatory compliance, vendor relationships, usefulness, availability, excellent customer service and ease of use of our services.

Government Regulation

Marijuana is categorized as a Schedule-I controlled substance by the Drug Enforcement Agency and the United States Department of Justice and is illegal to grow, possess and consume under Federal law. A Schedule-I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 controlled substances as “the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence.” However, since 1995, twenty-nine states and the District of Columbia have passed state laws that permit doctors to recommend prescribing cannabis for medical-use and eight states; Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and Washington, and the District of Columbia have enacted laws that legalize the adult-use of cannabis for any reason. This has created an unpredictable business-environment for dispensaries and collectives that legally operate under state-laws but in violation of Federal law. On August 29, 2013, United States Deputy Attorney General James Cole issued the Cole Memo to United States Attorneys guiding them to prioritize enforcement of Federal law away from the cannabis industry operating as permitted under state law, so long as:

- cannabis is not being distributed to minors and dispensaries are not located around schools and public buildings;
- the proceeds from sales are not going to gangs, cartels or criminal enterprises;
- cannabis grown in states where it is legal is not being diverted to other states;
- cannabis-related businesses are not being used as a cover for sales of other illegal drugs or illegal activity;
- there is not any violence or use of fire-arms in the cultivation and sale of marijuana;
- there is strict enforcement of drugged-driving laws and adequate prevention of adverse health consequences; and
- cannabis is not grown, used, or possessed on Federal properties.

The Cole Memo is meant only as a guide for United States Attorneys and does not alter in any way the Department of Justice’s Federal authority to enforce Federal law, including Federal laws relating to cannabis, regardless of state law. We believe we are operating in compliance with the “Cole Memo”. However, we cannot provide assurance that our actions are in full compliance with the Cole Memo or any other laws or regulations.

The Obama administration effectively stated that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Trump administration could change this policy and decide to vigorously enforce the existing federal laws. Any such change in the federal government’s enforcement of current federal laws could cause significant financial damage to us. While we do not intend to harvest, distribute or sell cannabis, we would be irreparably harmed by a change in enforcement by the Federal or State governments. If that were to occur, we would use our sophisticated laboratory testing equipment and know-how to pursue toxicology, environmental or other forms of analytical testing.

The National Marijuana News Corp. – Cannabis News

In May 2014, we established an online radio program called *The National Marijuana News* (“TNMNews”). TNMNews seeks to educate the public regarding the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving and controversial medicinal and recreational marijuana industry from diverse and dissenting perspectives. We intend to expand our web presence as “THE” destination for unbiased news and information on everything marijuana. As we expand TNMNews, we hope to increase advertising revenue and continue to provide a platform for our products and services.

TNMNews is a weekly one-hour Internet radio news and talk show featuring unbiased reporting of the burgeoning marijuana industry. Although leaning more towards a medicinal use platform, the show seeks to foster thought-provoking discussion of both the medicinal and recreational marijuana markets.

We launched TNMNews’ Internet radio program on Live 365 and several terrestrial radio stations around the country in 2014. We also launched our App for both iOS and Google Play and re-launched our website which now receives thousands of page visits per month. Our Facebook page has also garnered over 172,000 page likes and TNMNews has become a leader in cannabis news, interviews and education. We now also broadcast on Facebook live and radio.co.

Competition

TNMNews faces competition from traditional news media as well as new publications and web sites devoted to cannabis use. However, most marijuana-themed Internet radio shows are pro-cannabis and appeal to the recreational user. In contrast, we are pioneering a new path down the middle by presenting both sides of marijuana issues in a professional and unbiased format. Major media players are hopping on the marijuana bandwagon. Local publications like the Denver Post and the San Francisco Chronicle have dedicated space to cannabis coverage. The Huffington Post and many of the other major daily newspapers cover cannabis news. MSNBC, CNN, and truTV are developing series around cannabis. We believe that increasing public interest in this topic ensures we will have an audience and be able to attract paid advertisers.

Government Regulation

The following is a brief summary of certain statutes, regulations, policies and proposals affecting our media business. For example, radio broadcasting is subject to the jurisdiction of the FCC under the Communications Act. This does not comprehensively cover all current and proposed statutes, regulations and policies affecting our media and business. Reference should be made to the Communications Act and other relevant statutes, regulations, policies and proceedings for further information concerning the nature and extent of regulation of our media business. Finally, several of the following matters are now, or may become, the subject of court litigation, and we cannot predict the outcome of any such litigation or its impact on our media business.

Federal law regulates the broadcast of obscene, indecent or profane material. Legislation enacted by Congress provides the FCC with authority to impose fines of up to \$325,000 per utterance with a cap of \$3.0 million for any violation arising from a single act. In June 2012, the U.S. Supreme Court ruled on the appeals of several FCC indecency enforcement actions. While setting aside the particular FCC actions under review on narrow due process grounds, the Supreme Court declined to rule on the constitutionality of the FCC's indecency policies, and the FCC has since solicited public comment on those policies. We may receive in the future, letters of inquiry and other notifications from the FCC concerning complaints that programming contains indecent or profane language. We cannot predict the outcome of our outstanding letters of inquiry and notifications from the FCC or the nature or extent of future FCC indecency enforcement actions.

Customers

We provide cannabis lab testing services in Las Vegas to Nevada licensed Medical Marijuana Enterprises ("MMEs"), and have expanded to recreational use facilities with the recently passed legislation that allows for the recreational use of marijuana in Nevada. We sell our services to these enterprises on a fixed fee per test or panel of tests, and offer a discounted price for customers based on volume. On June 17, 2014, Clark County approved a total of 117 special use permits to cultivation and 87 production applicants. There may be some cross-over applicants in this total whereby an applicant was awarded both a cultivation and production permit, and some of these applicants will undoubtedly not be able to commence operations and will lose their permits, but this is generally our pool of customers, along with additional permit holders in the Cities of Las Vegas and North Las Vegas. As of January 6, 2017, MMEs approved by the State of Nevada include 60 dispensaries, 88 cultivators, 57 production facilities and 11 labs. We have worked with over 96 cultivators and producers in and around Clark and Nye County. As new harvests come to market, we anticipate further customer growth, especially with the recent legalization of recreational cannabis in the State of Nevada. We also anticipate a steady stream of new Nevada MMEs to become operational and licensed throughout 2017 and into 2018, which should result in additional customers for Digipath Labs.

Research and Development

We believe that our future success will be impacted by our ability to continue to enhance and broaden our services to meet the evolving needs of a relatively newly regulated cannabis services industry. Our research and development efforts are focused on developing new, complementary solutions to streamline our processes and provide optimal services to both our customers and for regulators.

When developing our technical solutions to provide cannabis testing solutions, industry regulatory requirements also dictate that substantial documentation be created to demonstrate data integrity. Our standard operating procedures include streamlined methodologies for generating and maintaining testing services that can be tailored to the variations in other State jurisdictions, as necessary.

We expect to continue to invest in our businesses and to invest further as we expand our lab business for cannabis testing to other jurisdictions.

Marketing, Sales and Support

We use a range of communication platforms to reach our target customers. The goal of the marketing strategy is to position us as the leading testing company in the botanical, nutraceutical, and cannabis industries in the country. Our marketing efforts include digital/online, industry conferences and affiliations, media outreach, our own TNMNews, direct response and public relations. We believe that these efforts have the ability to deliver our brand message in a powerful way to maximize audience reach.

Seasonality

Our businesses are not subject to seasonality.

Insurance

We do not currently maintain property, business interruption and casualty insurance. We intend to obtain such insurance in accordance with customary industry practices when we have sufficient financial resources.

Employees

As of September 30, 2017, we had fifteen employees. None of our employees are members of a trade union. We believe that we maintain good relationships with our employees, and have not experienced any strikes or shutdowns and have not been involved in any labor disputes.

Corporate Information

Our principal executive offices are located at 6450 Cameron Street, Suite 113, Las Vegas, Nevada 89118, Telephone No.: (702) 527-2060. Our website is located at <http://www.digipath.com>. The content on our website is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Report.

ITEM 1A. RISK FACTORS

The following important factors, and the important factors described elsewhere in this report or in our other filings with the SEC, could affect (and in some cases have affected) our results and could cause our results to be materially different from estimates or expectations. Other risks and uncertainties may also affect our results or operations adversely. The following and these other risks could materially and adversely affect our business, operations, results or financial condition.

An investment in the Company is highly speculative in nature and involves an extremely high degree of risk.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations. We have a limited operating history. Our operations are subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

Our auditor has expressed substantial doubt about our ability to continue as a going concern. We may be unable to obtain additional capital required to implement our business plan. As a result of recurring net losses and insufficient cash reserves, our independent certified public accountant has added a paragraph to its report on our financial statements for the year ended September 30, 2017 questioning our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to raise additional capital and to achieve sustainable revenues and profitable operations. Since inception, we have raised funds primarily through the sale of equity securities. We will need and are currently seeking additional funds to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations or cause substantial dilution for our stockholders. If we are unable to obtain additional funds, our ability to carry out and implement our planned business objectives and strategies will be significantly delayed, limited or may not occur. We cannot guarantee that we will become profitable. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability and our failure to do so would adversely affect our business, including our ability to raise additional funds.

Our failure to manage growth effectively could impair our business. Our business strategy envisions a period of rapid growth that may put a strain on our administrative, operational resources and funding requirements. Our ability to effectively manage growth will require us to continue to expand the capabilities of our operational and management systems and to attract, train, manage and retain qualified personnel. There can be no assurance that we will be able to do so, particularly if losses continue and we are unable to obtain sufficient financing. If we are unable to successfully manage growth, our business, prospects, financial condition, and results of operations could be adversely affected.

Our plans are dependent upon key individuals and the ability to attract qualified personnel . In order to execute our business plan, we will be dependent on upon our executive officers and directors, as well as other key personnel. The loss of any of the foregoing individuals could have a material adverse effect upon our business prospects. Moreover our success continues to depend to a significant extent on our ability to identify, attract, hire, train and retain qualified professional, creative, technical and managerial personnel. Competition for such personnel is intense, and there can be no assurance that we will be successful in identifying, attracting, hiring, training, and retaining such personnel in the future. If we are unable to hire, assimilate and retain such qualified personnel in the future, our business, operating results, and financial condition could be materially adversely affected. We may also depend on third party contractors and other partners, to assist with the execution of our business plan. There can be no assurance that we will be successful in either attracting and retaining qualified personnel, or creating arrangements with such third parties. The failure to succeed in these endeavors would have a material adverse effect on our ability to consummate our business plans.

Risks Related To Our Cannabis Related Businesses

Our business is dependent on state laws pertaining to the cannabis industry. As of December 22, 2017, twenty-nine states and the District of Columbia allow its citizens to use medical cannabis. Additionally, Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, and Washington, and the District of Columbia have legalized cannabis for adult recreational use, and additional recreational measures are expected to be pursued by other states in the future. Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level. Any number of factors could slow or halt progress in this area. Further, progress in the cannabis industry, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of cannabis, which would negatively impact our business.

Cannabis remains illegal under federal law and a change in federal enforcement practices could significantly and negatively affect our business. Despite the development of a cannabis industry legal under state laws, state laws legalizing medicinal and adult cannabis use are in conflict with the Federal Controlled Substances Act, which classifies cannabis as a Schedule-I controlled substance and makes cannabis use and possession illegal on a national level. The United States Supreme Court has ruled that it is the Federal government that has the right to regulate and criminalize cannabis, even for medical purposes, and thus Federal law criminalizing the use of cannabis preempts state laws that legalize its use. However, the Obama Administration has effectively stated that it is not an efficient use of resources to direct Federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical and recreational cannabis. Yet, there is no guarantee that the Trump Administration will not change its stated policy regarding the low-priority enforcement of Federal laws in states where cannabis has been legalized. Any such change in the Federal government’s enforcement of Federal laws could cause significant financial damage to us and our shareholders.

As the possession and use of cannabis is illegal under the Federal Controlled Substances Act, we may be deemed to be aiding and abetting illegal activities through the services that we provide. As a result, we may be subject to enforcement actions by law enforcement authorities, which would materially and adversely affect our business. Under Federal law, and more specifically the Federal Controlled Substances Act, the possession, use, cultivation, and transfer of cannabis is illegal. Our business provides services to customers that are engaged in the business of possession, use, cultivation, and/or transfer of cannabis. As a result, law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against us, including, but not limited, to a claim of aiding and abetting another’s criminal activities. The Federal aiding and abetting statute provides that anyone who “commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal.” 18 U.S.C. §2(a). As a result of such an action, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Laws and regulations affecting the cannabis and marijuana industries are constantly changing, which could detrimentally affect our business, and we cannot predict the impact that future regulations may have on us. Local, state and federal cannabis laws and regulations are constantly changing and they are subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or to alter one or more of our service offerings. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our revenues, profitability, and financial condition. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Any change in law or interpretation could have a material adverse effect on our business, financial condition, and results of operations.

Federal enforcement practices could change with respect to services providers to participants in the cannabis industry, which could adversely impact us. If the federal government were to change its practices, or were to expand its resources attacking providers in the cannabis industry, such action could have a materially adverse effect on our operations, our customers, or the sales of our products. It is possible that additional Federal or state legislation could be enacted in the future that would prohibit our customers from selling cannabis, and if such legislation were enacted, such customers may discontinue the use of our services. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Expansion by well-established laboratory testing companies into the cannabis industry could prevent us from realizing anticipated growth in customers and revenues. Traditional laboratory testing companies may expand their businesses into cannabis testing. If they decided to expand into cannabis testing, this could hurt the growth of our business and cause our revenues to be lower than we expect.

Due to our involvement in the cannabis industry, we may have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liabilities. Insurance that is otherwise readily available, such as workers' compensation, general liability, and directors and officers insurance, is more difficult for us to find, and more expensive, because we are service providers to companies in the cannabis industry. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable to us. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

Participants in the cannabis industry have difficulty accessing the service of banks, which makes it difficult for us to operate. Despite rules issued by the United States Department of the Treasury mitigating the risk to banks that do business with cannabis companies permitted under state law, as well as guidance from the United States Department of Justice, banks remain wary to accept funds from businesses in the cannabis industry. In fact, we were previously notified by our bank that our deposit accounts would be closed, and we are currently looking for a replacement banking institution. Since the use of cannabis remains illegal under Federal law, there remains a compelling argument that banks may be in violation of Federal law when accepting for deposit, funds derived from the sale or distribution of cannabis. Consequently, businesses involved in the cannabis industry, including us, continue to have trouble establishing and maintain banking relationships. An inability to open and maintain bank accounts may make it difficult for us and our customers to do business. In addition, our inability to maintain a bank account has resulted in our holding large sums of cash. Although we store our cash in a secure safe, we are exposed to a greater risk of theft.

Risks Relating To Media Business

We face intense competition in our media businesses. We operate in a highly competitive industry, and we may not be able to maintain or increase our current audience ratings and advertising and sales revenues, if any. Our media and advertising businesses compete for audiences and advertising revenues with other media businesses, as well as with other media, such as newspapers, magazines, television, direct mail, portable digital audio players, mobile devices, satellite radio, Internet-based services and live entertainment, within their respective markets. Audience ratings and market shares are subject to change, which could have the effect of reducing our revenues in that market. Our competitors may develop technology, services or advertising media that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It also is possible that new competitors may emerge and rapidly acquire significant market share in any of our business segments. An increased level of competition for advertising dollars may lead to lower advertising rates as we attempt to retain customers or may cause us to lose customers to our competitors who offer lower rates that we are unable or unwilling to match.

Our business is dependent on our management team and other key individuals. Our media business is dependent upon the performance of our management team and other key individuals, and in particular, Todd Denkin, our Chief Executive Officer, who also acts as the host of many of our programs. We can give no assurance that all or any of our management team and other key individuals will remain with us. Competition for these individuals is intense and many of our key employees are at-will employees who are under no legal obligation to remain with us, and may decide to leave for a variety of personal or other reasons beyond our control. If members of our management or key individuals decide to leave us in the future, or if we are not successful in attracting, motivating and retaining other key employees, our business could be adversely affected.

Extensive current government regulation, and future regulation, may limit our media operations or adversely affect our business and financial results. Congress and several federal agencies, including the FCC, extensively regulate the domestic radio industry. For example, the FCC could impose large fines on us if, in response to pending complaints, it finds that we broadcast indecent programming. We cannot predict whether legislation affecting our media business will be adopted. Such legislation could have a material impact on our operations and financial results. Finally, various regulatory matters relating to our media and business are now, or may become, the subject of court litigation, and we cannot predict the outcome of any such litigation or its impact on our business.

If our security measures are breached, we may face liability and public perception of our services could be diminished, which would negatively impact our ability to attract listeners, business partners and advertisers. Although we have implemented physical and electronic security measures to protect against the loss, misuse and alteration of our websites, digital assets and proprietary business information as well as listener, consumer, business partner and advertiser personally identifiable information, no security measures are perfect and impenetrable and we may be unable to anticipate or prevent unauthorized access. A security breach could occur due to the actions of outside parties, employee error, malfeasance or a combination of these or other actions. If an actual or perceived breach of our security occurs, we could lose competitively sensitive business information or suffer disruptions to our business operations. In addition, the public perception of the effectiveness of our security measures or services could be harmed, we could lose listeners, consumers, business partners and advertisers and we could suffer financial exposure in connection with remediation efforts, investigations and legal proceedings and changes in our security and system protection measures.

Additional restrictions on advertising of cannabis and other products may further restrict the categories of clients that can advertise using our products. For example, out-of-court settlements between the major U.S. tobacco companies and all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and other U.S. territories include a ban on the outdoor advertising of tobacco products. Other products and services may be targeted in the U.S. in the future, including cannabis products. Any significant reduction in cannabis-related advertising or advertising of other products due to content-related restrictions could cause a reduction in our direct revenues from such advertisements.

Risks Related To Our Common Stock

Our operating results may fluctuate causing volatility in our stock price. Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. The following factors may affect our operating results causing volatility in our stock price:

- Our ability to execute our business plan, compete effectively and attract customers;
- Our ability to respond effectively to a rapidly evolving regulatory and competitive landscape;
- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure;
- Our ability to obtain working capital financing;
- Our ability to attract, motivate and retain top-quality employees;
- Investors' general perception of us; and
- General economic conditions and those economic conditions specific to cannabis industry.

