EVIO, INC.

FORM 10-Q
(Quarterly Report)

Filed 11/15/19 for the Period Ending 06/30/19

Address	2340 W. HORIZON RIDGE PARKWAY, STE 120 HENDERSON, NV, 89052
Telephone	702-748-9944
CIK	0000715788
Symbol	EVIO
SIC Code	7600 - Services-Miscellaneous Repair Services
Industry	Software
Sector	Technology
Fiscal Year	09/30

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

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: 000-12350

EVIO, INC.
(Exact name of registrant as specified in its charter)

Colorado	**47-1890509**
(State of Incorporation)	(I.R.S. Employer Identification No.)
2340 W. Horizon Ridge Pkwy, Suite 120 **Henderson, NV**	**89052**
(Address of principal executive offices)	(Zip Code)

(888) 544-3846
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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 [X] No [ ]

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

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

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

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 [X]

As of November 14, 2019, there were 29,288,776 shares of common stock outstanding, 0 shares of Series A Preferred Stock, 5,000,000 shares of Series B Preferred Stock convertible at any time into 5,000,000 shares of common stock, 500,000 shares of Series C Preferred Stock convertible at any time into 2,500,000 shares of common stock, 514,500 shares of Series D Preferred Stock convertible at any time into 1,286,250 shares of common stock.

EVIO, INC.
FORM 10-Q
QUARTERLY PERIOD ENDED JUNE 30, 2019

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PART I — FINANCIAL INFORMATION

ITEM 1 –FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2019 AND SEPTEMBER 30, 2018 (UNAUDITED)

	June 30, 2019	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,064	$ 81,736
Accounts receivable, net of allowance of $164,617 and $414,475	331,346	234,178
Prepaid expenses	63,135	45,940
Other current assets	56,975	146,816
Note receivable, current portion	538,904	100,000
Total current assets	1,051,424	608,670
Right of use assets	2,580,812	-
Capital assets, net of accumulated depreciation of $324,257 and $123,854	1,485,254	411,241
Assets not in service	-	455,540
Land	212,550	212,550
Property and equipment, net of accumulated depreciation of $897,441 and $520,437	3,221,601	3,525,772
Security deposits	195,897	159,632
Note receivable	-	1,200,000
Prepaid expenses	120,993	63,582
Intangible assets, net of accumulated amortization of $603,485 and $318,816	1,386,424	1,680,569
Goodwill	6,008,526	6,037,404
Total assets	**$ 16,263,481**	**$ 14,354,960**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,813,635	$ 1,546,617
Client deposits	156,964	363,211
Interest payable	952,563	416,459
Capital lease obligation, current	981,875	677,030
Derivative liability	1,120,966	1,181,2781
Convertible notes payable, net of discounts of $792,040 and $753,557, respectively	3,310,592	1,678,265
Loans payable, current, net of discounts $0 and $119,000, respectively	786,931	643,927
Total current liabilities	10,123,526	6,506,787
Convertible debentures, net of discounts of $3,484,269 and $4,043,836, respectively	1,716,955	1,153,164
Lease liabilities	2,630,353	-
Capital lease obligation, net of current	439,714	148,433
Loans payable, net of current	642,018	1,193,781
Convertible loans payable, related party, net of current	-	61,263
Loans payable, related party, net of current and discounts of $39,302 and $51,971	1,562,322	1,348,793
Total liabilities	**17,114,888**	**10,412,221**
Stockholders' Equity:		
Series B convertible preferred stock, $0.0001 par value. 5,000,000 authorized; 5,000,000 shares issued and outstanding at June 30, 2019 and September 30, 2018	500	500
Series C convertible preferred stock, $0.0001 par value. 500,000 authorized; 500,000 shares issued and outstanding at June 30, 2019 and September 30, 2018	50	50
Series D convertible preferred stock, $0.0001 par value. 1,000,000 authorized; 349,500 and 552,500 shares issued and outstanding at June 30, 2019 and September 30, 2018	35	55
Common stock, $0.0001 par value. 1,000,000,000 authorized; 27,839,340 and 23,255,409 shares issued and outstanding at June 30, 2019 and September 30, 2018	2,784	2,326
Subscription Receivable	-	-
Additional paid-in capital	24,576,290	21,495,621
Retained earnings (accumulated deficit)	(26,858,124)	(19,226,462)
Accumulated other comprehensive income	(296,936)	(263,985)
Total stockholders' equity	(2,575,401)	2,008,105
Noncontrolling interest	1,723,994	1,934,634
Total equity	(851,407)	3,942,739
Total liabilities and stockholders' equity	**$ 16,263,481**	**$ 14,354,960**

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

EVIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Month Ended June 30, 2019	Three Month Ended June 30, 2018	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Revenues				
Testing revenue	$ 1,098,310	$ 595,701	$ 3,020,727	$ 2,172,061
Consulting revenue	3,000	38,637	3,000	141,453
Total revenues	1,101,310	634,338	3,023,727	2,313,514
Cost of revenue				
Testing services	823,540	754,647	2,672,706	2,115,487
Consulting services	-	4,729	-	93,721
Depreciation and amortization	289,523	70,075	901,827	154,894
Total cost of revenue	1,113,063	829,451	3,574,532	2,364,102
Gross margin	(11,753)	(195,113)	(550,806)	(50,588)
Operating expenses:				
Selling, general and administrative	1,486,539	1,989,753	4,206,841	5,023,122
Depreciation and amortization	62,291	125,500	178,273	266,656
Total operating expenses	1,548,830	2,115,253	4,385,114	5,289,778
Income (loss) from operations	(1,560,583)	(2,310,366)	(4,935,920)	(5,340,366)
Other income (expense)				
Interest income (expense), net	(592,089)	(1,510,076)	(3,049,386)	(2,897,264)
Other income (expense)	(178,549)	-	(276,066)	-
Gain (loss) on settlement of debt	-	-	-	(56,093)
Gain (loss) on change in fair market value of derivative liabilities	981,421	363,352	424,774	2,157,443
Total other income (expense)	210,783	(1,146,724)	(2,900,678)	(795,914)
Income (loss) before income taxes	(1,349,800)	(3,457,090)	(7,836,598)	(6,136,280)
Provision for income taxes (benefit)	2,735		5,704	-
Net income (loss)	(1,352,535)	(3,457,090)	(7,842,302)	(6,136,280)
Net income (loss) attributable to noncontrolling interest	(49,257)	(257,101)	(210,640)	(269,897)
Net income (loss) attributable to EVIO, Inc. shareholders	$ (1,303,278)	$ (3,199,989)	$ (7,631,662)	$ (5,866,383)
Basic and diluted earnings (loss) per common share	(0.05)	(0.18)	$ (0.29)	$ (0.39)
Weighted-average number of common shares outstanding:				
Basic and diluted	27,764,476	18,067,853	26,218,351	15,030,353
Comprehensive loss:				
Net income (loss)	$ (1,352,535)	$ (3,457,090)	$ (7,842,302)	$ (6,136,280)
Foreign currency translation adjustment	82,610		(32,951)	-
Comprehensive income (loss)	$ (1,269,925)	$ (3,457,090)	$ (7,875,253)	$ (6,136,280)