Trading in our common stock has been limited, there is no significant trading market for our common stock, and purchasers of our common stock may be unable to sell their shares. Our common stock is currently eligible for quotation on the OTCQB and OTCBB, however trading to date has been limited. If activity in the market for shares of our common stock does not increase, purchasers of our shares may find it difficult to sell their shares. We currently do not meet the initial listing criteria for any registered securities exchange, including the Nasdaq Stock Market. The OTCQB and OTCBB are often characterized by low trading volume and significant price fluctuations. These and other factors may further impair our stockholders' ability to sell their shares when they want to and/or could depress our stock price. As a result, stockholders may find it difficult to dispose of, or obtain accurate quotations of the price of our securities because smaller quantities of shares could be bought and sold, transactions could be delayed and security analyst and news coverage of our Company may be limited. These factors could result in lower prices and larger spreads in the bid and ask prices for our shares of common stock.

Applicable sec rules governing the trading of "penny stocks" may limit the trading and liquidity of our common stock which may affect the trading price our common stock. Our common stock is a "penny stock" as defined under Rule 3a51-1 of the Exchange Act, and is accordingly subject to SEC rules and regulations that impose limitations upon the manner in which our common stock can be publicly traded. Penny stocks generally are equity securities with a per share price of less than \$5.00 (other than securities registered on some national securities exchanges or quoted on NASDAQ). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and "accredited investors" must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, of our common stock and reducing the liquidity of an investment in our common stock.

We have outstanding shares of preferred stock with rights and preferences superior to those of our common stock. The issued and outstanding shares of Series A Cumulative Convertible Preferred Stock grant the holders of such preferred stock liquidation rights that are superior to those held by the holders of our common stock.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may be limited to the value of our common stock . We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock depends on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 6450 Cameron Street, Suite 113, Las Vegas, Nevada 89118, Telephone No.: (702) 527-2060. Our leased premises are 6,000 square feet and are utilized for corporate business offices and a cannabis testing lab. Our premises are subject to a lease agreement expiring June 14, 2021. Our anticipated future lease commitments on a calendar year basis, including common area maintenance, are as follows:

2017	\$	47,329
2018		192,672
2019		198,904
2020		151,283
2021		50,102
Total	\$	<u>640,290</u>

We believe that our current facilities are adequate for our current needs. We intend to secure new facilities or expand existing facilities as necessary to support future growth. We believe that suitable additional space will be available on commercially reasonable terms as needed to accommodate our operations.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which we are a party or to which any of our property is subject, nor are there any such proceedings known to be contemplated by governmental authorities. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Shares of our common stock trade on the over-the-counter market and are quoted on the OTCBB and OTCQB under the symbol "DIGP". As of December 22, 2017, the closing price of our common stock on the OTCQB was \$0.2627.

The following table sets forth, for the fiscal quarters indicated, the high and low bid information for our common stock, as reported on the OTCQB. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended September 30, 2017		
First Quarter	\$ 0.29	\$ 0.13
Second Quarter	\$ 0.36	\$ 0.17
Third Quarter	\$ 0.27	\$ 0.17
Fourth Quarter	\$ 0.24	\$ 0.15
Fiscal Year Ended September 30, 2016		
First Quarter	\$ 0.29	\$ 0.13
Second Quarter	\$ 0.28	\$ 0.11
Third Quarter	\$ 0.28	\$ 0.17
Fourth Quarter	\$ 0.25	\$ 0.09

As of December 22, 2017, there were approximately 113 shareholders of record of our common stock. Such number does not include any shareholders holding shares in nominee or "street name". As of December 22, 2017, there were 37,285,676 shares of common stock outstanding on record.

Dividends

We have not declared or paid any dividends on our common stock since our inception and do not anticipate paying dividends for the foreseeable future. The payment of dividends is subject to the discretion of our board of directors and depends, among other things, upon our earnings, our capital requirements, our financial condition, and other relevant factors. We intend to reinvest any earnings in the development and expansion of our business. Any cash dividends in the future to common shareholders will be payable when, as and if declared by our board of directors, based upon the board's assessment of our financial condition and performance, earnings, need for funds, capital requirements, prior claims of preferred stock to the extent issued and outstanding, and other factors, including income tax consequences, restrictions and applicable laws. There can be no assurance, therefore, that any dividends on our common stock will ever be paid.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	9,290,000	\$ 0.23	2,210,000
Equity compensation plans not approved by security holders ⁽²⁾	1,159,800	0.26	N/A
Total	10,449,800	\$ 0.24	2,208,470

⁽¹⁾ Represents awards under our 2012 Stock Incentive Plan which was initially adopted with shareholder approval, and amended on June 21, 2016 without shareholder approval (as amended, the “2012 Incentive Plan”). Below is a brief description of the material terms of the 2012 Incentive Plan and the awards that may be granted thereunder.

⁽²⁾ Consists of warrants issued to consultants of the Company in consideration of services with exercise prices ranging from \$0.1901 to \$0.40 per share. For additional details see Note 10 to the accompanying financial statements.

2012 Incentive Plan

Effective Date and Expiration. The 2012 Incentive Plan, as amended, became effective on March 5, 2012, and will terminate on March 5, 2022, unless it is terminated earlier by our board of directors. No award may be made under the Incentive Plan after its expiration date, but awards made prior thereto may extend beyond that date.

Share Authorization. The maximum aggregate number of Shares which may be issued pursuant to awards granted under the 2012 Incentive Plan is Eleven Million Five Hundred Thousand (11,500,000) shares. Prior to its amendment in June 2016, Three Million shares had been authorized for issuance under the 2012 Plan.

General; Types of Awards . The 2012 Incentive Plan provides for the grant of options to purchase shares of common stock, restricted stock, stock appreciation rights (“SARs”) and restricted stock units (rights to receive, in cash or stock, the market value of one share of our common stock). Incentive stock options (“ISOs”) may be granted only to employees. Nonstatutory stock options and other stock-based awards may be granted to officers, employees, non-employee directors and consultants.

Administration . The 2012 Incentive Plan will be administered by our board of directors or a committee of our board of directors (the “Administrator”) as provided in the 2012 Incentive Plan. The Administrator will have the authority to select the eligible participants to whom awards will be granted, to determine the types of awards and the number of shares covered and to set the terms, conditions and provisions of such awards, to cancel or suspend awards under certain conditions, and to accelerate the exercisability of awards. The Administrator will be authorized to interpret the 2012 Incentive Plan, to establish, amend, and rescind any rules and regulations relating to the 2012 Incentive Plan, to determine the terms of agreements entered into with recipients under the 2012 Incentive Plan, and to make all other determinations that may be necessary or advisable for the administration of the 2012 Incentive Plan.

Eligibility . Options and other awards may be granted under the 2012 Incentive Plan to directors, officers, employees and consultants of our company and any of our subsidiaries, provided that the services of such consultants are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for our securities. At the date of this prospectus, all of our officers, directors and employees would have been eligible to receive awards under the 2012 Incentive Plan.

Stock Options . The exercise price per share of our common stock purchasable upon exercise of any stock option or SAR will be determined by the Administrator, but cannot in any event be less than 100% of the fair market value of our common stock on the date the award is granted. The Administrator will determine the term of each stock option or SAR (subject to a maximum term of 10 years) and each option or SAR will be exercisable pursuant to a vesting schedule determined by the Administrator. The grants and the terms of ISOs will be restricted to the extent required for qualification as ISOs by the U.S. Internal Revenue Code of 1986, as amended. Subject to approval of the Administrator, options or SARs may be exercised by payment of the exercise price in cash, shares of common stock or pursuant to a “cashless exercise” through a broker-dealer under an arrangement approved by the Administrator. The Administrator may require the grantee to pay to us any applicable withholding taxes that we are required to withhold with respect to the grant or exercise of any option. The withholding tax may be paid in cash or, subject to applicable law, the Administrator may permit the grantee to satisfy these obligations by the withholding or delivery of shares of our common stock. We may withhold from any shares of our common stock that may be issued pursuant to an option or from any cash amounts otherwise due from us to the recipient of the option an amount equal to such taxes.

Restricted Stock . Restricted shares may be sold or awarded for consideration determined by the Administrator, including cash, full-recourse promissory notes, as well as past and future services. Any award of restricted shares will be subject to a vesting schedule determined by the Administrator. Any restricted shares that are not vested will be subject to rights of repurchase, rights of first refusal or other restrictions as determined by the Administrator. In general, holders of restricted shares will have the same voting, dividend and other rights as our other stockholders.

Adjustments upon Changes in Capitalization . In the event of any change affecting shares of our common stock by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distribution to stockholders other than cash dividends, the Administrator will make substitutions or adjustments in the aggregate number of shares that may be distributed under the 2012 Incentive Plan, and in the number and types of shares subject to, and the exercise prices under, outstanding awards granted under the 2012 Incentive Plan, in accordance with Section 10 and other provisions of the 2012 Incentive Plan.

Assignment . Unless otherwise permitted by the 2012 Incentive Plan and approved by the Administrator as permitted by the 2012 Incentive Plan, no award will be assignable or otherwise transferable by the grantee other than by will or the laws of descent and distribution and, during the grantee's lifetime, an award may be exercised only by the grantee.

Amendment . Our board of directors may amend the 2012 Incentive Plan in any and all respects without stockholder approval, except as such stockholder approval may be required under applicable law or pursuant to the listing requirements of any national market system or securities exchange on which our equity securities may be listed or quoted.

Recent Sales of Unregistered Securities

The following sales of equity securities by the Company occurred during the three month period ended September 30, 2017.

On August 25, 2017, the Company sold 33.333 units, consisting of 333,334 shares of its common stock and 166,667 warrants, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$50,000.

On August 25, 2017, the Company sold 7 units, consisting of 70,000 shares of its common stock and warrants to purchase 35,000 shares of common stock, exercisable at \$0.30 per share over a sixty month period, in exchange for total proceeds of \$10,500.

On August 4, 2017, the Company sold 100 units, consisting of 1,000,000 shares of its common stock and warrants to purchase 500,000 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$150,000.

On July 28, 2017, the Company sold 33.333 units, consisting of 333,334 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$50,000.

The foregoing shares of common stock and warrants are restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuances were exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchasers were accredited investors, familiar with our operations, and there was no general solicitation.

ITEM 6. SELECTED FINANCIAL DATA

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the operating results, financial condition, liquidity and cash flows of the Company and its subsidiaries for the fiscal years ended September 30, 2017 and 2016. The discussion and analysis that follows should be read together with the section entitled "Forward Looking Statements" and our consolidated financial statements and the notes to the consolidated financial statements included elsewhere in this annual report on Form 10-K.

Except for historical information, the matters discussed in this section are forward looking statements that involve risks and uncertainties and are based upon judgments concerning various factors that are beyond the Company's control. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report.

Overview

Digipath, Inc. was incorporated in Nevada on October 5, 2010. Digipath, Inc. and its subsidiaries ("Digipath," the "Company," "we," "our" or "us") supports the cannabis industry's best practices for reliable testing, cannabis education and training, and brings unbiased cannabis news coverage to the cannabis industry. Our business units as of September 30, 2017 are described below.

- Digipath Labs, Inc.. Digipath Labs' mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our clients' products through research, development, and standardization. We have been operating a cannabis testing lab in Nevada since 2015 and have plans to open labs in other states that have legalized the sale of cannabis, beginning with California.
- The National Marijuana News Corp. provides a balanced and unbiased approach to cannabis news, interviews and education with a news/talk radio show, app, national marijuana news website and social media presence focusing on the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving—and profoundly controversial—medicinal and recreational marijuana industry.

Critical Accounting Policies

The establishment and consistent application of accounting policies is a vital component of accurately and fairly presenting our financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"), as well as ensuring compliance with applicable laws and regulations governing financial reporting. While there are rarely alternative methods or rules from which to select in establishing accounting and financial reporting policies, proper application often involves significant judgment regarding a given set of facts and circumstances and a complex series of decisions.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission. Intercompany accounts and transactions have been eliminated. All references to GAAP are in accordance with The FASB Accounting Standards Codification ("ASC") and the Hierarchy of Generally Accepted Accounting Principles.

Segment Reporting

ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has two reportable segments.

Fair Value of Financial Instruments

The Company adopted ASC 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying value of cash, accounts receivable, accounts payables and accrued expenses are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Fixed Assets

Fixed assets are stated at the lower of cost or estimated net recoverable amount. The cost of property, plant and equipment is depreciated using the straight-line method based on the lesser of the estimated useful lives of the assets or the lease term based on the following life expectancy:

Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Lab equipment	7 years
Leasehold improvements	Term of lease

Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset. When assets are retired or sold, the cost and related accumulated depreciation and amortization are eliminated and any resulting gain or loss is reflected in operations.

Impairment of Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. Recoverability is assessed using undiscounted cash flows based upon historical results and current projections of earnings before interest and taxes. Impairment is measured using discounted cash flows of future operating results based upon a rate that corresponds to the cost of capital. Impairments are recognized in operating results to the extent that carrying value exceeds discounted cash flows of future operations.

Our intellectual property is comprised of indefinite-lived brand names acquired and have been assigned an indefinite life as we currently anticipate that these brand names will contribute cash flows to the Company perpetually. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired.

Marketable Securities

The Company classifies its debt and marketable equity securities into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity. During the year ended September 30, 2017, we elected to realize our losses on available-for-sale securities and recognized a loss of \$50,000.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, Revenue Recognition. ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery of product has met the criteria established in the arrangement or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. This occurs when the products or services are completed in accordance with the contracts we have with clients. In connection with our products and services arrangements, when we are paid in advance, these amounts are classified as deferred revenue and amortized over the term of the agreement. With respect to our cannabis lab testing revenues, we sell our services on a determinable fixed fee per test, or panel of tests basis, and offer a discounted price for customers that agree to enter into exclusive, long term contracts or certain volume commitments. We typically require payment within thirty days of the delivery of results. Revenues are recognized upon the substantial completion of the tests when collectability is reasonably assured, which is usually upon delivery of results to the customer.

Advertising Costs

The Company expenses the cost of advertising and promotions as incurred. Advertising and promotions expense was \$138,026 and \$121,610 for the years ended September 30, 2017 and 2016, respectively.

Basic and Diluted Loss Per Share

The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the years ended September 30, 2017 and 2016, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). 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 of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Uncertain Tax Positions

In accordance with ASC 740, "Income Taxes" ("ASC 740"), the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Results of Operations

Our cannabis testing lab opened in Nevada during May of 2015, and our operations have steadily increased as additional cannabis dispensaries and growers have commenced operations, resulting in additional demand for our lab testing services. The following table shows operating results for the years ended September 30, 2017 and 2016.

	Years Ended September 30,		Increase / (Decrease)
	2017	2016	
Revenues	\$ 1,898,172	\$ 818,583	\$ 1,079,589
Cost of sales	904,166	380,036	524,130
Gross profit	<u>994,006</u>	<u>438,547</u>	<u>555,459</u>
Operating expenses:			
General and administrative	1,257,745	1,260,823	(3,078)
Professional fees	1,001,289	1,785,819	(784,530)
Bad debts expense	42,180	274,375	(232,195)
Total operating expenses:	<u>2,301,214</u>	<u>3,321,017</u>	<u>(1,019,803)</u>
Operating loss	(1,307,208)	(2,882,470)	(1,575,262)
Total other income (expense)	<u>242,068</u>	<u>(816,549)</u>	<u>1,058,617</u>
Net loss	<u>\$ (1,065,140)</u>	<u>\$ (3,699,019)</u>	<u>\$ (2,633,879)</u>

Revenues

Revenues were generated by our cannabis testing lab and to a de minimis extent, from advertising on TNMNews media. Aggregate revenues for the year ended September 30, 2017 were \$1,898,172, compared to revenues of \$818,583 during the year ended September 30, 2016, an increase of \$1,079,589, or 132%. The increase in revenue was due to the continued growth of our testing lab operations in Nevada as our customer base, consisting of production and cultivation facilities, increased their operations, particularly following the implementation of the Nevada law permitting the recreational use of marijuana, which went into effect on July 1, 2017.

Cost of Sales

Cost of sales for the year ended September 30, 2017 were \$904,166, compared to \$380,036 during the year ended September 30, 2016, an increase of \$524,130, or 138%. Cost of sales consists primarily of labor, depreciation and maintenance on lab equipment, in addition to supplies consumed in our testing operations. The increased cost of sales in the current period was primarily due to the operational increases over the comparative period. Our gross margins of approximately 52%, declined slightly during the year ended September 30, 2017, compared to gross margins of approximately 54% during the year ended September 30, 2016. We expect gross margins to increase along with revenues as we realize efficiencies and economies of scale and increase our pricing as demand continues to increase with the legalization of recreational cannabis in Nevada.

General and Administrative Expenses

General and administrative expenses for the year ended September 30, 2017 were \$1,257,745, compared to \$1,260,823 during the year ended September 30, 2016, a decrease of \$3,078, or less than 1%. The expenses consisted primarily of marketing, rent, salaries and wages, and travel expenses.

Professional Fees

Professional fees for the year ended September 30, 2017 were \$1,001,289, compared to \$1,785,819 during the year ended September 30, 2016, a decrease of \$784,530, or 44%. Professional fees decreased primarily due to decreased stock-based compensation paid to consultants during the current period. Stock based compensation was \$636,116 during the year ended September 30, 2017, compared to \$1,413,569 during the year ended September 30, 2016, a decrease of \$777,453, or 55%.

Bad Debt Expense

Bad debt expense for the year ended September 30, 2017 was \$42,180, compared to \$274,375 during the year ended September 30, 2016, a decrease of \$232,195, or 85%. Bad debt expense during the current period consisted of an allowance for bad debts of \$10,000 related to interest on a note receivable owed by a former affiliate, compared to \$274,375 related to the same note in the prior year. An additional allowance for uncollectible customer accounts of \$32,180 was recognized during the current year. We have not yet realized any bad debts on our trade receivables.

Operating Loss

Operating loss for the year ended September 30, 2017 was \$1,307,208, compared to \$2,882,470 during the year ended September 30, 2016, a decrease of \$1,575,262, or 55%. Operating loss decreased primarily due to our increased revenues, decreased stock-based compensation and decreased bad debts expense during the year ended September 30, 2017, compared to the year ended September 30, 2016.