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

EVIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended June 30, 2019	Nine Months Ended June 30, 2018
Cash flows from operating activities of continuing operations:		
Net income (loss)	$ (7,842,302)	$ (6,126,280)
Amortization of debt discount	2,241,279	2,561,024
Common stock issued in exchange for fees and services	342,910	450,016
Depreciation and amortization	1,080,100	421,550
Loss on disposal of assets	64,095	-
Loss on settlement of accounts payable	-	3,750
Loss on settlement of debt	-	52,343
Provision for doubtful accounts	49,835	53,454
Stock based compensation	576,124	1,644,386
Unrealized (gain) loss on derivative liability	(424,774)	(2,157,443)
Changes in operating assets and liabilities:		
Accounts receivable	(144,052)	(54,989)
Prepaid expenses	(74,605)	165,787
Other current assets	89,842	(71,400)
Security deposits	(35,646)	(467,614)
Operating lease right of use assets	49,541	-
Accounts payable and accrued liabilities	1,281,150	(323,907)
Customer deposits and deferred revenues	(206,113)	(17,313)
Deposits, related party	-	(180,000)
Interest payable	595,752	323,165
Net cash provided by (used in) operating activities	(2,356,864)	(3,733,471)
Cash flows from investing activities:		
Cash consideration for acquisition of business	-	(1,574,541)
Notes receivable	761,096	-
Purchase of fixed assets	(853,644)	(883,512)
Net cash provided by (used in) investing activities	(92,548)	(2,458,053)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	592,000	2,041,501
Proceeds from issuance of common stock purchase warrants, net of issuance costs	-	7,999
Proceeds from issuance of convertible debentures	374,000	6,136,120
Proceeds from issuance of convertible notes, net of issuance costs	1,078,732	250,000
Proceeds from loans payable	2,718	-
Proceeds from related party advances	144,193	-
Proceeds (repayments) of capital leases	274,553	(58,103)
Repayments of loans payable	(30,476)	(612,531)
Repayments of related party loans payable	(11,906)	(246,526)
Net cash provided by (used in) financing activities	2,423,814	7,518,460
Effect of exchange rates on cash and cash equivalents	4,927	(193,506)
Net increase (decrease) in cash and cash equivalents	(20,671)	1,133,430
Cash and cash equivalents at beginning of period	81,735	121,013
Cash and cash equivalents at end of period	$ 61,064	$ 1,254,443
Supplemental disclosure of cash flow information:		
Cash paid for interest	-	171,722
Cash paid for income taxes	-	-
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of convertible note and accrued interest into common stock	708,089	2,272,373
Reclassification of derivative liability to additional paid in capital	-	2,342,112
Settlement of account payable for common stock	-	18,750
Common stock issued for settlement of note payable	15,000	162,000
Common stock issued for settlement of related party note payable	-	62,500
Conversion of Series D Preferred stock to common stock	-	70
Debt discount recorded on convertible notes and debentures payable upon initial measurement of derivative liability	364,462	5,784,175
Debt discounts recorded for beneficial conversion features on convertible debentures and notes		

payable	846,985	-
Debt discounts recorded for original issue discounts on convertible debentures	-	472,480
Equipment financed through capital leases	323,383	385,208
Issuance of convertible notes payable and other obligations in connection with the acquisition of a business		1,100,000
Sale and assumption of note payable and accrued interest	556,658	-

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

EVIO, INC.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the Three and Nine Months Ended June 30, 2019 and 2018.

	Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Stock Subscriptions	Additional Paid-in	Retained	Accumulated Other Comprehensive	Stockholders'	Noncontrolling	Total
	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Receivable	Capital	Earnings	Income	Equity	Interest	Equity
Balance, March 31, 2018	5,000,000	$ 500	500,000	$ 50	552,500	$ 55	16,068,505	$ 1,606	$ -	$ 12,925,709	$ (10,258,765)	$ -	$ 2,669,155	$ 545,328	$ 3,214,483
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(3,199,989)	-	(3,199,989)	(257,101)	(3,457,090)
Change in foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	(317,132)	(317,132)	-	(317,132)
Issuance of common stock in connection with the conversion of Series D preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with sales made under private offerings	-	-	-	-	-	-	1,291,392	130	-	1,533,372	-	-	1,533,502	-	1,533,502
Issuance of common stock in connection with the exercise of common stock purchase warrants	-	-	-	-	-	-	13,333	1	-	7,998	-	-	7,999	-	7,999
Issuance of common stock as compensation to employees, officers and/or directors	-	-	-	-	-	-	140,000	14	-	272,548	-	-	272,562	-	272,562
Issuance of common stock in exchange for consulting, professional and other services provided	-	-	-	-	-	-	15,000	2	-	10,805	-	-	10,807	-	10,807
Issuance of common stock in satisfaction of debt issuances costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the settlement of accounts payable	-	-	-		-		-		-	-	-	-	-	-	-
Issuance of common stock in connection with the settlement of notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of loans payable	-	-	-	-	-	-	2,121,233	212	-	1,493,573	-	-	1,493,785	-	1,493,785
Issuance of common stock in connection with the conversion of debentures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- -
Issuance of common stock in connection with the conversion of related party notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of interest payable	-	-	-	-	-	-	70,440	7	-	48,096	-	-	48,103	-	48,103
Common stock options issued under employee equity incentive plan	-	-	-	-	-	-	-	-	-	321,898	-	-	321,898	-	321,898
Reclassifcation of derivative liability to additional paid-in capital	-	-	-	-	-	-	-	-	-	1,459,658	-	-	1,459,658	-	1,459,658
Recognition of beneficial conversion features related to convertible debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	1,962,095	1,962,095
Balance, June 30, 2018	5,000,000	$ 500	500,000	$ 50	552,500	$ 55	19,719,903	$ 1,972	$ -	$ 18,073,657	$ (13,458,754)	$ (317,132)	$ 4,300,348	$ 2,250,322	$ 6,550,670