Other Income (Expense)

Other income, on a net basis, for the year ended September 30, 2017 was \$242,068, compared to other expense, on a net basis, of \$816,549 during the year ended September 30, 2016, an increase of \$1,058,617. Other income during the year ended September 30, 2017, consisted of rental income of \$20,568 from subleased office and storage space, \$250,000 received pursuant to the settlement under a license agreement with GB Sciences, Inc., \$11,500 of restitution payments received from a former employee, and \$10,000 of interest income from a former affiliate. Other expenses during the year ended September 30, 2016, consisted of equity in losses of unconsolidated entity of \$992,682, which consists of a loss on the impairment of our investment in a former affiliate of \$893,325 and \$99,357 from our interest in the losses of the unconsolidated entity, offset by \$100,000 of other income received on a previously impaired receivable, a gain on early extinguishment of debt of \$12,133, \$10,000 of interest income, \$30,000 of sublet rent, and \$24,000 of restitution payments received from a former employee.

Net Loss

Net loss for the year ended September 30, 2017 was \$1,065,140, compared to \$3,699,019 during the year ended September 30, 2016, a decrease of \$2,633,879, or 71%. Net loss decreased primarily due to our increased revenues, our loss from an unconsolidated subsidiary in the year ended September 30, 2016 with no similar losses in the year ended September 30, 2017, and reductions in stock-based compensation.

Liquidity and Capital Resources

As of September 30, 2017, the Company had assets equal to \$1,571,236, comprising of cash of \$178,177, accounts receivable of \$266,613, prepaid expenses of \$73,750, deposits of \$25,647 and fixed assets of \$1,027,049. The Company's current liabilities as of September 30, 2017 were \$163,998, consisting of \$121,994 of accounts payable and \$42,004 of accrued expenses.

The following table summarizes our total current assets, liabilities and working capital at September 30, 2017 and 2016.

	September 30,	
	2017	2016
Current Assets	\$ 544,187	\$ 297,927
Current Liabilities	\$ 163,998	\$ 211,913
Working Capital	\$ 380,189	\$ 86,014

The following table summarizes our cash flows during the years ended September 30, 2017 and 2016, respectively.

	Years Ended September 30,	
	2017	2016
Net cash used in operating activities	\$ (376,877)	\$ (734,070)
Net cash used in investing activities	(140,836)	(71,635)
Net cash provided by financing activities	560,500	460,000
Net change in cash	\$ 42,787	\$ (345,705)

The decrease in funds used in operating activities for the year ended September 30, 2017, compared to the year ended September 30, 2016, was primarily due to sales growth.

The increase in funds used in investing activities for the year ended September 30, 2017, compared to the year ended September 30, 2016, was due primarily to increased equipment purchases in the year ended September 30, 2017, as we expanded our operations to meet the increased demand in our Nevada lab.

The increase in funds provided by financing activities for the year ended September 30, 2017, compared to the year ended September 30, 2016, was due to increased sales of our securities through private placement offerings in the year ended September 30, 2017.

Satisfaction of our Cash Obligations for the Next 12 Months

As of September 30, 2017, our balance of cash on hand was \$178,177. We do not currently have sufficient funds to fund our operations at their current levels for the next twelve months. As we continue to develop our lab testing business and attempt to expand operational activities, we expect to continue to experience net negative cash flows from operations in amounts not now determinable, and will be required to obtain additional financing to fund operations. Our ability to continue as a going concern is dependent upon our ability to raise additional capital and to achieve sustainable revenues and profitable operations. Since inception, we have raised funds primarily through the sale of equity securities. We will need and are currently seeking additional funds to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations or cause substantial dilution for our stockholders. If we are unable to obtain additional funds, our ability to carry out and implement our planned business objectives and strategies will be significantly delayed, limited or may not occur. We cannot guarantee that we will become profitable. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability and our failure to do so would adversely affect our business, including our ability to raise additional funds.

Off-Balance Sheet Arrangements

We have no outstanding off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DIGIPATH, INC. & SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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Report of Independent Registered Public Accounting Firm

**To the Board of Directors and
Stockholders of Digipath, Inc. and Subsidiaries,**

We have audited the accompanying consolidated balance sheet of Digipath, Inc. and Subsidiaries (collectively, the "Company") as of September 30, 2017 and the related consolidated statements of operations and comprehensive loss, statement of stockholders' equity and cash flows for the period ended September 30, 2017. Digipath, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 Digipath, Inc. and Subsidiaries as of September 30, 2017, and the results of its operations and its cash flows for the year ended September 30, 2017, 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 2 to the consolidated financial statements, the Company has recurring losses from operations and insufficient working capital, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/M&K CPAS, PLLC

Houston, TX
December 29, 2017



CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Digipath, Inc. and Subsidiaries,

We have audited the accompanying consolidated balance sheet of Digipath, Inc. and Subsidiaries as of September 30, 2016 and the related consolidated statements of operations and comprehensive loss, statement of stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of Digipath, Inc. and Subsidiaries as of September 30, 2016, and the results of their consolidated operations and their consolidated cash flows for the year then ended 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 2 to the consolidated financial statements, the Company has recurring losses and insufficient working capital, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Anton & Chia, LLP

Newport Beach, CA
January 9, 2017

**DIGIPATH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	September 30, 2017	September 30, 2016
Assets		
Current assets:		
Cash	\$ 178,177	\$ 135,390
Accounts receivable	266,613	98,441
Prepaid expenses	73,750	24,246
Deposits	25,647	39,850
Total current assets	<u>544,187</u>	<u>297,927</u>
Fixed assets, net	1,027,049	1,139,748
Available-for-sale securities	-	9,200
Total Assets	<u><u>\$ 1,571,236</u></u>	<u><u>\$ 1,446,875</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 121,994	\$ 157,666
Accrued expenses	42,004	54,247
Total current liabilities	<u>163,998</u>	<u>211,913</u>
Total Liabilities	<u>163,998</u>	<u>211,913</u>
Stockholders' Equity:		
Series A convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized; 1,897,942 and 3,520,442 shares issued and outstanding at September 30, 2017 and 2016, respectively	1,898	3,520
Common stock, \$0.001 par value, 90,000,000 shares authorized; 35,027,118 and 22,491,041 shares issued and outstanding at September 30, 2017 and 2016, respectively	35,027	22,491
Additional paid-in capital	12,866,984	11,681,282
Accumulated other comprehensive loss	-	(40,800)
Accumulated (deficit)	(11,496,671)	(10,431,531)
Total Stockholders' Equity	<u>1,407,238</u>	<u>1,234,962</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 1,571,236</u></u>	<u><u>\$ 1,446,875</u></u>

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

DIGIPATH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended September 30,	
	<u>2017</u>	<u>2016</u>
Revenues	\$ 1,898,172	\$ 818,583
Cost of sales	904,166	380,036
Gross profit	<u>994,006</u>	<u>438,547</u>
Operating expenses:		
General and administrative	1,257,745	1,260,823
Professional fees	1,001,289	1,785,819
Bad debts expense	42,180	274,375
Total operating expenses	<u>2,301,214</u>	<u>3,321,017</u>
Operating loss	<u>(1,307,208)</u>	<u>(2,882,470)</u>
Other income (expense):		
Other income	282,068	154,000
Interest income	10,000	10,000
Loss on impairment of securities available-for-sale	(50,000)	-
Gain on early extinguishment of debt	-	12,133
Equity in losses of unconsolidated entity	-	(992,682)
Total other income (expense)	<u>242,068</u>	<u>(816,549)</u>
Net loss	\$ (1,065,140)	\$ (3,699,019)
Other comprehensive loss		
Available-for-sale investments:		
Change in net unrealized loss (net of tax effect)	-	(4,800)
Comprehensive loss	<u>\$ (1,065,140)</u>	<u>\$ (3,703,819)</u>
Weighted average number of common shares outstanding - basic and fully diluted	<u>29,321,193</u>	<u>18,438,048</u>
Net (loss) per share - basic and fully diluted	<u>\$ (0.04)</u>	<u>\$ (0.20)</u>

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

DIGIPATH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Non-Controlling Interest	Accumulated Other Comprehensive Loss	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance, September 30, 2015	4,351,442	\$ 4,351	13,762,705	\$ 13,763	\$ 10,224,551	\$ (343,533)	\$ (36,000)	\$ (7,847,418)	\$ 2,015,714
Deconsolidation of subsidiary, DigiPath Corp.	-	-	-	-	(408,941)	343,533	-	1,114,906	1,049,498
Units of common stock and warrants sold for cash	-	-	3,033,336	3,033	456,967	-	-	-	460,000
Common stock issued for services	-	-	1,840,000	1,840	293,318	-	-	-	295,158
Common stock options issued for services	-	-	-	-	1,118,411	-	-	-	1,118,411
Cancellation of preferred stock	(60,000)	(60)	-	-	60	-	-	-	-
Conversion of preferred stock to common stock	(771,000)	(771)	3,855,000	3,855	(3,084)	-	-	-	-
Unrealized loss on available-for-sale securities	-	-	-	-	-	-	(4,800)	-	(4,800)
Net loss for the year ended September 30, 2016								(3,699,019)	(3,699,019)
Balance, September 30, 2016	3,520,442	\$ 3,520	22,491,041	\$ 22,491	\$ 11,681,282	\$ -	\$ (40,800)	\$ (10,431,531)	\$ 1,234,962
Units of common stock and warrants sold for cash	-	-	3,498,577	3,499	557,001	-	-	-	560,500
Common stock issued for services	-	-	925,000	925	245,455	-	-	-	246,380
Common stock options issued for services	-	-	-	-	389,736	-	-	-	389,736
Conversion of preferred stock to common stock	(1,622,500)	(1,622)	8,112,500	8,112	(6,490)	-	-	-	-
Realized loss on available-for-sale securities	-	-	-	-	-	-	40,800	-	40,800
Net loss for the year ended September 30, 2017								(1,065,140)	(1,065,140)
Balance, September 30, 2017	<u>1,897,942</u>	<u>\$ 1,898</u>	<u>35,027,118</u>	<u>\$ 35,027</u>	<u>\$ 12,866,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,496,671)</u>	<u>\$ 1,407,238</u>

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

DIGIPATH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended	
	September 30,	
	2017	2016
Cash flows from operating activities		
Net loss	\$ (1,065,140)	\$ (3,699,019)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts expense	42,180	274,375
Depreciation and amortization expense	253,535	244,580
Stock issued for services	246,380	295,158
Options and warrants granted for services	389,736	1,118,411
Realized loss on available-for-sale securities	50,000	-
Gain on early extinguishment of debt	-	(12,133)
Equity in losses of unconsolidated entity	-	992,682
Decrease (increase) in assets:		
Accounts receivable	(210,352)	(103,545)
Prepaid expenses	(49,504)	(979)
Deposits	14,203	(675)
Increase (decrease) in liabilities:		
Accounts payable	(35,672)	128,666
Accrued expenses	(12,243)	32,576
Deferred revenues	-	(4,167)
Net cash used in operating activities	<u>(376,877)</u>	<u>(734,070)</u>
Cash flows from investing activities		
Cash disposed in divestiture of unconsolidated entity	-	(57,876)
Purchase of fixed assets	(140,836)	(13,759)
Net cash used in investing activities	<u>(140,836)</u>	<u>(71,635)</u>
Cash flows from financing activities		
Proceeds from sale of common stock	560,500	460,000
Net cash provided by financing activities	<u>560,500</u>	<u>460,000</u>
Net increase (decrease) in cash	42,787	(345,705)
Cash - beginning	135,390	481,095
Cash - ending	<u>\$ 178,177</u>	<u>\$ 135,390</u>
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Non-cash investing and financing activities:		
Value of preferred stock converted to common stock	<u>\$ 1,622,500</u>	<u>\$ 831,000</u>

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

DIGIPATH, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

Digipath, Inc. was incorporated in Nevada on October 5, 2010. Digipath, Inc. and its subsidiaries (“Digipath,” the “Company,” “we,” “our” or “us”) supports the cannabis industry’s best practices for reliable testing, cannabis education and training, and brings unbiased cannabis news coverage to the cannabis industry. Our business units are described below.

- Digipath Labs, Inc. Digipath Labs’ mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our clients’ products through research, development, and standardization. We have been operating a cannabis testing lab in Nevada since 2015 and have plans to open labs in other states that have legalized the sale of cannabis, beginning with California.
- The National Marijuana News Corp. provides a balanced and unbiased approach to cannabis news, interviews and education with a news/talk radio show, app, national marijuana news website and social media presence focusing on the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving—and profoundly controversial—medicinal and recreational marijuana industry.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC). Intercompany accounts and transactions have been eliminated. All references to Generally Accepted Accounting Principles (“GAAP”) are in accordance with The FASB Accounting Standards Codification (“ASC”) and the Hierarchy of Generally Accepted Accounting Principles.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities, all of which were under common control and ownership at September 30, 2016:

Name of Entity ⁽¹⁾	State of Incorporation	Relationship
Digipath, Inc. ⁽²⁾	Nevada	Parent
Digipath Labs, Inc.	Nevada	Subsidiary
TNM News, Inc.	Nevada	Subsidiary
GroSciences, Inc. ⁽³⁾	Colorado	Subsidiary

⁽¹⁾ All entities are in the form of a corporation.

⁽²⁾ Holding company, which owns each of the wholly-owned subsidiaries. All subsidiaries shown above were wholly-owned by Digipath, Inc., the parent company.

⁽³⁾ Entity formed for prospective purposes, but has not incurred any income or expenses to date.

The consolidated financial statements herein contain the operations of the wholly-owned subsidiaries listed above. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The parent company and subsidiaries will be collectively referred to herein as the “Company”, “Digipath” or “DIGP”. The Company’s headquarters are located in Las Vegas, Nevada and substantially all of its customers are within the United States.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Equity Method

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an Investee depends on an evaluation of several factors including, among others, representation on the Investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the Investee company. Under the equity method of accounting, an Investee company's accounts are not reflected within the Company's Consolidated Balance Sheets and Statements of Operations; however, the Company's share of the earnings or losses of the Investee company is reflected in the caption "Equity in losses of unconsolidated entity" in the Consolidated Statements of Operations. The Company's carrying value in an equity method Investee company is reflected in the caption "Investment in Unconsolidated Entity" in the Company's Consolidated Balance Sheets. Our share of the losses in Digipath Corp. have exceeded our investment, therefore there we no longer carry an asset on the balance sheets, or a noncontrolling interest within the statements of operations.

U.S. GAAP considers a change in reporting entity to include "changing specific subsidiaries that make up the group of entities for which consolidated financial statements are presented." Circumstances may arise where a parent's controlling financial interest (e.g., generally an ownership interest in excess of 50 percent of the outstanding voting stock) is reduced to a noncontrolling investment that still enables it to exercise significant influence over the operating and financial policies of the investee. A change that results from changed facts and circumstances (such as a partial sale of a subsidiary), where there was only one acceptable method of accounting prior to the change in circumstances (consolidation) and only one acceptable method of accounting after the change (equity method accounting), is not a change in reporting entity and is not be accounted for retrospectively. Accordingly, a change from a controlling interest to a noncontrolling investment accounted for under the equity method is accounted for prospectively from the date of change in control. When the Company's carrying value in an equity method Investee company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed obligations of the Investee company or has committed additional funding. When the Investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Reclassifications

Prior year depreciation and amortization amounts of \$244,580 have been reclassified to general and administrative expenses to conform to the current period presentation. These reclassifications had no impact on net earnings, financial position or cash flows.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Segment Reporting

ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Fair Value of Financial Instruments

The Company adopted ASC 820, Fair Value Measurements and Disclosures (ASC 820). ASC 820 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying value of cash, accounts receivable, accounts payables and accrued expenses are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The Company had an allowance for doubtful accounts of \$32,180 and \$-0- as of September 30, 2017 and 2016, respectively.

Fixed Assets

Fixed assets are stated at the lower of cost or estimated net recoverable amount. The cost of property, plant and equipment is depreciated using the straight-line method based on the lesser of the estimated useful lives of the assets or the lease term based on the following life expectancy:

Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Lab equipment	7 years
Leasehold improvements	Term of lease

Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which have extend the useful life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset. When assets are retired or sold, the cost and related accumulated depreciation and amortization are eliminated and any resulting gain or loss is reflected in operations.

Impairment of Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. Recoverability is assessed using undiscounted cash flows based upon historical results and current projections of earnings before interest and taxes. Impairment is measured using discounted cash flows of future operating results based upon a rate that corresponds to the cost of capital. Impairments are recognized in operating results to the extent that carrying value exceeds discounted cash flows of future operations.

Our intellectual property is comprised of indefinite-lived brand names acquired and have been assigned an indefinite life as we currently anticipate that these brand names will contribute cash flows to the Company perpetually. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired.

Marketable Securities

The Company classifies its debt and marketable equity securities into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available for sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, Revenue Recognition. ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery of product has met the criteria established in the arrangement or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. This occurs when the products or services are completed in accordance with the contracts we have with clients. In connection with our products and services arrangements, when we are paid in advance, these amounts are classified as deferred revenue and amortized over the term of the agreement. With respect to our cannabis lab testing revenues, we sell our services on a determinable fixed fee per test, or panel of tests basis, and offer a discounted price for customers that agree to enter into exclusive, long term contracts or certain volume commitments. We typically require payment within thirty days of the delivery of results. Revenues are recognized upon the substantial completion of the tests when collectability is reasonably assured, which is usually upon delivery of results to the customer.

Advertising Costs

The Company expenses the cost of advertising and promotions as incurred. Advertising and promotions expense was \$138,026 and \$121,610 for the years ended September 30, 2017 and 2016, respectively.

Basic and Diluted Loss Per Share

The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the years ended September 30, 2017 and 2016, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). 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 of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Uncertain Tax Positions

In accordance with ASC 740, "Income Taxes" ("ASC 740"), the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

Recent Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarifies when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements and does not plan to early adopt the ASU.