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

EVIO, INC.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the Three Months Ended June 30, 2019

	Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Subscriptions	Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Receivable	Capital	Earnings	Income	Equity	Interest	Equity
Balance, March 31, 2019	5,000,000	$ 500	500,000	$ 50	349,500	$ 35	27,094,744	$ 2,709	$ (406,000)	$ 24,278,681	$ (25,554,846)	$ (379,546)	$ (2,058,417)	$ 1,773,251	$ (285,166)
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(1,303,278)	-	(1,303,278)	(49,257)	(1,352,535)
Change in foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	82,610	82,610	-	82,610
Issuance of common stock in connection with the conversion of Series D preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Received from common stock subscriptions	-	-	-	-	-	-			406,000		-	-	406,000	-	406,000
Issuance of common stock in connection with the exercise of common stock purchase warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock as compensation to employees, officers and/or directors	-	-	-	-	-	-	25,000	3	-	12,872	-	-	12,875	-	12,875
Issuance of common stock in exchange for consulting, professional and other services provided	-	-	-	-	-	-	688,017	69	-	149,682	-	-	149,751	-	149,751
Issuance of common stock in satisfaction of debt issuances costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the settlement of accounts payable	-	-	-	-	-	-	31,579	3	-	14,997	-	-	15,000	-	15,000
Issuance of common stock in connection with the settlement of notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of loans payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of debentures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of related party notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion															
Issuance of common stock purchase warrants in satisfaction of of interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock purchase warrants in satisfaction of debt issuances costs	-	-	-	-	-	-	-	-	-	(47,340)	-	-	(47,340)	-	(47,340)
Reclassifcation of derivative liability to additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of beneficial conversion features related to convertible debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock based compensation related to employee stock options	-	-	-	-	-	-	-	-	-	167,397	-	-	167,397	-	167,397
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, June 30, 2019	5,000,000	$ 500	500,000	$ 50	349,500	$ 35	27,839,340	$ 2,784	$ -	$ 24,576,289	$ (26,858,124)	$ (296,936)	$ (2,575,402)	$ 1,723,994	$ (851,408)

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

EVIO, INC.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the Nine Months Ended June 30, 2018

	Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Stock Subscriptions	AdditionaL Paid-in	Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Receivable	Capital	Earnings	Income	Equity	Interest	Equity
Balance, September 30, 2017	5,000,000	$ 500	500,000	$ 50	832,500	$ 83	10,732,922	$ 1,073	$ -#	$ 7,657,982	$ (7,592,371)	$ -	$ 67,317	$ 158,124	$ 225,441
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(5,866,383)	-	(5,866,383)	(269,897)	(6,136,280)
Change in foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	(317,132)	(317,132)	-	(317,132)
Issuance of common stock in connection with the conversion of Series D preferred stock	-	-	-	-	(280,000)	(28)	700,000	70	-	(42)	-	-	-	-	-
Issuance of common stock in connection with sales made under private offerings	-	-	-	-	-	-	2,561,392	257	-	2,041,115	-	-	2,041,372	-	2,041,372
Issuance of common stock in connection with the exercise of common stock purchase warrants	-	-	-	-	-	-	13,333	1	-	7,998	-	-	7,999	-	7,999
Issuance of common stock as compensation to employees, officers and/or directors	-	-	-	-	-	-	200,000	20	-	439,987	-	-	440,007	-	440,007
Issuance of common stock in exchange for consulting, professional and other services provided	-	-	-	-	-	-	269,750	27	-	290,187	-	-	290,214	-	290,214
Issuance of common stock in satisfaction of debt issuances costs	-	-	-	-	-	-	620,271	62	-	1,389,345	-	-	1,389,407	-	1,389,407
Issuance of common stock in connection with the settlement of accounts payable	-	-	-	-	-	-	37,500	4	-	18,746	-	-	18,750	-	18,750
Issuance of common stock in connection with the settlement of notes payable	-	-	-	-	-	-	324,000	32	-	161,968	-	-	162,000	-	162,000
Issuance of common stock in connection with the conversion of loans payable	-	-	-	-	-	-	3,990,883	399	-	2,196,389	-	-	2,196,788	-	2,196,788
Issuance of common stock in connection with the conversion of debentures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of related party notes payable	-	-	-	-	-	-	125,000	13	-	62,487	-	-	62,500	-	62,500
Issuance of common stock in connection with the conversion of interest payable	-	-	-	-	-	-	144,852	14	-	75,352	-	-	75,366	-	75,366
Common stock options issued under employee equity incentive plan	-	-	-	-	-	-	-	-	-	1,390,031	-	-	1,390,031	-	1,390,031
Reclassifcation of derivative liability to additional paid-in capital	-	-	-	-	-	-	-	-	-	2,342,112	-	-	2,342,112	-	2,342,112
Recognition of beneficial conversion features related to convertible debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	2,362,095	2,362,095
Balance, June 30, 2018	5,000,000	$ 500	500,000	$ 50	552,500	$ 55	19,719,903	$ 1,972	$ -	$ 18,073,657	$ (13,458,754)	$ (317,132)	$ 4,300,348	$ 2,250,322	$ 6,550,670

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

EVIO, INC.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Nine Months Ended June 30, 2019

	Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Stock Subscriptions	AdditionaL Paid-in	Retained	Accumulated Other Comprehensive	Total Stockholders'	Noncontrolling	Total
	Shares	Value	Shares	Value	Shares	Value	Shares	Value	Receivable	Capital	Earnings	Income	Equity	Interest	Equity
Balance, September 30, 2018	5,000,000	$ 500	500,000	$ 50	552,500	$ 55	23,255,411	$ 2,326	$ -	$ 21,495,621	$ (19,226,462)	$ (263,985)	$ 2,008,105	$ 1,934,634	$ 3,942,739
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(7,631,662)	-	(7,631,662)	(210,640)	(7,842,302)
Change in foreign currency translation	-	-	-	-	-	-	-	-	-	-	-	(32,951)	(32,951)	-	(32,951)
Issuance of common stock in connection with the conversion of Series D preferred stock	-	-	-	-	(203,000)	(20)	507,500	50	-	(30)	-	-	-	-	-
Issuance of common stock in connection with sales made under private offerings	-	-	-	-	-	-	1,415,000	142	-	591,858	-	-	592,000	-	592,000
Issuance of common stock in connection with stock subscriptions received under private offerings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the exercise of common stock purchase warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock as compensation to employees, officers and/or directors	-	-	-	-	-	-	112,500	11	-	68,239	-	-	68,250	-	68,250
Issuance of common stock in exchange for consulting, professional and other services provided	-	-	-	-	-	-	1,038,017	104	-	331,047	-	-	331,151	-	331,151
Issuance of common stock in satisfaction of debt issuances costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the settlement of accounts payable	-	-	-	-	-	-	31,579	3	-	14,997	-	-	15,000	-	15,000
Issuance of common stock in connection with the settlement of notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of loans payable	-	-	-	-	-	-	779,808	78	-	317,022	-	-	317,100	-	317,100
Issuance of common stock in connection with the conversion of debentures	-	-	-	-	-	-	669,362	67	-	387,933	-	-	388,000	-	388,000
Issuance of common stock in connection with the conversion of related party notes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the conversion of interest payable	-	-	-	-	-	-	10,163	1	-	2,987	-	-	2,988	-	2,988
Issuance of common stock purchase warrants in satisfaction of debt issuances costs	-	-	-	-	-	-	20,000	2	-	11,758	-	-	11,760	-	11,760
Reclassification of derivative liability to additional paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of beneficial conversion features related to convertible debt instruments	-	-	-	-	-	-	-	-	-	846,985	-	-	846,985	-	846,985
Stock based compensation related to employee stock options	-	-	-	-	-	-	-	-	-	507,873	-	-	507,873	-	507,873
Acquisition of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance, June 30, 2019	5,000,000	$ 500	500,000	$ 50	349,500	$ 35	27,839,340	$ 2,784	$ -	$ 24,576,290	$ (26,858,124)	$ (296,936)	$ (2,575,401)	$ 1,723,994	$ (851,407)

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

NOTE 1 – ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

EVIO, Inc., a Colorado corporation and its subsidiaries ("the Company", "EVIO", "EVIO Labs", "we", "us", or "our") provide analytical testing and advisory services to the developing legalized cannabis and hemp industries. The Company operates both corporate owned and licensed laboratories through-out North America. Our laboratories provide testing for both cannabis and hemp products at all our labs.

Oregon: The Company operates two OLCC licensed and ORELAP accredited laboratories in Oregon. EVIO Labs Portland, located in Tigard, OR, is 100% owned by EVIO. EVIO Labs Medford, located in Central Point, OR is 80% owned by EVIO.

California: The Company operates one BCC licensed and ISO 17025 accredited laboratory in Berkeley serving both the cannabis and hemp markets in the state and the hemp market nationwide. EVIO owns 90% of this company.

Massachusetts: The Company is completing the relocation and re-accreditation of our laboratory in the state.

Florida: The Company licenses its brand to Kaycha Holdings, which operates two ISO 17025 accredited laboratories in the state. Subsequent to the quarter ended, Kaycha Labs Florida is no longer operating under the EVIO Labs brand, the license agreement is still in effect.

Colorado: The Company licenses its brand to Kaycha Holdings, which operates one ISO 17025 accredited laboratory in the state.

Canada: The Company operates one Health Canada licensed, GMP certified laboratory, in Edmonton, Alberta. EVIO owns 50% of this company.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's most recent Annual Financial Statements filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited consolidated financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

The Company generates revenue from consulting services, licensing agreements and testing of cannabis and hemp products for medicinal and adult-use consumption.

The Company accounts for a contract after it has been approved by all parties to the arrangement, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company evaluates the services promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. The Company's services included in its contracts are distinct from one another.

The Company determines the transaction price for each contract based on the consideration it expects to receive for the distinct services being provided under the contract.

The Company recognizes revenue as performance obligations are satisfied and the customer obtains control of the services provided. In determining when performance obligations are satisfied, the Company considers factors such as contract terms, payment terms and whether there is an alternative future use of the service.

The Company recognizes revenue from testing services upon delivery of its testing results to the client. Customer orders for testing services are generally completed within two weeks of receiving the order.

Consulting engagements may vary in length and scope, but will generally include the review and/or preparation of regulatory filings, business plans and financial models, operating plans, and technology support to customers within the same industry. Revenue from consulting services is recognized upon completion of deliverables as outlined in the consulting agreement.

The Company recognizes revenue from right of use license agreements upon transfer of control of the functional intellectual property. In certain licensing agreements, the Company may receive royalty revenues based upon performance metrics which are recognized as earned over time.

Stock Based Compensation

In accordance with ASC No. 718, Compensation – Stock Compensation ("ASC 718"), the Company measures the cost of stock based Compensation arrangements based on the grant date fair value and recognizes the cost in the financial statements over the period during which employees are required to provide services. Stock based compensation arrangements may include stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans.

The Company utilizes the Black Scholes option pricing model, which was developed for use in estimating the fair value of options. Option pricing models require the input of highly complex and subjective variables including the expected life of options granted and the expected volatility of the Company's stock price over a period equal to or greater than the expected life of the options.

Allowance for Doubtful Accounts

The Company provides for the possibility that some of its present trade accounts receivable may not be collectible. By establishing an Allowance for Doubtful Accounts, the company is ensuring the net realizable value of its trade accounts receivable are not overstated in the financial statements.

For the purpose of the allowance calculation, receivables will be aged as Current, 1-30 days past due, 31-60 days past due, 61-90 days past due and over 91 days past due. The Company calculates an allowance quarterly of estimated non-collectability for all accounts receivable based on the following formula criteria.

Receivables Aging	Allowance
Current	2.5%
1 – 30 Days past due	5.0%
31 – 60 Days past due	10.0%
61 – 90 Days past due	75.0%
Over 91 Days past due	98.0%

The Company categorizes delinquent accounts receivable are customers with balances older than 60 days at the time of review. Delinquent accounts receivable are escalated to advanced recovery efforts including obtaining services of third-party debt collectors. Significant delinquent accounts with balances older than 360 days will be written off with CEO or COO approval.

Foreign Currency Translation

The functional currency of the Company's subsidiary in Canada is the Canadian Dollar. The subsidiary's assets and liabilities have been translated to U.S. Dollars using the exchange rates in effect at the balance sheet dates. Statements of operations amounts have been translated using the average exchange rate for each period. Resulting gains or losses from translating foreign currency financial statements are recorded as other comprehensive income (loss).

Fair Value of Financial Instruments

The Company has adopted the guidance under ASC Topic 820 for financial instruments measured on a fair value on a recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Net Income (Loss) Per Share

Basic loss per share is computed by dividing net income, or loss, by the weighted average number of shares of common stock outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income, or loss, by the weighted average number of shares of common stock outstanding for the period. There were 26,218,351 and 15,030,353 potentially dilutive common shares outstanding as of June 30, 2019 and 2018, respectively. Because of the net losses incurred during the Nine Months Ended June 30, 2019 and 2018, the impacts of dilutive instruments would have been anti-dilutive for the period presented and have been excluded from the diluted loss per share calculations.

Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for public entity financial statements for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. ASU 2016-02 was further clarified and amended within ASU 2018-01, ASU 2018-10, ASU 2018-11 and ASU 2018-20 which included provisions that would provide us with the option to adopt the provisions of the new guidance using a modified retrospective transition approach, without adjusting the comparative periods presented. The Company is currently evaluating ASU 2016-02 and its impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "*Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment"*. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. This update is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 31, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing after January 1, 2017. The Company notes that this guidance applies to its reporting requirements and will implement the new guidance accordingly in performing goodwill impairment testing; however, the Company does not believe this update will have a material impact on the consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our financial statements upon adoption

NOTE 2 – GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has negative working capital, recurring losses, and does not have an established source of revenues sufficient to cover its operating costs. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plan described in the preceding paragraph and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

In the coming year, the Company's foreseeable cash requirements will relate to continual development of the operations of its business, maintaining its good standing and making the requisite filings with the Securities and Exchange Commission, and the payment of expenses associated with operations and business developments. The Company may experience a cash shortfall and be required to raise additional capital.

Historically, it has mostly relied upon convertible debentures, convertible promissory notes, internally generated funds such as shareholder loans and advances to finance its operations and growth. Management may raise additional capital by retaining net earnings or through future public or private offerings of the Company's stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company's failure to do so could have a material and adverse effect upon it and its shareholders.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data and requires disclosures for assets and liabilities measured at fair value based on their level in the hierarchy. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally cash, accounts payable, and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short maturities. The carrying amount of the Company's debt approximates fair value because the interest rates on these instruments approximate the interest rate on debt with similar terms available to the Company.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity" and ASC 815, "Derivatives and Hedging". Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair value of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes simulation model.

The Company's derivative liabilities were adjusted to fair market value at the end of each reporting period, using Level 3 inputs.

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on June 30, 2019:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments	$ -	$ -	$ 1,120,966	$ 1,120,966

The following table sets forth by level with the fair value hierarchy the Company's financial assets and liabilities measured at fair value on September 30, 2018:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments	$ -	$ -	$ 1,181,278	$ 1,181,278

NOTE 4 –LEASES

The Company determines if an arrangement is a lease at inception and has lease agreements for warehouses, office facilities, and equipment. These commitments have remaining non-cancelable lease terms, with lease expirations which range from 2020 to 2024.

As a result of the adoption of ASC 842, certain real estate and equipment operating leases have been recorded on the balance sheet with a lease liability and right-of-use asset (“ROU”). Application of this standard resulted in the recognition of ROU assets of $2,667,715, net of accumulated amortization, and a corresponding lease liability of $2,828,361 at the October 1, 2018, date of adoption. Accounting for finance leases is substantially unchanged.

Operating leases are included in operating lease ROU assets, operating lease obligations, current, and operating lease obligations, long term on the condensed consolidated balance sheets. Finance leases are included in property and equipment, finance lease obligations, short term, and finance lease obligations, long term, on the condensed consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make scheduled lease payments. ROU assets and liabilities are recognized on the lease commencement date based on the present value of lease payments over the lease term. The present value of lease payments is calculated using the incremental borrowing rate at lease commencement, which takes into consideration recent debt issuances as well as other applicable market data available.

Amortization of lease assets is included in general and administrative expenses. The future minimum lease payments of lease liabilities as of June 30, 2019, are as follows:

Year ended June 30,	Operating Leases	Financing Leases
2019	791,260	$ 435,093
2020	932,082	432,177
2021	649,795	459,420
2022	519,422	234,776
2023	323,356	204,812
Thereafter	27,911	4,977
Total lease payments	3,243,826	1,771,255
Less: Payments Made	(613,473)	(349,666)
Total Lease Liabilities	$ 2,630,353	$ 1,421,589

NOTE 5 – INTANGIBLE ASSETS

The Company’s intangible assets consist of customer lists, testing licenses, favorable leases and websites. The components of intangible assets as of June 30, 2019 and September 30, 2018 consist of:

	June 30, 2019	September 30, 2018
Customer list	$ 860,044	$ 865,672
License	503,000	503,000
Favorable lease	3,100	3,100
Domains & Websites	49,606	49,690
Non-compete agreements	183,513	184,563
Assembled Workforce	50,750	50,750
Patent	11,334	-
Intellectual Property	328,563	342,610
Total	1,970,162	1,999,385
Accumulated amortization	(603,486)	(318,815)
Net value	$ 1,386,424	$ 1,680,570

The Company estimates amortization to be recorded on existing intangible assets through the year ended September 30, 2030 to be:

		Amortization
2019	$	103,231
2020		350,149
2021		310,340
2022		241,161
2023		200,070
2024		126,359
2025		44,979
2026		2,317
2027		2,317
2028		2,317
2029		2,317
2030		868
Total	$	1,386,424

NOTE 6 – CONCENTRATION OF CREDIT RISK

Instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits, notes receivable and accounts receivable. As of June 30, 2019, the Company did not hold cash at any financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") of up to $250,000.

Customer Concentrations

During the Nine Months Ended June 30, 2019, there was no customers that represented over 10% of the Company's revenues. During the Nine Months Ended June 30, 2018, no customer represented over 10% of the Company's revenues.