In May 2014 the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. Since ASU 2014-09 was issued, several additional ASUs have been issued to clarify various elements of the guidance. These standards provide guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The standard requires that an entity recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is effective for reporting periods beginning after December 15, 2017. We plan to use the modified retrospective method of adoption and will adopt the standard as of January 1, 2018, the beginning of our next fiscal year. We have completed an initial evaluation of the potential impact from adopting the new standard, including a detailed review of performance obligations for all material revenue streams. Based on this initial evaluation, we do not expect adoption will have a material impact on our financial position, results of operations, or cash flows. Related disclosures will be expanded in line with the requirements of the standard. We will continue our evaluation until our adoption of the new standard.

There are no other recently issued accounting pronouncements that the Company has yet to adopt that are expected to have a material effect on its financial position, results of operations, or cash flows.

Note 2 – Going Concern

As shown in the accompanying consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of (\$11,496,671), and as of September 30, 2017, the Company's cash on hand may not be sufficient to sustain operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new customers to increase revenues. In addition, the Company is currently seeking additional sources of capital to fund short term operations. Management believes these factors will contribute toward achieving profitability. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also 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 should the Company be unable to continue as a going concern.

Note 3 – Related Party Transactions

Appointment of Joseph J. Bianco as Chief Executive Officer

On June 21, 2016, the Board appointed Joseph J. Bianco, one of our directors, to serve as the Company's Chief Executive Officer. As described further below, Todd Denkin, the Company's Chief Executive Officer prior to such appointment, now serves as the Company's President and Chief Operating Officer, and as the President of Digipath's wholly-owned subsidiaries, Digipath Labs, Inc. and TNM News Corp.

In connection with his appointment as Chief Executive Officer, Mr. Bianco entered into an Employment Agreement with the Company dated June 21, 2016 for a three year term, and providing for an initial base salary of \$96,000 per annum and a car allowance of \$1,250 per month. Pursuant to this Employment Agreement, Mr. Bianco was awarded a stock option to purchase 4,750,000 shares of the Company's common stock at an exercise price of \$0.20 per share. The option vests immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter of the shares. The Employment Agreement also terminated the letter agreement between Mr. Bianco's affiliate and the Company pursuant to which Mr. Bianco had provided consulting services to the Company.

Todd Denkin Amended and Restated Employment Agreement

In connection with Mr. Bianco's appointment as the Company's Chief Executive Officer, on June 21, 2016, the Company entered into an Amended and Restated Employment Agreement with Todd Denkin, pursuant to which Mr. Denkin continues to serve as the Company's President, and in addition as its Chief Operating Officer, and as the President of Digipath's wholly-owned subsidiaries, Digipath Labs, Inc. and TNM News Corp. In addition, the term of Mr. Denkin's employment has been extended for a period of three years from June 21, 2016, and he will continue to be paid a base salary of \$192,000 per annum, and receives a car allowance of \$750 per month. Pursuant to the Amended and Restated Employment Agreement, Mr. Denkin was awarded a stock option to purchase 2,500,000 shares of the Company's common stock at an exercise price of \$0.20 per share. The option vests immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter of the shares.

Stock Issued to CFO for Services

On March 1, 2017, the Company issued 25,000 shares of common stock to its CFO as a bonus for services rendered. The aggregate fair value of the common stock was \$6,623 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On September 30, 2016, the Company issued 300,000 shares of common stock to its CFO as a bonus for services rendered. The aggregate fair value of the common stock was \$59,970 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

Options Issued to CFO for Services

On June 19, 2015, the Company granted an option to purchase 100,000 shares of common stock as compensation for services to our Chief Financial Officer. The option vests ratably in quarterly increments over one (1) year beginning September 19, 2015. The options are exercisable until June 19, 2025 at an exercise price of \$0.33 per share. The estimated fair value using the Black-Scholes Pricing Model, based on a volatility rate of 237% and a call option value of \$0.3274, was \$32,744. The option was expensed over the vesting period.

Stock Issued to Director for Services

On February 22, 2017, the Company issued 100,000 shares of common stock to Dr. Alfredo Axtmayer in connection with his appointment to our Board of Directors. The aggregate fair value of the common stock was \$34,000 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

Note 4 – Fair Value of Financial Instruments

Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has certain financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of September 30, 2017 and 2016, respectively:

	Fair Value Measurements at September 30, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 178,177	\$ -	\$ -
Total assets	178,177	-	-
Liabilities			
None	-	-	-
Total liabilities	-	-	-
	\$ 178,177	\$ -	\$ -
	Fair Value Measurements at September 30, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 135,390	\$ -	\$ -
Available-for-sale securities	9,200	-	-
Total assets	144,590	-	-
Liabilities			
None	-	-	-
Total liabilities	-	-	-
	\$ 144,590	\$ -	\$ -

The fair value of our intellectual properties are deemed to approximate book value, and are considered Level 3 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the years ended September 30, 2017 or 2016.

We recognized other than temporary impairment losses of \$50,000 on our available-for-sale securities during the year ended September 30, 2017.

Note 5 – Accounts Receivable

Accounts receivable was \$266,613 and \$98,441 at September 30, 2017 and 2016, respectively, net of allowance for uncollectible accounts of \$32,180 and \$0- at September 30, 2017 and 2016, respectively.

Note 6 – Fixed Assets

Fixed assets consist of the following at September 30, 2017 and 2016:

	For the Years Ended September 30,	
	2017	2016
Software	\$ 121,617	\$ 121,617
Office equipment	36,080	36,080
Furniture and fixtures	14,285	2,357
Lab equipment	938,450	811,623
Leasehold improvements	489,147	487,066
	<u>1,599,579</u>	<u>1,458,743</u>
Less: accumulated depreciation	(572,530)	(318,995)
Total	<u>\$ 1,027,049</u>	<u>\$ 1,139,748</u>

On October 1, 2016, we disposed of fixed assets with a net book value of \$3,122 pursuant to the deconsolidation of Digipath Corp. The fixed assets consisted of furniture and fixtures with a historical cost basis of \$48,779 and software with a historical cost basis of \$10,019, and accumulated depreciation of \$48,779 and \$6,897, respectively. No gain or loss was recognized on the disposals.

Depreciation and amortization expense totaled \$253,535 and \$244,580 for the years ended September 30, 2017 and 2016, respectively.

Note 7 – Available-for-Sale Securities

Available-for-sale securities consisted of 400,000 shares of common stock of Blue Line Protection Group, Inc., a Nevada corporation, acquired from the issuer in March of 2015 for \$50,000. These shares were evaluated and determined to be impaired on an ‘other than temporary’ basis on September 30, 2017, resulting in a loss of \$50,000.

Note 8 – Stockholders’ Equity

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001 per share, of which 6,000,000 have been designated as Series A Convertible Preferred Stock (“Series A Preferred”). As of September 30, 2017, there are 1,897,942 shares of Series A Preferred issued and outstanding. The Board of Directors is authorized to determine any number of series into which shares of preferred stock may be divided and to determine the rights, preferences, privileges and restrictions granted to any series of the preferred stock. Effective as of April 4, 2014, the designations, rights and preferences of the preferred shares changed to blank check preferred. The conversion price of the Series A Preferred is currently \$0.20 per share.

The conversion price is adjustable in the event of stock splits and other adjustments in the Company’s capitalization, and in the event of certain negative actions undertaken by the Company. At the current conversion price, the 1,897,942 shares of Series A Preferred outstanding at September 30, 2017 are convertible into 9,489,710 shares of the common stock of the Company. No holder is permitted to convert its shares of Series A Preferred if such conversion would cause the holder to beneficially own more than 4.99% of the issued and outstanding common stock of the Company immediately after such conversion, unless waived by such holder by providing at least sixty-five days’ notice.

Additional terms of the Series A Preferred include the following:

- The shares of Series A Preferred are entitled to dividends when, as and if declared by the Board as to the shares of the common stock of the Company into which such Series A Preferred may then be converted, subject to the 4.99% beneficial ownership limitation described above.
- Upon the liquidation or dissolution of the Company, or any merger or sale of all or substantially all of the assets, the shares of Series A Preferred are entitled to receive, prior to any distribution to the holders of common stock, 100% of the purchase price per share of Series A Preferred plus all accrued but unpaid dividends.
- The Series A Preferred plus all declared but unpaid dividends thereon automatically will be converted into common stock, at the then applicable conversion rate, upon the affirmative vote of the holders of a majority of the outstanding shares of Series A Preferred.
- Each share of Series A Preferred will carry a number of votes equal to the number of shares of common stock into which such Series A Preferred may then be converted, subject to the 4.99% beneficial ownership limitation described above. The Series A Preferred generally will vote together with the common stock and not as a separate class, except as provided below.
- Consent of the holders of the outstanding Series A Preferred is required in order for the Company to: (i) amend or change the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Series A Preferred; (ii) authorize, create or issue shares of any class of stock having rights, preferences, privileges or powers superior to the Series A Preferred; (iii) reclassify any outstanding shares into shares having rights, preferences, privileges or powers superior to the Series A Preferred; or (iv) amend the Company's Articles of Incorporation or Bylaws in a manner that adversely affects the rights of the Series A Preferred.
- Pursuant to the Securities Purchase Agreements, holders of Series A Preferred are entitled to unlimited "piggyback" registration rights on registrations by the Company, subject to pro rata cutback at any underwriter's discretion.

Preferred Stock Conversions for the Year Ended September 30, 2017

For the year ended September 30, 2017, a total of 1,622,500 shares of Series A Preferred were converted into 8,112,500 shares of common stock. The stock was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Preferred Stock Conversions for the Year Ended September 30, 2016

For the year ended September 30, 2016, a total of 771,000 shares of Series A Preferred were converted into 3,855,000 shares of common stock. The stock was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Common Stock

Common stock consists of \$0.001 par value, 90,000,000 shares authorized, of which 35,027,118 shares were issued and outstanding as of September 30, 2017.

Common Stock Sales for the Year Ended September 30, 2017

On August 25, 2017, the Company sold 33.333 units, consisting of 333,334 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$50,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On August 25, 2017, the Company sold 7 units, consisting of 70,000 shares of its common stock and warrants to purchase 35,000 shares of common stock, exercisable at \$0.30 per share over a sixty month period, in exchange for total proceeds of \$10,500. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On August 4, 2017, the Company sold 100 units, consisting of 1,000,000 shares of its common stock and warrants to purchase 500,000 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$150,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On July 28, 2017, the Company sold 33.333 units, consisting of 333,334 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$50,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On June 21, 2017, the Company sold 33,333 units, consisting of 333,334 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$50,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On February 21, 2017, the Company sold 1,428,575 units, consisting of 1,428,575 shares of its common stock and warrants to purchase 714,285 shares of common stock, exercisable at \$0.26 per share over a thirty six month period, in exchange for total proceeds of \$250,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis. The warrants were assigned to two individuals by the purchaser at the time of the sale.

Common Stock Sales for the Year Ended September 30, 2016

On May 2, 2016, the Company sold 100,000 units, consisting of 100,000 shares of its common stock and warrants to purchase 100,000 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$15,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On April 29, 2016, the Company sold 166,667 units, consisting of 166,667 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$25,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On April 14, 2016, the Company sold 166,667 units, consisting of 166,667 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$25,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On April 12, 2016, the Company sold 83,334 units, consisting of 83,334 shares of its common stock and warrants to purchase 83,334 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$12,500. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On April 7, 2016, the Company sold 166,667 units, consisting of 166,667 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$25,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On March 15, 2016, the Company sold 1,666,667 units, consisting of 1,666,667 shares of its common stock and warrants to purchase 1,666,667 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$250,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On February 17, 2016, the Company sold 83,333 units, consisting of 83,333 shares of its common stock and warrants to purchase 83,333 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$12,500. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On January 19, 2016, the Company sold 333,334 units, consisting of 333,334 shares of its common stock and warrants to purchase 333,334 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$50,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On December 21, 2015, the Company sold 166,667 units, consisting of 166,667 shares of its common stock and warrants to purchase 166,667 shares of common stock, exercisable at \$0.30 per share over a thirty six month period, in exchange for total proceeds of \$25,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

On November 23, 2015, the Company sold 100,000 units, consisting of 100,000 shares of its common stock and warrants to purchase 100,000 shares of common stock, exercisable at \$0.40 per share over a thirty six month period, in exchange for total proceeds of \$20,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

Additional Common Stock Issuances for the Year Ended September 30, 2017

On May 2, 2017, the Company issued 100,000 shares of common stock to Dr. John Abroon in connection with his appointment to our newly created Advisory Board. The aggregate fair value of the common stock was \$20,900 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On May 2, 2017, the Company issued 140,000 shares of common stock to a consultant in consideration of services rendered from April 1, 2017 through May 31, 2017. The aggregate fair value of the common stock was \$29,260 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On March 1, 2017, the Company issued 25,000 shares of common stock to its CFO as a bonus for services rendered. The aggregate fair value of the common stock was \$6,623 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On March 1, 2017, the Company issued 50,000 shares of common stock to its Chief Scientist as a bonus for services rendered. The aggregate fair value of the common stock was \$13,245 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On February 23, 2017, the Company issued 100,000 shares of common stock to a consultant for services to be rendered over a six month period. The aggregate fair value of the common stock was \$29,000 based on the closing price of the Company's common stock on the date of grant, and was expensed over the requisite service period.

On February 22, 2017, the Company issued 100,000 shares of common stock to Dr. Alfredo Axtmayer in connection with his appointment to our Board of Directors. The aggregate fair value of the common stock was \$34,000 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On February 22, 2017, the Company issued 40,000 shares of common stock to a consultant for services rendered. The aggregate fair value of the common stock was \$13,600 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On February 7, 2017, a total of 370,000 shares of common stock were issued to six consultants that were engaged to assist the Company with acquisition activities over a six month period. The aggregate fair value of the common stock was \$82,251 based on the closing price of the Company's common stock on the date of grant, and was expensed over the six month requisite service period.

Additional Common Stock Issuances for the Year Ended September 30, 2016

On September 30, 2016, the Company issued 300,000 shares of common stock to its CFO as a bonus for services rendered. The aggregate fair value of the common stock was \$59,970 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On September 30, 2016, a total of 120,000 shares of common stock were issued to three consultants for services previously rendered. The aggregate fair value of the common stock was \$23,988 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On July 1, 2016, a total of 580,000 shares of common stock were issued to six consultants that were engaged to assist the Company with acquisition activities over for a three month period. The aggregate fair value of the common stock was \$104,980 based on the closing price of the Company's common stock on the date of grant, and was expensed over the three month requisite service period.

On February 1, 2016, a total of 300,000 shares of common stock were awarded to three consultants that were engaged to assist with acquisition activities over for a three month period. The aggregate fair value of the common stock was \$45,720 based on the closing price of the Company's common stock on the date of grant, and was expensed over the three month requisite service period.

On January 1, 2016, the Company issued 40,000 shares of restricted common stock for investor relations services provided. The total fair value of the common stock was \$8,000 based on the closing price of the Company's common stock on the date of grant and was expensed in full.

On January 1, 2016, an affiliate of Mr. Bianco, a director of the Company, became entitled to receive 500,000 shares of common stock for consulting services to be performed during 2016, subject to a ratable "claw back" provision the event of an early termination of the consulting agreement. The total fair value of the common stock was \$70,000 based on the closing price of the Company's common stock on the date of grant, and was expensed over the twelve month requisite service period, resulting in \$17,500 and \$52,500 of stock based compensation during the years ended September 30, 2017 and 2016, respectively.

Note 9 – Common Stock Options

Stock Incentive Plan

On June 21, 2016, we amended and restated our 2012 Stock Incentive Plan (the “2012 Plan”), which was originally adopted on March 5, 2012 and previously amended on May 20, 2014. As amended, the 2012 Plan provides for the issuance of up to 11,500,000 shares of common stock pursuant to the grant of options or other awards, including stock grants, to employees, officers or directors of, and consultants to, the Company and its subsidiaries. Options granted under the 2012 Plan may either be intended to qualify as incentive stock options under the Internal Revenue Code of 1986, or may be non-qualified options, and are exercisable over periods not exceeding ten years from date of grant.

Common Stock Option Issuances for the Year Ended September 30, 2016

No common stock options were issued during the year ended September 30, 2017.

Common Stock Option Issuances for the Year Ended September 30, 2016

On June 21, 2016, the Company granted options to purchase 4,750,000 shares of common stock as compensation for services to our CEO, Mr. Bianco. The options are exercisable over a ten year period at an exercise price of \$0.20 per share, and 50% vest immediately, with 25% vesting each year thereafter. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 230% and a call option value of \$0.1986, was \$943,193. The options are being expensed over the vesting period.

On June 21, 2016, the Company granted options to purchase 2,500,000 shares of common stock as compensation for services to our President and COO, Mr. Denkin. The options are exercisable over a ten year period at an exercise price of \$0.20 per share, and 50% vest immediately, with 25% vesting each year thereafter. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 230% and a call option value of \$0.1986, was \$496,417. The options are being expensed over the vesting period.

On April 7, 2016, the Company granted options to purchase a total of 130,000 fully vested shares of common stock as compensation for services to five employees. The options are exercisable over a ten year period at an exercise price of \$0.22 per share. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 238% and a call option value of \$0.2183, was \$28,382. The fully vested options were expensed in full upon the grant date.

On November 20, 2015, the Company granted options to purchase 500,000 fully vested shares of common stock as compensation for services to a consultant. The options are exercisable over a three year period at an exercise price of \$0.181 per share. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 234% and a call option value of \$0.1734, was \$86,708. The fully vested options were expensed in full upon the grant date.

Common Stock Options Exercised for the Years Ended September 30, 2017 and 2016

No stock options were exercised during the years ended September 30, 2017 and 2016.

Common Stock Options Cancelled or Expired for the Year Ended September 30, 2017

On January 1, 2017, a total of 1,530 common stock options exercisable over a three year period from the original grant date of January 1, 2014 with an exercise price of \$3.30 per share expired.

Common Stock Options Cancelled or Expired for the Year Ended September 30, 2016

On September 30, 2016, a total of 2,351 common stock options exercisable over a three year period from the original grant date of September 30, 2013 with an exercise price of \$3.30 per share expired.

The following is a summary of information about the stock options outstanding at September 30, 2017.

Range of Exercise Prices	Shares Underlying Options Outstanding			Shares Underlying Options Exercisable	
	Shares Underlying Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying Options Exercisable	Weighted Average Exercise Price
\$0.181 – \$0.85	9,290,000	7.27 years	\$ 0.23	7,477,500	\$ 0.24

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants under the fixed option plan:

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Average risk-free interest rates	N/A%	1.18%
Average expected life (in years)	N/A	9.58
Volatility	N/A%	235%

The Black-Scholes option pricing model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's common stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its common stock options. During the years ended September 30, 2017 and September 30, 2016, there were no options granted with an exercise price below the fair value of the underlying stock at the grant date.

The weighted average fair value of options granted with exercise prices at the current fair value of the underlying stock during the year ended September 30, 2016 was approximately \$0.20 per option.

The following is a summary of activity of outstanding common stock options:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Balance, September 30, 2015	1,413,881	\$ 0.43
Options expired	(2,351)	(0.30)
Options granted	<u>7,880,000</u>	<u>3.30</u>
Balance, September 30, 2016	9,291,530	0.23
Options expired	(1,530)	(3.30)
Balance, September 30, 2017	<u>9,290,000</u>	<u>\$ 0.23</u>
Exercisable, September 30, 2017	<u>7,477,500</u>	<u>\$ 0.24</u>

Amortization of Stock Options

A total of \$389,736 and \$994,178 of stock-based compensation expense was recognized from the amortization of options over their vesting period during the years ended September 30, 2017 and 2016, respectively.

As of September 30, 2017, these options in the aggregate had no intrinsic value as the per share market price of \$0.165 of the Company's common stock as of such date was less than the weighted-average exercise price of these options of \$0.23.

Note 10 – Common Stock Warrants

In addition to warrants issued in connection with private placements of our securities as set forth in Note 8 above, we issued the following warrants to purchase our common stock as compensation for services.

On June 6, 2016, the Company granted 659,800 fully vested common stock warrants as compensation for services to a consulting firm. The options are exercisable over a five year period at an exercise price of \$0.1901 per share. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 231% and a call option value of \$0.1883, was \$124,233 and was expensed in full on June 6, 2016.

The following is a summary of information about our warrants to purchase common stock outstanding at September 30, 2017 (including those issued to both investors and service providers).

Range of Exercise Prices	Shares Underlying Warrants Outstanding			Shares Underlying Warrants Exercisable	
	Shares Underlying Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying Warrants Exercisable	Weighted Average Exercise Price
\$0.1901 – \$0.40	5,942,422	2.29 years	\$ 0.28	5,942,422	\$ 0.28

The fair value of each warrant grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants under the fixed option plan:

	September 30, 2017	September 30, 2016
Average risk-free interest rates	1.11%	1.25%
Average expected life (in years)	3.50	3.50
Volatility	145%	231%

The weighted average fair value of warrants granted with exercise prices at the current fair value of the underlying stock during the years ended September 30, 2017 and 2016 was approximately \$0.26 and \$0.28 per warrant, respectively.

The following is a summary of activity of outstanding common stock warrants:

	Number of Shares	Weighted Average Exercise Price
Balance, September 30, 2015	500,000	\$ 0.36
Warrants granted	3,693,136	0.28
Balance, September 30, 2016	4,193,136	0.29
Warrants granted	1,749,286	0.26
Balance, September 30, 2017	5,942,422	\$ 0.28
Exercisable, September 30, 2017	5,942,422	\$ 0.28

Amortization of Stock Warrants

A total of \$- and \$124,233 of stock-based compensation expense was recognized from the amortization of warrants over their vesting period during the years ended September 30, 2017 and 2016, respectively.

Note 11 – Commitments and Contingencies

Lease Commitment

The Company leases space for its lab operations in Las Vegas, Nevada. Amounts of minimum future annual commitments on a calendar year basis, including common area maintenance fees, under non-cancelable operating leases are as follows:

2017	\$ 47,329
2018	192,672
2019	198,904
2020	151,283
2021	50,102
Total	<u>\$ 640,290</u>

Rent expense was \$210,907 and \$211,525 for the years ended September 30, 2017 and 2016, respectively.

Note 12 – Other Income

Other income for the years ended September 30, 2017 and 2016 consisted of the following:

	September 30,	
	2017	2016
Settlement income on license agreement	250,000	100,000
Rental income on subleases	20,568	30,000
Restitution income	11,500	24,000
	<u>282,068</u>	<u>154,000</u>

Note 13 - Income Tax

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

For the years ended September 30, 2017 and 2016, the Company incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At September 30, 2017, the Company had approximately \$7,233,500 of federal net operating losses. The net operating loss carry forwards, if not utilized, will begin to expire in 2031.

The effective income tax rate for the years ended September 30, 2017 and 2016 consisted of the following:

	September 30,	
	2017	2016
Federal statutory income tax rate	35.00%	35.00%
State income taxes	-%	-%
Change in valuation allowance	(35.00%)	(35.00%)
Net effective income tax rate	<u>-</u>	<u>-</u>

The components of the Company's deferred tax asset are as follows:

	September 30,	
	2017	2016
Deferred tax assets:		
Net operating loss carry forwards	\$ 2,531,725	\$ 2,383,955
Net deferred tax assets before valuation allowance	\$ 2,531,725	\$ 2,383,955
Less: Valuation allowance	(2,531,725)	(2,383,955)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at September 30, 2017 and 2016, respectively.

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no uncertain tax positions.

Note 14 – Subsequent Events

Preferred Stock Conversions

On December 19, 2017, a shareholder converted 150,000 shares of Series A Preferred into 750,000 shares of common stock. The stock was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Common Stock Sales

On December 20, 2017, the Company sold 10 units, consisting of 100,000 shares of its common stock and 50,000 warrants, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$18,000.

On December 14, 2017, the Company sold 13.89 units, consisting of 138,889 shares of its common stock and 69,445 warrants, exercisable at \$0.30 per share over a sixty month period, in exchange for total proceeds of \$10,500.

On December 14, 2017, the Company sold 55.56 units, consisting of 555,600 shares of its common stock and 277,800 warrants, exercisable at \$0.26 per share over a sixty month period, in exchange for total proceeds of \$150,000.

Common Stock Issued for Services

On December 22, 2017, the Company issued 300,000 shares of common stock to its CFO as a bonus for services rendered. The aggregate fair value of the common stock was \$78,810 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On December 22, 2017, the Company issued 100,000 shares of common stock to Dr. Alfredo Axtmayer for his services on our Board of Directors. The aggregate fair value of the common stock was \$26,270 based on the closing price of the Company's common stock on the date of grant, and was expensed in full.

On November 29, 2017, a total of 314,069 shares of common stock were issued to three consultants that were engaged to assist the Company with acquisition activities during the first fiscal period. The aggregate fair value of the common stock was \$82,600 based on the closing price of the Company's common stock on the date of grant, and is being expensed over the six month requisite service period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and our Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017 (the "Evaluation Date"). The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2017, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. 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 in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 has conducted, with the participation of our Principal Executive Officer and our Principal Accounting Officer, an assessment, including testing of the effectiveness, of our internal control over financial reporting as of Evaluation Date. Management's assessment of internal control over financial reporting was conducted using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013 Framework).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management's assessment of our internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act of 2002, we have not identified any material weaknesses in our internal control over financial reporting as of the Evaluation Date. We have thus concluded that our internal control over financial reporting was effective as of the Evaluation Date.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or in other factors that occurred during the period of our evaluation that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On December 22, 2017, our Board of Directors approved amendments to the employment agreements of each of Joseph J. Bianco, our Chief Executive Officer; Todd Denkin, our Chief Operating Officer; and Todd Peterson, our Chief Financial Officer.

Under each such amendment, we will make a quarterly payment to each such officer in the amount set forth below, payable in cash or shares of our common stock, at our option, on the fifth calendar day preceding each fiscal quarter, commencing with the first payment on December 27, 2017:

Officer	Quarterly Payment
Joseph J. Bianco	\$ 22,500
Todd Denkin	\$ 6,000
Todd Peterson	\$ 15,000

In addition, the Board approved the following stock-based awards on December 22, 2017:

- 300,000 shares of common stock to Todd Peterson.
- 100,000 shares of common stock to Alfredo Axtmayer, a director of the Company.
- Incentive stock option to purchase 500,000 shares of common stock to Todd Denkin, exercisable at \$0.27 per share over a 10 year period.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below are the present directors and executive officers of the Company. There are no arrangements or understandings between any of the directors, officers and other persons pursuant to which such person was selected as a director or an officer.

Name	Age	Position
Joseph J. Bianco	67	Chairman of the Board, CEO
Todd Denkin	54	COO, President, Director
Todd A. Peterson	48	CFO, Secretary
Alfredo Axtmayer	67	Director

Biographies

Set forth below are brief accounts of the business experience of each director and executive officer of the Company.

Joseph J. Bianco, was appointed to our Board of Directors in October 2015 and serves as its Chairman. On June 21, 2016, the Board appointed Joseph J. Bianco to serve as the Company's Chief Executive Officer. Mr. Bianco has been the Chief Executive Officer of Whyte Lyon & Company, Inc. since 1984. Mr. Bianco also currently serves as Chairman and CEO of Oak Tree Education. He is also a Director and Chairman of SkinScience Labs, Inc. and of XTOL. He is also Chairman of Evergreen Review, Inc., a not-for-profit revival of a literary magazine prominent in the 1960s and 1970s, a not for profit literary magazine. Mr. Bianco graduated from Yale Law School where he was an editor of the Law Journal. He began teaching law, joining the faculty of Cardozo law school where he became Associate Dean. He authored two books, "The Law of Corporations" (Foundation Press, University Casebook Series), with Yale Prof. Jan Deutsch, and "The Law of Unmarried Couples" (Dell), as well as several scholarly articles. During this period he also consulted to numerous corporations and investment banks, principally on tax matters. We believe that Mr. Bianco's experience qualifies him to serve as our director.

Todd Denkin has over nine years of experience in the "legal" marijuana industry. Mr. Denkin joined us as the President of The National Marijuana News Corp. in August 2014 and served as our President and Chief Executive Officer until June 21, 2016 when, in connection with Mr. Bianco's appointment as the Company's Chief Executive Officer, the Company entered into an Amended and Restated Employment Agreement with Todd Denkin, pursuant to which Mr. Denkin continues to serve as the Company's President, and in addition as its Chief Operating Officer, and as the President of Digipath's wholly-owned subsidiaries, Digipath Labs, Inc. and TNM News Corp. Prior to joining Digipath, Mr. Denkin served as co-founder and president of both 10 Mile and Growopp, LLC where he created controlled environmental indoor hydroponic grow chambers from 2011 to 2013. From 2009 until 2011, Mr. Denkin was a founder and director of GrowLife, Inc. Prior to joining GrowLife, Inc., Mr. Denkin was the head of the direct sales and marketing teams from 2002 through 2008 with Digital FX International, and helped build a sales organization of over 60,000 representatives. He is a 30-year veteran of the TV and film industry, working at top companies like Dick Clark Productions, Barris/Guber/Peters, the Nickelodeon Network, Disney/MGM Studios and Time Warner. Mr. Denkin has been a key contributor to shows for ABC, NBC, CBS, ESPN and MTV. He also directed and produced "The Australian Experience," a film featured on The Today Show and screened at the opening ceremonies of the 2000 Olympics. We believe that Mr. Denkin's industry experience qualifies him to serve as our director.

Todd Peterson, CPA, has been the chief financial officer of Digipath since June 19, 2015. Mr. Peterson had previously been the president of KSNE2 Enterprises, LLC, an accounting and consulting firm located in Las Vegas, Nevada specializing in publicly traded microcap companies, since August 2008. From February 2007 to August 2008, he was the senior accounting manager of Accuity Financial, an accounting firm located in Las Vegas, Nevada specializing in publicly traded microcap companies, Mr. Peterson was the audit manager of DeJoya Griffith and Company a PCAOB registered audit firm located in Las Vegas, Nevada providing audit and accounting services primarily to publicly traded microcap companies from November 2004 to February 2007, he was also the audit manager of Ocel, Heimer & Associates, Ltd., a regional audit firm located in Minneapolis, Minnesota from 1999 to 2004. Upon graduating from the University of St. Thomas with a Bachelor of Arts degree in accounting in 1997, Mr. Peterson worked as an accountant during 1998 for R.W. Ramsay & Associates, Ltd.

Dr. Alfredo Axtmayer was appointed to our Board of Directors on January 26, 2017. Dr. Axtmayer is currently an orthopedic surgeon engaged in private practice in Wallingford, Connecticut and is affiliated with multiple hospitals in the area, including Hospital of St. Raphael and MidState Medical Center. From 2011 to 2016 he was employed as a surgeon by Hartford Healthcare. Dr. Axtmayer also serves as an Associate Professor at the MidState Medical Center Campus Department of Surgery, as a Clinical Instructor in Orthopaedics and Rehabilitation at Yale University School of Medicine, and as an Assistant Clinical Professor in the Yale University School of Medicine's Department of Orthopaedics and Rehabilitation. He has been a Member of the Scientific Advisory Board of at Growblox Sciences, Inc. since October 2014, a role in which he assists Growblox GB Sciences in its efforts to create clinical treatment protocols using cannabinoid therapies for the treatment of multiple medical conditions, including pain management. He has also authored instructional course lectures on the management and diagnosis of prosthetic joint infections, hip fractures, carpal tunnel syndrome, and medial knee osteoarthritis, and he has written academy guidelines on the management of knee osteoarthritis, low back pain, hip fractures, and rotator cuff disorders. Dr. Axtmayer received his B.A. from Yale and his M.D. from Yale University School of Medicine. We believe that Dr. Axtmayer's medical background and experience qualifies him to serve as our director.

Family Relationships

None.

Board Committees and Audit Committee Financial Expert

We do not currently have a standing audit, nominating or compensation committee of the board of directors, or any committee performing similar functions. Our board of directors performs the functions of audit, nominating and compensation committees. As of the date of this prospectus, no member of our board of directors qualifies as an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act.

Director Nominations

As of September 30, 2017, we did not affect any material changes to the procedures by which our shareholders may recommend nominees to our board of directors. We have not established formal procedures by which security holders may recommend nominees to the Company’s board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company’s directors, executive officers and persons who own more than 10% of a registered class of the Company’s securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Directors, executive officers and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file. To our knowledge, based solely on the review of the copies of these forms furnished to us and representations that no other reports were required, the Company believes that all forms required to be filed under Section 16 of the Exchange Act for the year ended September 30, 2017 were filed timely.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officers, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our code of ethics may be obtained free of charge by contacting us at the address or telephone number listed on the cover page hereof.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following summary compensation table sets forth the aggregate compensation we paid or accrued during the fiscal years ended September 30, 2017 and September 30, 2016 to our Chief Executive Officer, Chief Operating Officer and our Chief Financial Officer, who are our only executive officers.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary	Bonus	Option Awards ⁽⁹⁾	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
Joseph J. Bianco, ⁽¹⁾								
Chief Executive Officer	2017	\$ 110,135	\$ -	\$ 235,800 ⁽⁴⁾	\$ -	\$ -	\$ 17,500 ⁽⁵⁾	\$ 363,435
	2016	\$ 27,750	\$ -	\$ 530,547 ⁽⁴⁾	\$ -	\$ -	\$ 52,500 ⁽⁵⁾	\$ 610,797
Todd Denkin, ⁽²⁾								
President and Chief Operating Officer	2017	\$ 201,000	\$ -	\$ 124,104 ⁽⁶⁾	\$ -	\$ -	\$ -	\$ 325,104
	2016	\$ 198,923	\$ -	\$ 279,235 ⁽⁶⁾	\$ -	\$ -	\$ -	\$ 478,158
Todd A. Peterson, ⁽³⁾								
Chief Financial Officer	2017	\$ 96,000	\$ -	\$ -	\$ -	\$ -	\$ 6,623 ⁽⁸⁾	\$ 102,623
	2016	\$ 96,000	\$ -	\$ 24,558 ⁽⁷⁾	\$ -	\$ -	\$ 59,970 ⁽⁸⁾	\$ 180,528

⁽¹⁾ Joseph J. Bianco was appointed to our Board of Directors in October 2015 and serves as its Chairman. On June 21, 2016, the Board appointed Joseph J. Bianco to serve as the Company's Chief Executive Officer.

⁽²⁾ Todd Denkin served as our interim President from April 9, 2014 to May 30, 2014. He was also appointed to serve on our Board of Directors on April 9, 2014. He began serving as the President of The National Marijuana News Corp., our wholly-owned multimedia cannabis business unit, on August 19, 2014. He was appointed to serve as our President and Chief Executive Officer on October 3, 2014, until becoming our President and Chief Operating Officer on June 21, 2016.

⁽³⁾ Todd A. Peterson was appointed to serve as our Chief Financial Officer, Secretary and Treasurer on June 19, 2015.

⁽⁴⁾ Consists of options to purchase 4,750,000 shares of common stock exercisable at \$0.20 per share over 10 years issued as a signing bonus on June 21, 2016. The option vests immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter of the shares. The Company recognized \$235,800 and \$530,547 of stock based compensation expense during the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017, 1,187,500 options remained unvested and a total of \$176,846 of unamortized expenses are expected to be expensed during the fiscal year ended September 30, 2018.

⁽⁵⁾ Consists of 500,000 shares of common stock issued for service as a Director on January 1, 2016. The Company recognized \$17,500 and \$52,500 of stock based compensation expense during the years ended September 30, 2017 and 2016, respectively.

⁽⁶⁾ Consists of options to purchase 2,500,000 shares of common stock exercisable at \$0.20 per share over 10 years that vest immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter of the shares issued as a signing bonus on June 21, 2016. The Company recognized \$124,104 and \$279,235 of stock based compensation expense during the years ended September 30, 2017 and 2016, respectively. As of September 30, 2017, 625,000 options remained unvested and a total of \$93,078 of unamortized expenses are expected to be expensed during the fiscal year ended September 30, 2018.

⁽⁷⁾ Consists of options to purchase 100,000 shares of common stock options exercisable at \$0.33 per share over 36 months issued as a signing bonus on June 19, 2015. The options vest ratably in quarterly increments over one (1) year beginning September 19, 2015. The Company recognized \$24,558 of stock based compensation expense during the year ended September 30, 2016.

⁽⁸⁾ Consists of 300,000 shares of common stock issued as a bonus on September 30, 2016. The Company recognized \$6,623 and \$59,970 of stock based compensation expense during the years ended September 30, 2017 and 2016, respectively.