As of June 30, 2019, the Company had total accounts receivable net of allowances of $331,346. Three clients comprised a total of 27% of this balance as follows:

		Balance	Percent of Total
Customer 1	$	57,067	12%
Customer 2		42,625	9%
Customer 3		28,121	6%
All others		368,150	74%
Total		495,963	100%
Allowance for doubtful accounts		(164,617)	
Net accounts receivable	$	331,346	

As of September 30, 2018, the Company had total accounts receivable, net of allowances, of $251,655. Three separate clients comprised a total of 36% of this balance as follows:

		Balance	Percent of Total
Customer 1	$	180,000	27%
Customer 2		34,268	5%
Customer 3		27,317	4%
All others		427,680	64%
Total		669,265	100%
Allowance for doubtful accounts		(417,610)	
Net accounts receivable	$	251,655	

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed in the period incurred. Renewals and betterments that materially extend the life of the assets are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Depreciation is computed for financial statement purposes on a straight-line basis over estimated useful lives of the related assets and the modified accelerated cost recovery system for federal income tax purposes. The estimated useful lives of depreciable assets are:

	Estimated Useful Lives
Building	39 years
Laboratory and Computer Equipment	5 years
Furniture and Fixtures	7 years
Software	3 years
Domains	15 years

The Company's property and equipment consisted of the following as of June 30, 2019 and September 30, 2018:

	June 30, 2019	September 30, 2018
Assets Not-In-Service	$ -	$ 455,540
Capital Assets	1,809,511	535,095
Land	212,550	212,550
Buildings & Real Estate	941,857	937,450
Furniture and Equipment	183,557	189,459
Laboratory Equipment	2,145,958	2,468,141
Software	79,057	63,913
Leasehold Improvements	684,698	303,331
Vehicles	83,915	83,915
Total	6,141,103	5,249,394
Accumulated depreciation	(1,221,698)	(644,291)
Net value	$ 4,919,405	$ 4,605,103

NOTE 8 – RELATED PARTY TRANSACTIONS

During the Nine Months Ended June 30, 2019, the Company received loans from its Chief Operating Officer totaling $15,000 and made repayments totaling $1,040 leaving a balance due as of June 30, 2019 of $13,960. The advances are non-interest bearing and due on demand. There was $13,960 and $0 due as of June 30, 2019 and September 30, 2018 and is included in the accompanying consolidated balance sheets as a current portion of notes payable to related parties.

During the Nine Months Ended June 30, 2019 the Company made payments to Sara Lausmann, associated with the asset purchase of Oregon Analytical Services, LLC, totaling $12,000. There was $568,299 and $580,299 of principal due as of June 30, 2019 and September 30, 2018, respectively. The note carries interest at a rate of 5% per annum and had accrued interest totaling $100,737 and $79,295 due as of June 30, 2019 and September 30, 2018, respectively.

During the Nine Months Ended June 30, 2019, the Company made $25,500 in payments to Anthony Smith, our Chief Science Officer, associated with the purchase of 80% of Smith Scientific Industries. There was $210,500 and $236,000 of principal due as of June 30, 2019 and September 30, 2018, respectively. The note carries interest at a rate of 5% per annum and had accrued interest totaling $39,320 and $30,960 due as of June 30, 2019 and September 30, 2018, respectively.

During the Nine Months Ended June 30, 2019, the Company made repayments to Henry Grimmett, prior Company Director (retired April 2018), on an outstanding loan from member assumed by the Company, totaling a note payable of Greenhaus Analytical Services, LLC, totaling $3,858.85. There was $113,554 and $117,412 of principal due as of June 30, 2019 and September 30, 2018, respectively. The note bears interest at 0% per annum and requires repayments of $25,000 quarterly.

During the Nine Months Ended June 30, 2019, the Company made no payments to Henry Grimmett, prior Company Director (retired April 2018), associated with the acquisition of Greenhaus Analytical Services, LLC. The Company entered into a $340,000 note payable as part of its acquisition of Greenhaus Analytical Services, LLC. The note carries interest at a rate of 6% per annum and matures on October 16, 2020. There was $340,000 of principal as of June 30, 2019 and September 30, 2018. Unamortized debt discount of $32,967 and $51,971 as of June 30, 2019 and September 30, 2018, respectively and $55,164 and $39,905 of accrued interest due as of June 30, 2019 and September 30, 2018, respectively.

During the Nine Months Ended June 30, 2019, the Company received $178,894 from a related party associate with Keystone Labs and made repayment of $7,007, leaving balances due of $329,079 and $153,177 as of June 30, 2019 and September 30, 2018, respectively. Amounts have been adjusted for USD. The advances are non-interest bearing and due on demand and is included in the accompanying consolidated balance sheets as a current portion of notes payable to related parties.

NOTE 9 – STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock

The Company has 0 shares of Series A Convertible Stock issued and outstanding as of June 30, 2019 and 2018.

Series B Convertible Preferred Stock

The Company designated 5,000,000 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock") with a par value of $0.0001 per share. The Company has 5,000,000 shares of Series B Convertible Stock issued and outstanding as of June 30, 2019 and 2018. These shares converted to common stock at a rate of 1 common share per each shares of Series B Convertible Preferred Stock.

Series C Convertible Preferred Stock

The Company designated 500,000 shares of Series C Convertible Preferred Stock ("Series C Preferred Stock") with a par value of $0.0001 per share. There were 500,000 shares of Series C Convertible Stock issued and outstanding as of June 30, 2019 and 2018. These shares converted to common stock at a rate of 5 common shares per each shares of Series C Convertible Preferred Stock.

Series D Convertible Preferred Stock

The Company designated 1,000,000 shares of Series D Convertible Preferred Stock ("Series D Preferred Stock") with a par value of $0.0001 per share. These shares converted to common stock at a rate of 2.5 common shares per each shares of Series D Convertible Preferred Stock.

During the Nine Months Ended June 30, 2019, the Company received conversion notices from Series D Preferred Stockholders resulting in a total of 507,500 shares of common stock being issued for the conversion of 203,000 shares of Series D Preferred Stock.

During the Nine Months Ended June 30, 2018, the Company received conversion notices from Series D Preferred Stockholders resulting in a total of 700,000 shares of common stock being issued for the conversion of 280,000 shares of Series D Preferred Stock.

There were 349,500 and 552,500 shares of Series D Convertible Stock issued and outstanding as June 30, 2019 and June 30, 2018, respectively.

Common Stock

During the Nine Months Ended June 30, 2019, the Company issued 1,038,017 common shares valued at $331,151 for services; 1,415,000 common shares for cash proceeds of $592,000; 112,500 common shares valued at $68,250 under its employee equity incentive plan; 779,808 common shares for the conversion of $317,100 of outstanding principal on convertible notes payable; 669,362 common shares for the conversion of $388,000 of convertible debentures; 10,163 common shares for conversion of interest payable of $2,988; 507,500 common shares for the conversion of Preferred Series D stock, and 20,000 common shares valued at $11,760 for debt issue costs. All conversions of outstanding principal and accrued interest on convertible notes payable were done so at contractual terms.