⁽⁹⁾ See Note 9 of our audited financial statements included herein for additional information on assumptions made in the valuation of option awards.

Employment Agreements

On June 21, 2016, Joseph Bianco entered into an employment agreement with Digipath, Inc. (the “Bianco Employment Agreement”) pursuant to which he serves as our Chief Executive Officer. Pursuant to the Bianco Employment Agreement:

- The term of Mr. Bianco’s employment is for a period of three years commencing June 21, 2016.
- Mr. Bianco is paid a base salary of \$96,000 per annum and receives a car allowance of \$1,250 per month.
- In the event of the termination of Mr. Bianco’s employment by the Company other than for Cause, or by Mr. Bianco for Good Reason (as such terms are defined in the Bianco Employment Agreement), Mr. Bianco will be entitled to aggregate severance payments equal to 6-months’ of his base salary.
- Mr. Bianco was awarded a stock option to purchase 4,750,000 shares of the Company’s common stock at an exercise price of \$0.20 per share.
- The letter agreement between Mr. Bianco’s affiliate and the Company pursuant to which Mr. Bianco had provided consulting services to the Company was terminated.

On June 21, 2016, Todd Denkin entered into an amended and restated employment agreement with Digipath, Inc. (the “Denkin Employment Agreement”) pursuant to which he now serves as our Chief Operating Officer and President, and in addition as the President of Digipath’s wholly-owned subsidiaries, Digipath Labs, Inc. and TNM News Corp. In addition, pursuant to the Denkin Employment Agreement:

- The term of Mr. Denkin’s employment has been extended for a period of three years from June 21, 2016.
- Mr. Denkin continues to be paid a base salary of \$192,000 per annum, and receives a car allowance of \$750 per month.
- In the event of the termination of Mr. Denkin’s employment by the Company other than for Cause, or by Mr. Denkin for Good Reason (as such terms are defined in the Denkin Employment Agreement), Mr. Denkin will be entitled to aggregate severance payments equal to 8-months’ of his base salary.
- Mr. Denkin was awarded a stock option to purchase 2,500,000 shares of the Company’s common stock at an exercise price of \$0.20 per share.

On June 19, 2015, Mr. Peterson was appointed to serve as Chief Financial Officer pursuant to an Employment Agreement for an initial term of three-months, which renews automatically for successive three-month periods unless either party provides written notice of non-renewal at least 10-days prior to the expiration of the then term. The Employment Agreement also has confidentiality and non-solicit provisions. Mr. Peterson received an initial salary of \$7,500 per month and a \$500 monthly stipend to cover health insurance costs, which may be increased from time to time. In addition, Mr. Peterson was issued an option to purchase 100,000 shares of common stock at an exercise price of \$0.33 (the closing price of our common stock on the date of grant), vesting quarterly over the one-year period following the grant date.

Outstanding Equity Awards

The following table sets forth information with respect to unexercised stock options, stock that has not vested, and equity incentive plan awards held by our executive officers at September 30, 2017.

Outstanding Option Awards at Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date
Joseph Bianco, Chief Executive Officer	3,562,500(1)	1,187,500(1)	\$ 0.20	June 21, 2026
Todd Denkin, Chief Operating Officer	1,875,000(2)	625,000(2)	\$ 0.20	June 21, 2026
	100,000(3)	-0-(3)	\$ 0.85	December 31, 2017
	400,000(4)	-0-(4)	\$ 0.40	November 7, 2017
Todd Peterson, Chief Financial Officer	100,000(5)	-0-(5)	\$ 0.33	June 19, 2018

(1) Options granted on June 21, 2016, vest immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter.

(2) Options granted on June 21, 2016, vest immediately as to one-half of the shares, one year from the grant date as to one-quarter of the shares, and two years following the grant date as to the remaining one-quarter.

(3) Options granted on December 31, 2014, fully vested.

(4) Options granted on November 7, 2014, fully vested.

(5) Options granted on June 19, 2015, vest in four equal annual installments, commencing three months from the date of grant, and continuing on the next three quarters thereof until fully vested.

Option Exercises and Stock Vested

None of our executive officers exercised any stock options or acquired stock through vesting of an equity award during the year ended September 30,

Director Compensation

The following table summarizes the compensation paid or accrued by us to our non-employee directors for the year ended September 30, 2017.

Name	Fees Earned or Paid in Cash	Stock Award	Option Awards	Non-Equity Incentive Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All other Compensation	Total
Dr. Alfredo Axtmayer	\$ -	\$ 34,000 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 34,000

⁽¹⁾ Effective February 22, 2017, upon being named to the board, we granted to Dr. Axtmayer 100,000 shares of our common stock. The aggregate fair value of the common stock was \$34,000 based on the closing price of the Company's common stock on the date of grant.

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of December 22, 2017, certain information with regard to the record and beneficial ownership of the Company's common stock by (i) each person known to the Company to be the record or beneficial owner of 5% or more of the Company's common stock, (ii) each director of the Company, (iii) each of the named executive officers, and (iv) all executive officers and directors of the Company as a group. The address of each of our directors and executive officers named in the table is c/o Digipath, Inc., 6450 Cameron Street, Suite 113, Las Vegas, Nevada 89118:

Name of Beneficial Owner ⁽¹⁾	Common Stock		Series A Preferred Stock	
	Number of Shares	% of Class ⁽²⁾	Number of Shares	% of Class ⁽³⁾
Officers and Directors:				
Joseph Bianco, Chairman ⁽⁴⁾	4,062,500	10.0%	-	-
Todd Denkin, CEO and Director ⁽⁵⁾	2,775,000	6.9%	-	-
Todd A. Peterson, CFO ⁽⁶⁾	725,000	1.9%	-	-
Alfredo Axtmayer, Director	200,000	0.5%	-	-
Directors and Officers as a Group (4 persons)	5,025,000	19.3%	-	-
5% Holders:				
Raw Alternative LLC ⁽⁷⁾	2,000,000	5.4%	400,000	22.9%
* less than 1%				

⁽¹⁾ Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock or Series A Preferred Stock owned by such person.

⁽²⁾ Percentage of beneficial ownership is based upon 37,285,676 shares of Common Stock outstanding as of December 22, 2017. For each named person, this percentage includes Common Stock that the person has the right to acquire either currently or within 60 days of December 22, 2017, including through the exercise of an option; however, such Common Stock is not deemed outstanding for the purpose of computing the percentage owned by any other person.

⁽³⁾ Percentage of beneficial ownership of preferred stock is based upon 1,747,942 shares of Series A Preferred Stock outstanding as of December 22, 2017.

⁽⁴⁾ Includes stock options to purchase 4,750,000 shares of Common Stock exercisable at \$0.20, which 3,562,500 shares are vested within 60 days of December 22, 2017.

⁽⁵⁾ Includes stock options to purchase 2,500,000 shares of Common Stock exercisable at \$0.20, which 1,875,000 shares are vested within 60 days of December 22, 2017, 400,000 shares of Common Stock exercisable at \$0.85 and stock options to purchase 500,000 shares of Common Stock exercisable at \$0.27 within 60 days of December 22, 2017.

⁽⁶⁾ Includes stock options to purchase 100,000 shares of Common Stock exercisable at \$0.33, of which 100,000 shares are vested within 60 days of December 22, 2017.

⁽⁷⁾ Based solely on a Schedule 13D filed with the SEC by RAW Alternative, LLC ("RAW") on January 29, 2015 and the shareholder reports from the Company's transfer agent. Robert Philpott is the Chief Financial Officer of RAW and has voting and dispositive power of the shares of common stock held by RAW.

ITEM 13 . CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

Our board of directors currently consists of Joseph Bianco, our Chief Executive Officer, Todd Denkin, our President and Chief Operating Officer and Dr. Alfredo Axtmayer. As executive officers, neither Mr. Bianco nor Mr. Denkin qualify as “independent” under standards of independence set forth by national securities exchanges, thus we do not have a majority of our board comprised of “independent directors”. Our Board of Directors has determined that Dr. Axtmayer is “independent” in accordance with the NASDAQ Global Market’s requirements. As our common stock is currently quoted on the OTC Bulletin Board, we are not currently subject to corporate governance standards of listed companies.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Effective January 26, 2017, the Company’s Board of Directors engaged M&K CPAS, PLLC (“M&K”) as its independent auditor for the year ended September 30, 2017 and dismissed Anton & Chia, LLP (“A&C”) as its independent public accountant. A&C was the Company’s independent auditor for the year ended September 30, 2016. All audit work was performed by the full time employees of M&K and A&C for the years ended September 30, 2017 and 2016, respectively. Our board of directors does not have an audit committee. The functions customarily delegated to an audit committee are performed by our full board of directors. Our board of directors approves in advance, all services performed by M&K. Our board of directors has considered whether the provision of non-audit services is compatible with maintaining the principal accountant’s independence, and has approved such services.

The following table sets forth fees billed by our auditors during the last two fiscal years for services rendered for the audit of our annual consolidated financial statements and the review of our quarterly financial statements, services by our auditors that are reasonably related to the performance of the audit or review of our consolidated financial statements and that are not reported as audit fees, services rendered in connection with tax compliance, tax advice and tax planning, and all other fees for services rendered.

	Years Ended September 30,	
	2017	2016
Audit fees: ⁽¹⁾		
M&K CPAS, PLLC	\$ 15,000	\$ -
Anton & Chia, LLP	20,000	39,000
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-
Total	\$ 35,000	\$ 39,000

⁽¹⁾ Audit fees were principally for audit services and work performed in the review of the Company’s quarterly reports on Form 10-Q

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Form 10 filed with the Securities and Exchange Commission by Digipath, Inc. on July 15, 2011)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 of the Form 10 filed with the Securities and Exchange Commission by Digipath, Inc. on July 15, 2011)
3.3	Certificate of Amendment to Articles of Incorporation dated April 4, 2014 (incorporated by reference to Exhibit 3.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on April 10, 2014)
3.4	Certificate of Designations, Preferences, Limitations, Restrictions and Relative Rights of Series A Convertible Preferred Stock dated April 9, 2014 (incorporated by reference to Exhibit 3.2 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on April 10, 2014)
3.5	Certificate of Amendment to Articles of Incorporation dated May 22, 2015 (incorporated by reference to Exhibit 3.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on May 26, 2015)
10.1	2012 Stock Incentive Plan (incorporated by reference to Exhibit 4.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on March 9, 2012)
10.2	Digipath, Inc. Amended and Restated 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 27, 2016)
10.3	Form of Stock Option Grant Notice for grants under the Amended and Restated 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 27, 2016)
10.4	Form of Option Agreement for grants under the Amended and Restated 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 27, 2016)
10.5	Employment Agreement between Digipath, Inc. and Joseph J. Bianco, dated as of June 21, 2016 (incorporated by reference to Exhibit 10.4 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 27, 2016)
10.6	Amended and Restated Employment Agreement between Digipath, Inc. and Todd Denkin, dated as of June 21, 2016 (incorporated by reference to Exhibit 10.5 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 27, 2016)
10.7	Employment Agreement, dated as of April 9, 2014, between Digipath, Inc. and Todd Denkin (incorporated by reference to Exhibit 10.2 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on April 10, 2014)
10.8	Employment, Confidentiality and Proprietary Rights Agreement, dated as of June 19, 2015, between Digipath, Inc. and Todd A. Peterson (incorporated by reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on June 23, 2015)
10.9	Omnibus Agreement and Amendment, dated as of October 1, 2015, among Digipath, Inc., Digipath Corp. and Steven D. Barbee (incorporated by reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on October 7, 2015)
10.10	Consulting Agreement, dated as of November 23, 2015, between Digipath, Inc. and Alliance Advisory Partners, LLC whose beneficial owner is Joseph Bianco (incorporated by reference to Exhibit 10.2 of the Report on Form 10-Q filed with the Securities and Exchange Commission by Digipath, Inc. on February 19, 2016)
10.11*	Amendment to Employment Agreement between Digipath, Inc. and Joseph J. Bianco, dated as of December 22, 2017
10.12*	Amendment to Employment Agreement between Digipath, Inc. and Todd Denkin, dated as of December 22, 2017
10.13*	Amendment to Employment Agreement between Digipath, Inc. and Todd Peterson, dated as of December 22, 2017
10.14	Master Joint Venture Agreement, dated as of March 20, 2017, between Digipath, Inc. and OC Testing LLC (incorporated by reference to Exhibit 10.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on February 23, 2017)
10.15*	Operating Agreement of Humboldt Botanical, LLC, dated as of August 31, 2017, between Digipath, Inc. and Don Ashley
21.1*	Subsidiaries
31.1*	Section 302 Certification of Principal Executive Officer
31.2*	Section 302 Certification of Principal Financial Officer
32.1*	Section 906 Certification of Principal Executive Officer
32.2*	Section 906 Certification of Principal Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIGIPATH, INC.
(Registrant)

By: /s/ Joseph J. Bianco
Joseph J. Bianco
Chief Executive Officer

Dated: December 29, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below 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/ Joseph J. Bianco</u> Joseph J. Bianco	Chief Executive Officer and Chairman (Principal Executive Officer)	<u>December 29, 2017</u>
<u>/s/ Todd A. Peterson</u> Todd A. Peterson	Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)	<u>December 29, 2017</u>
<u>/s/ Todd Denkin</u> Todd Denkin	President, Chief Operating Officer, Director	<u>December 29, 2017</u>
<u>/s/ Alfredo Axtmayer</u> Alfredo Axtmayer	Director	<u>December 29, 2017</u>

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment") is entered into as of December 22, 2017, by DIGIPATH, INC. (the "Company"), and JOSEPH J. BIANCO (the "Executive").

RECITALS

The Company and the Executive are parties to an Employment Agreement dated as of June 21, 2016 (the "Employment Agreement"), pursuant to which the Executive serves and Chief Executive Officer of the Company.

The Company and the Executive desire to amend the Employment Agreement as set forth below.

NOW, THEREFORE, in consideration of these premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree, as follows:

1. Amendment to Employment Agreement. The Employment Agreement is hereby amended by adding a new Section 4.8 which shall read in its entirety as follows:

"4.8 . Quarterly Payments . On the fifth calendar day preceding each fiscal quarter (the "Quarterly Payment Date"), commencing with December 27, 2017, the Company shall pay the Executive \$22,500, in cash or shares of the Company's Common Stock, at the Company's option. In the event of a payment in shares of Common Stock, such shares shall be valued at the last sales price of the Common Stock as of the close of business on the Quarterly Payment Date, as reported by The OTC Markets, or any similar reporting service selected by the Board."

2. Miscellaneous .

(a) The Employment Agreement shall remain unchanged and in full force and effect, except as provided in this Amendment.

(b) All of the terms and provisions of this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

(c) This Amendment may be executed in counterparts and by different parties hereto in separate counterparts each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Delivery of photocopies of the signature pages to this Amendment by facsimile or electronic mail shall be effective as delivery of manually executed counterparts of this Amendment.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of date first set forth above.

DIGIPATH, INC.

By: /s/ Todd Denkin

Name: Todd Denkin

Title: Chief Operating Officer

/s/ Joseph J. Bianco

Joseph J. Bianco

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Amendment”) is entered into as of December 22, 2017, by DIGIPATH, INC. (the “Company”), and TODD DENKIN (the “Executive”).

RECITALS

The Company and the Executive are parties to an Amended and Restated Employment Agreement dated as of June 21, 2016 (the “Employment Agreement”), pursuant to which the Executive serves and Chief Operating Officer of the Company.

The Company and the Executive desire to amend the Employment Agreement as set forth below.

NOW, THEREFORE, in consideration of these premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree, as follows:

1. Amendment to Employment Agreement. The Employment Agreement is hereby amended by adding a new Section 4.8 which shall read in its entirety as follows:

“4.8. Quarterly Payments. On the fifth calendar day preceding each fiscal quarter (the “Quarterly Payment Date”), commencing with December 27, 2017, the Company shall pay the Executive \$6,000, in cash or shares of the Company’s Common Stock, at the Company’s option. In the event of a payment in shares of Common Stock, such shares shall be valued at the last sales price of the Common Stock as of the close of business on the Quarterly Payment Date, as reported by The OTC Markets, or any similar reporting service selected by the Board.”

2. Miscellaneous.

(a) The Employment Agreement shall remain unchanged and in full force and effect, except as provided in this Amendment.

(b) All of the terms and provisions of this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

(c) This Amendment may be executed in counterparts and by different parties hereto in separate counterparts each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Delivery of photocopies of the signature pages to this Amendment by facsimile or electronic mail shall be effective as delivery of manually executed counterparts of this Amendment.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of date first set forth above.

DIGIPATH, INC.

By: /s/ Joseph J. Bianco

Name: Joseph J. Bianco

Title: Chief Executive Officer

/s/ Todd Denkin

Todd Denkin

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT, CONFIDENTIALITY AND PROPRIETARY RIGHTS AGREEMENT (this "Amendment") is entered into as of December 22, 2017, by DIGIPATH, INC. (the "Company"), and TODD PETERSON (the "Executive").

RECITALS

The Company and the Executive are parties to an Employment, Confidentiality And Proprietary Rights Agreement dated as of June 19, 2015 (the "Employment Agreement"), pursuant to which the Executive serves and Chief Operating Officer of the Company.

The Company and the Executive desire to amend the Employment Agreement as set forth below.

NOW, THEREFORE, in consideration of these premises and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree, as follows:

1. Amendment to Employment Agreement. The Employment Agreement is hereby amended by adding a new paragraph to the end of Section 4 of the Schedule annexed thereto, which shall read in its entirety as follows:

"On the fifth calendar day preceding each fiscal quarter (the "Quarterly Payment Date"), commencing with December 27, 2017, the Company shall pay the Executive \$15,000, in cash or shares of the Company's Common Stock, at the Company's option. In the event of a payment in shares of Common Stock, such shares shall be valued at the last sales price of the Common Stock as of the close of business on the Quarterly Payment Date, as reported by The OTC Markets, or any similar reporting service selected by the Board."

2. Miscellaneous.

(a) The Employment Agreement shall remain unchanged and in full force and effect, except as provided in this Amendment.

(b) All of the terms and provisions of this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

(c) This Amendment may be executed in counterparts and by different parties hereto in separate counterparts each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Delivery of photocopies of the signature pages to this Amendment by facsimile or electronic mail shall be effective as delivery of manually executed counterparts of this Amendment.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of date first set forth above.