During the Nine Months Ended June 30, 2018, the Company issued 269,750 common shares valued at $290,216 for services; 700,000 common shares for the conversion of 280,000 shares of Series D Preferred Stock; 2,561,392 common shares for cash proceeds of $2,041,501; 200,000 common shares valued at $440,021 under its employee equity incentive plan; 37,500 common shares for the settlement of $18,750 of accounts payable; 3,990,883 common shares for the conversion of $2,197,000 of outstanding principal on convertible notes payable; 144,852 for the conversion of $75,373 of convertible accrued interest; 324,000 common shares for the settlement of non-convertible debt and interest totaling $162,000; 125,000 common shares for the settlement of non-convertible related party debt totaling $62,500 and 670,271 common shares valued at $1,414,907 for debt issue costs from a capital raise. All conversions of outstanding principal and accrued interest on convertible notes payable were done so at contractual terms

There were 27,839,340 and 19,719,903 shares of common stock issued and outstanding at June 30, 2019 and June 30, 2018, respectively.

NOTE 10 – LOANS PAYABLE

The Company had the following loans payable outstanding as of June 30, 2019 and September 30, 2018:

	June 30, 2019	September 30, 2018
On March 16, 2017, the Company executed notes payable for the purchase of three vehicles. The notes carry interest at 6.637% annually and mature on March 31, 2023.	50,338	60,477
On September 6, 2017, the Company entered into a note payable totaling $1,000,000 for the purchase of an outstanding note receivable. The note carries interest at 8% annually and is due on July 6, 2018.	-	500,000
On June 28, 2018, the Company executed a note payable for $650,000 for the purchase of the building at 14775 SW 74th Ave, Tigard, OR. The note carries interest at 8% annually and is due on June 28, 2021.	628,611	646,231
On July 5, 2018, the Company executed a note payable for $750,000 for the asset purchase of MRX Labs. The note carries interest at 8% annually and is due on January 5, 2019.	750,000	750,000
	1,428,949	1,956,708
Less: unamortized original issue discounts	-	(119,000)
Total loans payable	1,428,949	1,837,708
Less: current portion of loans payable	786,931	643,627
Long-term portion of loans payable	$ 642,018	$ 1,193,781

As of June 30, 2019 and September 30, 2018, the Company accrued interest of $59,178 and $47,767 respectively

NOTE 11 – CONVERTIBLE NOTES PAYABLE

The Company has entered into convertible notes payable that convert to common stock of the Company at variable conversion prices. As further discussed in *Note 13 – Derivative Liability*, the Company analyzed the conversion features of the agreements for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

The following table summarizes all convertible notes outstanding as of June 30, 2019:

Holder	Issue Date	Due Date	Principal	Unamortized Debt Discount	Carrying Value	Accrued Interest
Noteholder 3	7/2/18	10/1/18	220,000	-	220,000	17,504
Noteholder 4	8/1/18	1/1/19	330,000	-	330,000	24,085
Noteholder 5	8/29/18	2/28/19	222,222	-	222,222	9,285
Noteholder 6	9/6/18	9/6/19	125,000	(16,203)	108,797	10,171
Noteholder 3	9/13/18	3/11/19	435,000	-	435,000	-
Noteholder 7	9/17/18	9/17/19	62,500	(12,234)	50,266	4,897
Noteholder 4	10/2/18	1/1/19	220,000	-	220,000	13,067
Noteholder 8	11/15/18	11/15/19	222,600	(82,147)	140,453	11,075
Noteholder 9	12/27/18	12/27/19	105,000	(52,068)	52,932	4,235
Noteholder 9	1/14/19	1/14/20	131,250	(78,836)	52,414	4,804
Noteholder 8	2/04/19	2/04/20	265,000	(158,100)	106,900	8,480
Noteholder 9	2/05/19	2/05/20	131,250	(81,267)	49,983	4,171
Noteholder 11	2/08/19	2/08/20	580,537	(42,562)	537,974	22,585
Noteholder 8	3/15/19	3/15/20	70,913	-	70,913	1,663
Noteholder 9	3/15/19	3/15/20	70,913	-	70,913	1,663
Noteholder 12	3/15/19	3/15/20	70,913	-	70,913	1,663
Noteholder 13	3/15/19	3/15/20	70,913	-	70,913	1,663
Noteholder 10	4/24/18	4/24/19	500,000	-	500,000	-
			$ 3,834,010	$ (523,418)	$ 3,310,592	$ 153,526

The following table summarizes all convertible notes outstanding as of September 30, 2018:

Holder	Issue Date	Due Date	Principal	Unamortized Debt Discount	Carrying Value	Accrued Interest
Noteholder 2	7/2/18	10/1/18	220,000	(220)	219,780	4,340
Noteholder 3	7/2/18	10/1/18	220,000	(220)	219,780	4,340
Noteholder 4	8/1/18	10/1/18	330,000	(492)	329,508	-
Noteholder 1	8/14/18	8/14/19	167,100	(13,591)	153,509	2,839
Noteholder 5	8/29/18	2/28/19	222,222	(78,670)	143,552	-
Noteholder 6	9/6/18	9/6/19	125,000	(89,921)	35,079	-
Noteholder 3	9/13/18	3/11/19	585,000	(513,062)	71,938	-
Noteholder 7	9/17/18	9/17/19	62,500	(57,381)	5,119	-
Noteholder 10	4/24/18	4/24/19	500,000	0	500,000	-
			$ 2,431,822	$ (753,557)	$ 1,678,265	$ 11,519

Noteholder 1

On August 14, 2017, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $275,600 of which $15,600 was an original issue discount and $10,000 was paid directly to third parties resulting in cash proceeds to the Company of $250,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on August 14, 2018. The Note is convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 75% of the lowest trade price of the Company's common stock for the fifteen prior trading days including the date of conversion. During the year ended September 30, 2018, the holder elected to convert $167,100 of principal due in exchange for 479,848 shares of common stock and the holder elected to convert $2,988 of interest due in exchange for 10,163 shares of common stock. There was $0 and $167,100 of principal and $0 and $2,839 of accrued interest due at June 30, 2019 and September 30, 2018, respectively.

Noteholder 2

On July 2, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $220,000 of which $20,000 was an original issue discount and $17,000 was paid directly to third parties resulting in cash proceeds to the Company of $183,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on October 1, 2018. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.60 per share. There was $0 and $220,000 of principal and $13,116 and $0 of accrued interest due June 30, 2019 and September 30, 2018, respectively. This note was purchased by Noteholders 8, 9, 12 & 13.