DIGIPATH, INC.

By: /s/ Joseph J. Bianco

Name: Joseph J. Bianco

Title: Chief Executive Officer

/s/ Todd Peterson

Todd Peterson

HUMBOLDT BOTANICAL, LLC
A California Limited Liability Company

OPERATING AGREEMENT

Dated as of August 31, 2017

HUMBOLDT BOTANICAL, LLC

OPERATING AGREEMENT

THIS OPERATING AGREEMENT (this “*Agreement*”) of HUMBOLDT BOTANICAL, LLC (the “*Company*”), dated and effective as of August 31, 2017 is hereby agreed to by and among Digipath, Inc., a Nevada corporation (“*Digi*”), and DON ASHLEY (“*Ashley*” and, together with Digi, and any other Person hereafter admitted as a member of the Company in accordance with this Agreement, the “*Members*”).

RECITALS

The Members have formed the Company as a California limited liability company pursuant to and in accordance with the California Revised Uniform Limited Liability Company Act and desire to enter into this Agreement to govern the operations of the Company.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Members agree as follows:

ARTICLE 1 DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

“**Accounting Period**” means (i) the Company’s Fiscal Year if there are no changes in the Members’ respective interests in Company income, gain, loss or deductions during such Fiscal Year except on the first day thereof or (ii) any other period beginning on the first day of a Fiscal Year, or any other day during a Fiscal Year, upon which occurs a change in such respective interests, and ending on the last day of a Fiscal Year, or on the day preceding an earlier day upon which any change in such respective interest shall occur.

“**Act**” means the California Revised Uniform Limited Liability Company Act, and any successor statute, as amended from time to time.

“**Adjusted Capital Account**” means, with respect to any Member, the balance, if any, in such Member’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(i) Credit to the Capital Account any amount which such Member is obligated to restore or is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g)(1) and 1.704-2(i); and

(ii) Debit to such Capital Account the items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

“ **Affiliate** ” means, with respect to any Person (i) any Person directly or indirectly controlling, controlled by, or under common control with such Person, (ii) any Person owning or controlling ten percent or more of the outstanding voting interests of such Person, (iii) any officer, director, general partner, or manager of such Person, or (iv) any Person who is an officer, director, general partner, manager, trustee or holder of ten percent or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence. For purposes of this definition, “controls,” “is controlled by,” or “is under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“ **Agreement** ” means this Operating Agreement, as executed and as it may be amended, modified, supplemented or restated from time to time, as the context requires.

“ **Articles** ” means the Articles of Organization of the Company filed with the Secretary of State of the State of California on January 27, 2017.

“ **Available Cash** ” with respect to any period, the sum of money available at the end of that period for distribution to the Members after (i) payment of all debt service and other expenses (including, without limitation, payments due on or with respect to Member Loans, operating and maintenance expenses, general and administration expenses, insurance costs, taxes, assessments and other expenses); (ii) satisfaction of the Company’s liabilities as they become due, including, without limitation, to Digi with respect to the Digi Fees; and (iii) establishment of such reserves as are deemed necessary or advisable by the Members.

“ **Book Value** ” means, (i) with respect to property contributed by any Member, the fair market value of such property at the time of contribution, or (ii) with respect to property purchased or otherwise acquired by the Company, the Company’s initial basis for U.S. federal income tax purposes, decreased in either case by book depreciation allocable thereto and increased or decreased in either case from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

“ **Cannabis Data** ” means genotyping, chemoprofile and similar data obtained by Digi or the Company with respect to cannabis tested by the Company.

“ **Capital Account** ” has the meaning given such term in Section 3.1.

“ **Capital Contribution** ” means the total amount of cash contributed to the Company by a Member in its capacity as a Member pursuant to the terms of this Agreement.

“ **Code** ” means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time.

“ **Company** ” means the limited liability company formed pursuant to the Articles and this Agreement.

“ **Damages** ” has the meaning given such term in Section 7.2.2.

“ **Digi IP** ” means the name “Digipath” and all of Digi’s know-how and expertise in the Testing Business, including, without limitation, with respect to applicable standard operating procedures, testing protocols, proprietary genetic data, software, licensing requirements, and the design and initial setup of cannabis testing laboratories; in each case, as currently owned or hereafter developed or acquired by Digi.

“ **Digi Fees** ” means the fees payable to Digi pursuant to Section 6.4.

“ **Dissolution** ” has the meaning given such term in Section 9.1.

“ **Fiscal Year** ” of the Company means the calendar year.

“ **Indemnitee** ” has the meaning given such term in Section 7.2.2.

“ **Member** ” means each Person who hereby or hereafter executes this Agreement as a Member in accordance with the terms of this Agreement and the Act.

“ **Member Loan** ” means any loan made to the Company by a Member pursuant to Section 3.5.

“**Member Approval**” means the approval of both Digi and Ashley.

“ **Membership Interest** ” means all of the rights of a Member in the Company, including a Member’s: (i) rights in distributions and allocations of the profits, losses, gains, deductions, and credits of the Company, (ii) right to inspect the Company’s books and records; and (iii) right to participate in the management of and vote on matters coming before the Company.

“ **Net Profit** ” and “ **Net Loss** ” mean, for each Accounting Period, an amount equal to the Company’s taxable income or loss for such Accounting Period, determined in accordance with Section 703(a) of the Code, which for this purpose shall include all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code, with the following adjustments:

(a) Any income of the Company that is exempt from U.S. federal income tax and not otherwise taken into account in computing Net Profit or Net Loss pursuant to this definition shall be added to such taxable income or subtracted from such taxable loss;

(b) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv) (i) (2) or (3) (other than expenses in respect of which an election is properly made under Section 709(b) of the Code), and not otherwise taken into account in computing Net Profit or Net Loss pursuant to this definition, shall be subtracted from such taxable income or loss;

(c) If the Book Value of any Company property is adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv) (e) (in connection with a distribution of such property) or (f) (in connection with a revaluation of Capital Accounts), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property for purposes of computing Net Profit or Net Loss;

(d) Gain or loss resulting from the disposition of Company property with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed by reference to the Book Value of such property, notwithstanding that the adjusted tax basis of such Company property may differ from its Book Value; and

(e) With respect to Company property having a Book Value that differs from its adjusted basis for tax purposes, in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account depreciation, amortization and cost recovery deductions computed by reference to the property's Book Value in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv) (g) .

“ **Percentage Interest** ” means, with respect to any Member, the percentage interest of Membership Interests set forth opposite such Member's name on Schedule I attached hereto, as it may be modified or supplemented from time to time pursuant to the terms hereof.

“ **Permitted Transferee** ” means an Affiliate of a Member.

“ **Person** ” means a natural person, partnership (whether general or limited), limited liability company, trust, estate, association, corporation, custodian, nominee or any other individual or entity in its own or any representative capacity.

“ **Tax Matters Partner** ” has the meaning given such term in Section 8.1.

“ **Testing Business** ” means the business of testing of cannabis and cannabis products for state regulatory requirements and other legal purposes.

“ **Testing Lab** ” means the cannabis testing laboratory to developed by the Company and initially located at 220 Northwestern Avenue, Rio Dell, California 95562. In the event the Company develops or operates more than one such testing laboratory, “Testing Lab” shall refer to each such testing laboratory, as the context requires.

“ **Transfer** ” means any sale (including, without limitation, a sale by a trustee or debtor in bankruptcy or arising out of any manner of creditor's proceeding), assignment, transfer, exchange, mortgage, pledge, foreclosure, execution, garnishment, attachment, sheriff's sale, gift, or other disposition or encumbrance (whether voluntarily or involuntarily or by operation of law) of, or the granting of a security interest in, all or any portion of a Member's interests in the Company.

“ **Treasury Regulations** ” means the final and temporary regulations promulgated under the Code, as amended from time to time.

Terms not otherwise defined in this Article 1 have the meaning so given them elsewhere in this Agreement.

ARTICLE 2
FORMATION OF LIMITED LIABILITY COMPANY

2.1 Formation and Tax Classification. The Company has been formed as a limited liability company under and pursuant to the Act. Each Member represents and warrants that such Member is duly authorized to join this Agreement and that the person executing this Agreement on such Member’s behalf is duly authorized to do so. The Members intend that the Company will be classified as a partnership for U.S. federal, state and local income and franchise tax purposes and each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment. The Members intend that the Company shall not be a partnership (including, without limitation, a limited partnership) for any other purpose.

2.2 Company Name. The name of the Company is HUMBOLDT BOTANICAL, LLC. However, the business of the Company shall be conducted under the name “Digipath Botanical Testing” or such other names containing “DIGIPATH” as the Members may from time to time determine.

2.3 Term of Company. The term of the Company commenced on the date of the initial filing of the Articles with the Secretary of State of the State of California and shall continue until dissolved or otherwise terminated pursuant to this Agreement or the laws of the State of California.

2.4 Purposes. The object and purpose of the Company is to (i) engage in the Testing Business in the State of California, (ii) exercise all powers necessary to or reasonably connected with the Company’s business under clause (i) above which may be legally exercised by limited liability companies under the Act, (iii) engage in all activities necessary, customary, convenient, or incident to the foregoing purposes, and (iv) engage in any other lawful act for which limited liabilities may be formed under the Act.

**ARTICLE 3
CAPITALIZATION**

3.1 Percentage Interests and Determination of Capital Accounts. The names, addresses, Capital Contributions and Percentage Interests of the Members are set forth on Schedule I hereto. A capital account (“*Capital Account*”) representing each Member’s interest in the capital of the Company has been established for each Member on the books of the Company and shall be maintained in the manner required by Treasury Regulations under Code Section 704(b). The Capital Accounts of the Members shall be increased or decreased to reflect a revaluation of Company property, if such increase or decrease is necessary to prevent a distortion in the Members’ economic interests in the Company, upon each of the following events: (*A*) a contribution of money or other property (other than a de minimis amount) to the Company by a new or existing Member as consideration for an interest in the Company (including the exercise of an option, warrant or other convertible instrument); (*B*) a distribution of money or other property (other than a de minimis amount) by the Company to a retiring or continuing Member as consideration for an interest in the Company; or (*C*) the liquidation of the Company.

3.2 Negative Capital Accounts. Except as otherwise provided by law, no Member shall be required to pay to the Company or any other Member any deficit or negative balance which may exist from time to time in such Member’s Capital Account.

3.3 Company Capital. No Member shall be paid interest on any Capital Contribution to the Company or on such Member’s Capital Account, and no Member shall have any right (a) to demand the return of such Member’s Capital Contribution or any other distribution from the Company (whether upon resignation, withdrawal or otherwise), except upon Dissolution of the Company pursuant to Article 9 hereof or (b) to cause a partition of the Company’s assets.

3.4 Capital Contributions and Interests. Ashley hereby commits to make cash Capital Contributions to the Company in an amount sufficient to fund the build-out and equipping of the Testing Lab and the payment of the Digi Fees under Section 6.4; provided, however, that in no event shall Ashley have any obligation under this Section 3.4 to make Capital Contributions in excess of \$2 million; provided further that Ashley may make Capital Contributions in excess of \$2 million in its discretion. Digi shall not be required to make any cash Capital Contributions to the Company, and its Capital Contribution to the Company shall be in the form of the license, property and services provided under Sections 6.2 and 6.3. The Company may accept additional Capital Contributions from Members and admit additional Members, on such terms as are approved by the Members with Member Approval. Schedule I hereto shall be amended to reflect any additional Capital Contributions.

3.5 Loans by Members.

3.5.1 If the Company’s funds are insufficient to meet its costs, expenses, obligations, liabilities and charges, or to make any expenditure authorized by this Agreement, any Member may advance such funds to the Company as a Member Loan with Member Approval. Nothing herein shall be construed to obligate the any Member to provide funds to the Company as a Member Loan.

3.5.2 The proceeds of a Member Loan shall not be added to or otherwise affect the Capital Account of any Member and the making of a Member Loan shall not result in any change in the Percentage Interests of the Members or the Members’ relative rights to distributions (excluding payments of principal of and interest on Member Loans).

3.6 Transfer Restrictions Generally.

3.6.1 Each Member agrees not to make any Transfer of all or any portion of its Membership Interest unless it has obtained Member Approval, except (i) that Transfers to a Permitted Transferee shall be permitted without compliance with such Sections, and (ii) as permitted by Section 6.10.

3.6.2 Any attempted Transfer by any Person of its Membership Interest other than in accordance with this Section 3.6 shall be, and is hereby declared, null and void *ab initio* .

3.6.3 A Person to whom a Membership Interest is transferred in accordance with this Agreement has the right to be admitted to the Company as a Member upon the execution by the transferee of such instruments as the Members may deem necessary or advisable to effect the admission of such transferee as a Member, including, without limitation, the written acceptance and adoption by such transferee of the provisions of this Agreement and any other agreement to which the transferring Member is bound with respect to the transferred Membership Interest.

3.6.4 The Member effecting a Transfer and any Person admitted to the Company as a Member in connection therewith shall pay, or reimburse the Company for, all costs incurred by the Company in connection with such Transfer or admission on or before the thirtieth day after the receipt by that Person of the Company's invoice for the amount due.

ARTICLE 4 DISTRIBUTIONS; ALLOCATIONS OF PROFITS AND LOSSES

4.1.1 Tax Distributions.

4.1.1.1 Notwithstanding anything to the contrary herein, the Members shall use commercially reasonable efforts to cause the Company to distribute, to each Member with respect to each Fiscal Year, an amount of cash (taking into account all other distributions the Member has received with respect to such Fiscal Year) equal to the Tax Distribution with respect to that Member for that Fiscal Year. Any distribution pursuant to this Section 4.1.1 shall be treated as advance distributions of amounts to which the Member otherwise would be entitled to pursuant to Sections 4.1.2 and 4.1.3.

4.1.1.2 The Tax Distribution, if any, with respect to any Member for any Fiscal Year shall be made no later than March 31 following each Fiscal Year, and shall be made more frequently if the Members determine that more frequent distributions are necessary in order to correspond to the Members' estimated tax obligations.

4.1.1.3 "*Tax Distribution*" with respect to any Member for any Fiscal Year means the net U.S. federal taxable income of the Company, if any, allocable to such Member with respect to such Fiscal Year, multiplied by the maximum combined U.S. federal, state and local, Medicare and non-U.S. income tax rate or rates applicable to such income in the hands of the Member, as determined by the Members in good faith, taking into account character of the income, applicable foreign tax credits and the deductibility of state and other taxes for U.S. federal income tax purposes.

4.1.2 Operating Distributions. The Members shall cause the Company to make distributions of Available Cash on a monthly basis, or at such other times as the Members shall determine with Member Approval, pro rata to the Members in accordance with their respective Percentage Interests; provided, however, that until such time as Ashely has received aggregate distributions under this Section 4.1.2 equal to its aggregate cash Capital Contributions to the Company, distributions of Available Cash shall instead be made 75% to Ashley and 25% to Digi.

4.1.3 Liquidating Distributions. In the event of any Dissolution of the Company, the Members shall cause the Company to make distributions of cash and any Company property in accordance with the provisions of Section 9.2.

4.1.4 Limitation on Distributions . Notwithstanding any other provision of this Agreement, no distribution (including distributions upon Dissolution) shall be made to any Member to the extent that, after giving effect to the distribution, all liabilities of the Company would exceed the fair market value of the Company's assets.

4.1.5 Allocation of Profits and Losses . Except as otherwise provided in Section 4.3, Net Income and Net Loss, and items thereof, for any Accounting Period shall be allocated among the Members in such manner that as of the end of such Accounting Period, each Member's Adjusted Capital Account shall be equal to the respective net amounts, positive or negative, which would be distributed to them or for which they would be liable to the Company under this Agreement, determined as if the Company were to: (A) liquidate all of the assets of the Company for an amount equal to their Book Value and (B) distribute the proceeds of such liquidation in the manner described in Section 4.1.3.

4.2 Regulatory Allocations. Notwithstanding the allocations set forth in Section 4.2, Net Profit, Net Loss and items thereof shall be allocated to the Members in the manner and to the extent required by the Treasury Regulations under Section 704 of the Code, including without limitation, the provisions thereof dealing with minimum gain chargebacks, partner minimum gain chargebacks, qualified income offsets, partnership nonrecourse deductions, partner nonrecourse deductions, forfeiture allocations, and the provisions dealing with deficit capital accounts in Sections 1.704-2(g)(1), 1.704-2(i)(5), and 1.704-1(b)(2)(ii)(d).

4.3 Tax Allocations; Code Section 704(c). The income, gains, losses, deductions and expenses of the Company shall be allocated, for U.S. federal, state and local income tax purposes, among the Members in accordance with the allocation of such income, gains, losses, deductions and expenses among such Members for computing their Capital Accounts, except that if any such allocation is not permitted by the Code or other applicable law, the Company's subsequent income, gains, losses, deductions and expenses shall be allocated among the Members for tax purposes to the extent permitted by the Code and other applicable law, so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts. Notwithstanding the previous sentence, such items shall be allocated among the Members in a different manner to the extent required by Code Section 704(c) and the Treasury Regulations thereunder (dealing with contributed property), Treasury Regulations Sections 1.704-1(b)(2)(iv)(f) (dealing with property having a book value different than its tax basis), and 1.704-1(b)(4) (ii) (dealing with tax credit items). Allocations pursuant to this Section 4.3 are solely for U.S. federal, state and local tax purposes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of profits, losses, other items or distributions pursuant to any provisions of this Agreement.

ARTICLE 5
MEMBERS

5.1 Number. The Company shall at all times have one or more Members, who shall constitute the “members” of the Company for all purposes of the Act.

5.2 Required Vote. Except as otherwise provided in Section 6.2 below, in order to constitute the action of or approval by the Members, any action requiring the approval of the Members shall require Member Approval. Except as otherwise provided by law, any action or vote of the Members may be taken by a consent in writing setting forth the action or vote so taken and signed by Members holding the requisite Percentage Interest entitled to vote necessary to authorize or take such action. The Members agree that all significant actions involving the Company outside the ordinary course of business shall require Member Approval, including, without limitation, the following:

(a) Any material change in the business of the Company;

(b) A merger or other business combination of the Company with another entity; or the sale, lease, license, exchange or other disposal by the Company of any assets other than in the ordinary course of business;

(c) A dissolution, liquidation or a bankruptcy proceeding involving the Company;

(d) Granting a lien in any of the Company’s assets, or incurring indebtedness for borrowed money; and

(e) Admitting new Members, accepting additional Capital Contributions from existing Members or otherwise creating or issuing additional Membership Interests or classes of Membership Interests or other equity in the Company.

5.3 Investment Opportunities. No Member shall have any obligation to offer investment opportunities to the Company or any other Member.

**ARTICLE 6
MANAGEMENT; MEMBER SERVICES**

6.1 Management by Members. Subject to the express requirements of the Act and this Agreement, the power to determine the policies and procedures of the Company and to manage and control the business and affairs of the Company shall be vested in the Members of the Company. The Members shall have the sole right, power and authority to do on behalf of the Company, directly or by delegation to officers and agents of the Company, all things that are necessary, proper, desirable, incidental or convenient to conduct the business and affairs of the Company.

6.2 DigiPath Services. Digi shall be primarily responsible for managing and supervising the day-to-day operations of the Company, subject to the policies and lawful directives of the Members holding a majority of the Percentage Interests, and agrees to devote so much of the time of its employees as shall be reasonably necessary for the performance of such services. In furtherance of the foregoing, Digi will supervise and consult with the Company on

6.2.1 the development and construction of the Testing Lab to be operated by the Company, including the equipment to be installed in the Testing Lab;

6.2.2 the hiring of technical and other personnel to be employed by the Company at the Testing Lab;

6.2.3 obtaining all required licenses from State and local authorities and regulators, and completing all required applications and forms necessary for the operation of the Testing Lab.

6.3 DigiPath License. Digi, on behalf of itself and its subsidiaries, hereby grants to the Company, a non-exclusive right and license to use the Digi IP in connection with the operation of the Testing Lab.

6.4 DigiPath Fees; Compensation of Members. The Company shall pay Digi (i) a monthly fee in an amount sufficient to compensate it for its reasonable expenses incurred in connection with performing its obligations under this Agreement, including, without limitation, all out-of-pocket expenses incurred by Digi, and an allocation for Digi's compensation costs for employees other than its Chief Executive Officer and President providing services to the Company under Section 6.2; and (ii) a monthly administrative fee equal to 10% of the amount due to Digi under clause (i). The fees due under the preceding sentence shall be due within 30 days from invoice by Digi. Unless otherwise approved of by the Members, no Member or any of its Affiliates shall be entitled to compensation from the Company for the performance of services to the Company under this Agreement except as expressly set forth in this Section 6.4.

6.5 Cannabis Data. All Cannabis Data generated by the Company shall be the property of the Company, and each Member shall have a non-exclusive royalty-free right to use such data in its own business; provided, however, that in the event Digi elects to partner with another Person to monetize such data, it shall first negotiate in good faith with Ashley to provide it with the opportunity to participate in such venture.

6.6 Individual Authority of Members. No Member, acting individually in its capacity as a Member, shall have any authority to bind the Company except to the extent expressly provided in this Agreement or to the extent such authority is expressly approved by Member Approval; provided, however, that the Members of the Company, acting together, shall have the full authority to bind the Company, and provided further that any acts by a Member may be subsequently ratified by Member Approval.

6.7 Duty to Company. Subject to the terms of this Agreement, the Members may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Members or to the income or proceeds derived therefrom.

6.8 Exculpation of Members. Neither Member nor any Affiliate of any Member shall be liable to the other Member for any act or failure to act pursuant to this Agreement, except where such act or failure to act constitutes a breach of this Agreement, gross negligence or willful misconduct and has not been expressly authorized by Member Approval. The Members shall be entitled to rely upon the advice of legal counsel, independent public accountants and other experts, including financial advisors, and any act of or failure to act by the Members in good faith reliance on such advice shall in no event subject any Members or any such other person to liability to the Company or any other Member.

6.9 Member Deadlock ; Dispute Resolution Procedures . If at any time the Members reach an impasse on any decision requiring their action (a “**Deadlock**”), and they are unable to resolve the issue or decide upon an alternative course of action, the following procedures shall apply in the order as set forth hereunder:

6.9.1 Any Member may, upon five (5) days’ notice to the other Members, submit the disagreement to mediation under the rules applicable in the State of California. If the other Members agree to attempt to resolve the matter through mediation within five (5) days after a Member requests such mediation, the mediator shall then be jointly selected by the Members, but if they do not or cannot agree upon a mutually acceptable mediator within five (5) days after deciding to submit the matter to mediation, each Member shall select a candidate for mediator, which candidates shall, by majority vote, appoint the mediator. The mediator shall not have authority to impose a settlement upon the Members, but will attempt to help them reach a satisfactory resolution of the disagreement. The mediator shall end the mediation whenever, in the mediator’s judgment, further efforts at mediation would not contribute to a resolution of the Deadlock matter; provided that any of the Members may end the mediation at any time after twenty (20) days from the date the mediator was selected. If none of the Members elects to have the matter mediated, or if after the mediation procedure terminates the Deadlock is still not resolved, any of the Members, upon notice to the other Members, shall have the right to declare a “**Deadlock Impasse**”.

6.9.2 Within three (3) days after a Deadlock Impasse, provided that Ashely has at such time received aggregate distributions under Section 4.1.2 equal to its aggregate cash Capital Contributions to the Company, the Members may follow the procedure set forth in Section 6.10 below.

6.10 Member Buyout . Following a Deadlock Impasse (to the extent Ashely has previously received aggregate distributions under Section 4.1.2 equal to its aggregate cash Capital Contributions to the Company), the Members shall have the right to purchase from or sell to each of the other Members all, but not less than all, of their Membership Interests in the manner set forth in this Section 6.10:

6.10.1 Any Member (the “ **Offeror**”) may serve upon the other Members (each an “ **Offeree** ”) a notice (the “ **Offering Notice** ”) which shall contain the following terms:

(1) a statement of intent to rely on this Section 6.10.

(2) the price for the Membership Interests at which the Offeror is willing to buy each Offeree’s Membership Interest (the “ **Specified Purchase Amount** ”) and sell the Offeror’s Membership Interest (the “ **Specified Sale Amount** ”); provided that the Specified Sale Amount and Specified Purchase Amount shall be in the proportion as the Percentage Interests of the Members.

6.10.2 Each Offeree shall then have the option to elect to do one of the following at any time within 30 days after his receipt of the Offering Notice:

(1) to sell all, but not less than all, of such Offeree’s Membership Interest to the Offeror for a purchase price equal to the Specified Purchase Amount;

(2) to purchase all, but not less than all, of the Membership Interests of the Offeror for a purchase price equal to the Specified Sale Amount;

6.10.3 If the Offeree does not exercise any of the options set forth above within such 30-day period, then, as of the day following the expiration of such period, the Offeree shall be conclusively deemed to have elected to sell its Membership Interest. The closing of any purchase and sale contemplated hereunder shall occur within thirty days of any such election to purchase and sell.

ARTICLE 7 LIABILITY; INDEMNIFICATION

7.1 Limited Liability. Except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members of the Company shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member of the Company.

7.2 Indemnification.

7.2.1 No Member or officer of the Company shall be liable, in damages or otherwise, to the Company or any Member for any act or omission performed or omitted to be performed by it in good faith (except for intentional misconduct or recklessness) pursuant to the authority granted to such Member or officer of the Company by this Agreement or by the Act.

7.2.2 To the fullest extent permitted by the laws of the State of California and any other applicable laws, the Company shall indemnify and hold harmless each Member of the Company, and may, at the discretion of the Members, indemnify and hold harmless each officer and other agent of the Company (each, an **“Indemnitee”**), from and against any and all losses, claims, demands, costs, damages, liabilities (joint or several), expenses of any nature (including reasonable attorneys’ fees and disbursements), judgments, fines, settlements and other amounts (**“Damages”**) arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which an Indemnitee may be involved, or threatened to be involved, as a party or otherwise, arising out of or incidental to the business of the Company, regardless of whether an Indemnitee continues to be a Member or an officer or agent of the Company, at the time any such liability or expense is paid or incurred, except for any Damages based upon, arising from or in connection with any act or omission of an Indemnitee committed without authority granted pursuant to this Agreement or in bad faith or otherwise constituting recklessness or willful misconduct.

7.2.3 Expenses (including reasonable attorneys’ fees and disbursements) incurred in defending any claim, demand, action, suit or proceeding, whether civil, criminal, administrative or investigative, subject to Section 7.2.2 hereof, may be paid (or caused to be paid) by the Company in advance of the final disposition of such claim, demand, action, suit or proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined, by a court of competent jurisdiction from which no further appeal may be taken or the time for any appeal has lapsed (or otherwise, as the case may be), that the Indemnitee is not entitled to be indemnified by the Company as authorized hereunder or is not entitled to such expense reimbursement.

7.2.4 Any indemnification hereunder shall be satisfied only out of the assets of the Company, and the Members shall not be subject to personal liability by reason of these indemnification provisions.

7.2.5 The indemnification provided by this Section 7.2 shall be in addition to any other rights to which each Indemnitee may be entitled under any agreement or vote of the Members, as a matter of law or otherwise, both as to action in the Indemnitee’s capacity as a Member or as an officer, director, employee, shareholder, member or partner of a Member or of an Affiliate, and shall inure to the benefit of the heirs, successors, assigns, administrators and personal representatives of the Indemnitee.

7.2.6 The Company may purchase and maintain insurance on behalf of one (1) or more Indemnitees and other Persons against any liability which may be asserted against, or expense which may be incurred by, any such Person in connection with the Company’s activities, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

7.2.7 An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.2 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

7.2.8 The provisions of this Section 7.2 are for the benefit of each Indemnitee and its heirs, successors, assigns, administrators and personal representatives, and shall not be deemed to create any rights for the benefit of any other Persons.

ARTICLE 8 ACCOUNTING

8.1 “Tax Matters Partner.” Unless and until the Members shall otherwise agree, Digi shall serve as the “**Tax Matters Partner**” for purposes of Section 6231 of the Code. Promptly following the written request of the Tax Matters Partner, the Company shall, to the fullest extent permitted by law, reimburse and indemnify the Tax Matters Partner for all reasonable expenses, including reasonable legal and accounting fees, claims, liabilities, losses and damages incurred by the Tax Matters Partner in connection with any administrative or judicial proceeding with respect to the tax liability of the Members. Without unanimous written approval by the Members, the Tax Matters Partner shall not settle, choose the forum of, or extend the statute of limitations related to, any administrative or judicial proceeding with respect to the tax liability of the Members.

ARTICLE 9 DISSOLUTION; TERMINATION

9.1 Events of Dissolution. The Company shall survive in perpetuity and shall not be dissolved except (i) upon Member Approval, (ii) the entering of a decree of judicial dissolution under the Act or (iii) the sale of all or substantially all of the assets of the Company (in each case, a “**Dissolution**”). Dissolution of the Company shall be effective on the date of such event (unless otherwise specified by the Members), but the Company shall not terminate until the assets of the Company shall have been distributed as provided herein and a certificate of dissolution of the Company has been filed with the Secretary of State of the State of California.

9.2 Liquidation and Termination. On Dissolution of the Company, a Person shall be designated by the Members to act as liquidator. The liquidator shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidator shall continue to operate the Company properties with all of the power and authority of the Members; *provided, however* , that such liquidator may be removed and replaced at any time and for any reason by the Members. The steps to be accomplished by the liquidator are as follows:

9.2.1 The liquidator shall pay, satisfy or discharge from Company funds all of the debts, liabilities and obligations of the Company (including, without limitation, any Member Loans, and all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including, without limitation, the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine).

9.2.2 In the final Accounting Period of the Company, Net Profits and Net Losses shall be credited or charged to Capital Accounts of the Members (which Capital Accounts shall be first adjusted to take into account all distributions other than liquidating distributions made during the Accounting Period) in the manner provided in Article 4. If the fair market value of the assets to be distributed in kind pursuant to Section 9.2.3 exceeds (“book gain”), or is less than (“book loss”), the Company’s book basis (as determined for Capital Account purposes) for such assets, such book gain or book loss shall be taken into account in the calculation of Net Profit or Net Loss to be allocated under Article 4.

9.2.3 All remaining assets of the Company shall be distributed to the Members in proportion to and accordance with their positive Capital Account balances.

9.3 Articles of Dissolution. On completion of the distribution of Company assets as provided herein, the Company is terminated, and shall conduct only such activities as are necessary to windup its affairs. The liquidator shall file articles of dissolution with the Secretary of State of the State of California, cancel any other relevant filings and take such other actions as may be necessary to terminate the Company.

ARTICLE 10 MISCELLANEOUS

10.1 Notices. Any and all notices, consents, offers, elections and other communications required or permitted under this Agreement shall be deemed adequately given only if in writing and the same shall be delivered either (i) by hand or facsimile, or (ii) by mail or Federal Express or similar expedited commercial carrier, addressed to the recipient of the notice, postage prepaid and registered or certified with return receipt requested (if by mail), or with all freight charges prepaid (if by Federal Express or similar carrier). All notices, demands, and requests to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of receipt or refusal. All such notices, demands and requests shall be addressed, if to the Company, at its principal executive offices, or if to a Member, at the address set forth on Schedule I attached hereto or to such other address as such Member may have designated for himself, herself or itself by written notice to the Company in the manner herein prescribed.

10.2 Word Meanings; Construction. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, unless the context otherwise requires. Unless otherwise indicated, all references to articles and Sections refer to articles and Sections of this Agreement, and all references to Schedules are to schedules attached hereto, each of which is made a part hereof for all purposes.

10.3 Binding Provisions. The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and assigns of the respective parties hereto.

10.4 Applicable Law. This agreement is governed by and shall be construed in accordance with the law of the State of California, excluding any conflict-of-laws rule or principle that might refer the governance or the construction of this agreement to the law of another jurisdiction. In the event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provision of this Agreement shall control and take precedence.

10.5 Severability of Provisions. Each paragraph of this Agreement constitutes a separate and distinct undertaking, covenant and/or provision hereof. In the event that any provision of this Agreement shall finally be determined to be invalid, illegal or unenforceable in any respect under any applicable law, then (i) all such provisions shall be deemed severed from this Agreement, (ii) every other provision of this Agreement shall remain in full force and effect, and (iii) in substitution for any such provision held invalid, illegal or unenforceable, there shall be substituted a provision of similar import reflecting the original intent of the parties hereto to the extent permissible under applicable law.

10.6 Section Titles. Section titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

10.7 Further Assurance. The Members shall execute and deliver such further instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement.

10.8 Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any person, or which such person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such person.

10.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement.

10.10 Effect of Waiver and Consent. A waiver or consent, express or implied, to or of any breach or default by any person in the performance by that person of its obligations hereunder or with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that person of the same or any other obligations of that person hereunder or with respect to the Company. Failure on the part of a person to complain of any act of any person or to declare any person in default hereunder or with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that person of its rights with respect to that default until the applicable statute-of-limitations period has run.

10.11 Entire Agreement. This Agreement together with the other agreements and instruments entered into in connection herewith constitutes the entire agreement among the parties hereto with respect to the transactions contemplated herein, and supersedes all other prior understandings or agreements among the Members with respect to such transactions.

10.12 Amendments. Except as otherwise provided herein, and subject to the Act, the Articles and this Agreement may be amended only with the Member Approval.

IN WITNESS WHEREOF, the undersigned Members have executed and delivered this Agreement as of the day and year first above written, and agree to and acknowledge all of its terms and those of the attached Schedules and Exhibits.

MEMBERS:

DIGIPATH, INC.

By: /s/ Joseph J. Bianco

Name: Joseph J. Bianco

Title: CEO & Chairman

/s/ Don Ashley

Don Ashley

HUMBOLDT BOTANICAL, LLC

SCHEDULE I

MEMBERS AND PERCENTAGE INTERESTS

<u>Member</u>	<u>Address</u>	<u>Capital Contribution</u>	<u>Percentage Interest</u>
Digipath, Inc.	6450 Cameron Street, Suite 113 Las Vegas, Nevada 89118 Attention: Joseph J. Bianco	Services and Intellectual Property Under Sections 6.2 and 6.3	40%
Don Ashley	[Address Redacted] Attention: Donald Ashley	\$ 10,000.00	60%

Subsidiaries

Name of Entity ⁽¹⁾	State of Incorporation	Relationship
Digipath, Inc. ⁽²⁾	Nevada	Parent
Digipath Labs, Inc.	Nevada	Subsidiary
TNM News, Inc.	Nevada	Subsidiary
GroSciences, Inc. ⁽³⁾	Colorado	Subsidiary

⁽¹⁾ All entities are in the form of a corporation.

⁽²⁾ Holding company, which owns each of the wholly-owned subsidiaries. All subsidiaries shown above were wholly-owned by Digipath, Inc., the parent company.

⁽³⁾ Entity formed for prospective purposes, but has not incurred any income or expenses to date.

DIGIPATH, INC.

**CERTIFICATIONS PURSUANT TO
RULE 13A-14(A) OR RULE 15D-14(A),
AS ADOPTED PURSUANT TO
RULE 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph J. Bianco, certify that:

1. I have reviewed this Form 10-K of Digipath, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Joseph J. Bianco

Joseph J. Bianco
Chief Executive Officer

Dated: December 29, 2017

DIGIPATH, INC.

**CERTIFICATIONS PURSUANT TO
RULE 13A-14(A) OR RULE 15D-14(A),
AS ADOPTED PURSUANT TO
RULE 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd A. Peterson, certify that:

1. I have reviewed this Form 10-K of Digipath, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ Todd A. Peterson

Todd A. Peterson
Principal Financial Officer

Dated: December 29, 2017

DIGIPATH, INC.

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

In connection with the Annual Report of Digipath, Inc. (the "Company") on Form 10-K for the year ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph J. Bianco, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph J. Bianco

Joseph J. Bianco

Principal Executive Officer

Date: December 29, 2017

DIGIPATH, INC.

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

In connection with the Annual Report of Digipath, Inc. (the "Company") on Form 10-K for the year ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd A. Peterson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd A. Peterson

Todd A. Peterson
Principal Financial Officer

Date: December 29, 2017