Noteholder 3

On July 2, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $220,000 of which $20,000 was an original issue discount resulting in cash proceeds to the Company of $200,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on October 1, 2018. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.60 per share. There was $220,000 and $220,000 of principal and $17,504 and $4,340 of accrued interest due June 30, 2019 and September 30, 2018, respectively.

On September 17, 2018, the Company entered into an exchange agreement with an unrelated party for the principal amount $585,000, of which the loan payable to Palliatech, Dated August 1, 2017, outstanding and principal of $549,652 would be assumed by the new note holder, with difference of $35,348 to be treated as an original issue discount. The new convertible note payable carries an interest rate of 0% per annum is convertible into common stock of the Company at the option of the noteholder immediately at 80% of the lowest volume weighted average price of the Company's common stock in the preceding 20 trading days. There was $435,000 of principal and $0 accrued interest due on both June 30, 2019 and September 30, 2018.

Noteholder 4

On August 1, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $330,000 of which $30,000 was an original issue discount resulting in cash proceeds to the Company of $300,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, was due on October 1, 2018. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.60 per share. There was $330,000 and $330,000 of principal and $24,085 and $10,994 of accrued interest due at June 30, 2019 and September 30, 2018, respectively.

On October 2, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $220,000 of which $20,000 was an original issue discount resulting in cash proceeds to the Company of $200,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on January 1, 2019. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.60 per share. There was $220,000 of principal and $13,067 of accrued interest due at June 30, 2019.

Noteholder 5

On August 29, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $222,222 of which $22,222 was an original issue discount and $5,500 was paid directly to third parties resulting in cash proceeds to the Company of $194,500 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 5%, is due on February 28, 2019. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.70 per share. There was $222,222 and $222,222 of principal and $11,075 and $0 of accrued interest due at June 30, 2019 and September 30, 2018, respectively. The holder has issued a notice of default on this promissory note.

Noteholder 6

On September 6, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $125,000 of which $15,000 was an original issue discount parties resulting in cash proceeds to the Company of $110,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 10%, is due on September 6, 2019. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.50 per share. There was $125,000 and $125,000 of principal and $10,171 and $0 of accrued interest due at June 30, 2019 and September 30, 2018, respectively.

Noteholder 7

On September 6, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $62,500 of which $6,250 was an original issue discount resulting in cash proceeds to the Company of $56,250 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 10%, is due on September 6, 2019. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.50 per share. There was $62,500 and $62,500 of principal and $4,897 and $0 of accrued interest due at June 30, 2019 and September 30, 2018, respectively.

Noteholder 8

On November 15, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $222,600 of which $12,600 was an original issue discount resulting in cash proceeds to the Company of $210,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on November 15, 2019. The principal amount of the note and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.55 per share. There was $222,600 of principal and $11,075 of accrued interest due at June 30, 2019.

On February 4, 2019, the Company entered into a convertible note payable with an unrelated party for $265,000 of which $15,000 was an original issue discount and $10,000 in third party fees resulting in net cash proceeds to the Company of $240,000. The convertible note payable carries interest at a rate of 8% per annum, is due on February 4, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company’s common stock in the preceding 15 trading days. There was $265,000 of principal and $8,480 of accrued interest due at June 30, 2019.

On March 15, 2019, the Company entered into an exchange agreement with an unrelated party for $70,913, of which the loan payable to Noteholder 2, dated July 2, 2018, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 8% per annum is due on March 15, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company’s common stock in the preceding 15 trading days. There was $70,913 of principal and $1,663 of accrued interest due at June 30, 2019.

Noteholder 9

On December 27, 2018, the Company sold and issued a Convertible Promissory to an unrelated party for the principal amount of $105,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith. The Note, together with accrued interest at the annual rate of 8%, is due on December 27, 2019. The Note is convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 65% of the lowest trade price of the Company's common stock for the fifteen prior trading days including the date of conversion. There was $105,000 of principal and $4,235 of accrued interest due at June 30, 2019.

On January 14, 2019, the Company entered into a convertible note payable with an unrelated party for $131,250 of which included $6,250 in third party fees resulting in net cash proceeds to the Company of $125,000. The convertible note payable carries interest at a rate of 8% per annum, is due on January 14, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $131,250 of principal and $4,804 of accrued interest due at June 30, 2019.

On February 5, 2019, the Company entered into a convertible note payable with an unrelated party for $131,250 of which included $6,250 in third party fees resulting in net cash proceeds to the Company of $125,000. The convertible note payable carries interest at a rate of 8% per annum, is due on February 5, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $131,250 of principal and $4,171 of accrued interest due at June 30, 2019.

On March 15, 2019, the Company entered into an exchange agreement with an unrelated party for $70,913, of which the loan payable to Noteholder 2, dated July 2, 2018, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 8% per annum is due on March 15, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $70,913 of principal and $1,663 of accrued interest due at June 30, 2019.

Noteholder 10

On April 24, 2018, the Company entered into a convertible note payable totaling $500,000 in exchange for 100% of the assets of Leaf Detective LLC. The note bears no interest, matures on April 24, 2019 and automatically converted to common stock at $1.25 per share on the maturity date. In the event the average lowest trading price of the Company's common stock during the five days prior to maturity is less than $1.25 per share, the Company will pay the noteholder the difference between $1.25 and the average lowest trading price during the preceding five days per share converted in cash. There was $500,000 principal and $0 interest due on both June 30, 2019 and September 30, 2018.

Noteholder 11

On February 8, 2019, the Company entered into an exchange agreement with an unrelated party for $580,537, of which the loan payable to Palliatech, dated September 1, 2017, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 10% per annum, with one year interest guaranteed, is due on February 8, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 30% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $580,537 of principal and $22,585 of accrued interest due at June 30, 2019.

Noteholder 12

On March 15, 2019, the Company entered into an exchange agreement with an unrelated party for $70,913, of which the loan payable to Noteholder 2, dated July 2, 2018, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 8% per annum is due on March 15, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $70,913 of principal and $1,663 of accrued interest due at June 30, 2019.

Noteholder 13

On March 15, 2019, the Company entered into an exchange agreement with an unrelated party for $70,913, of which the loan payable to Noteholder 2, dated July 2, 2018, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 8% per annum is due on March 15, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days. There was $70,913 of principal and $1,663 of accrued interest due at June 30, 2019.

NOTE 12 – CONVERTIBLE DEBENTURES

On January 29, 2018, the Company issued a total of 5,973 units of 8% unsecured convertible debentures. Each unit consists of one convertible debenture with a principal face value of $1,000 and 250 warrants. The gross proceeds were $5,973,000. Each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of $0.80 per warrant for a period of 24 months. The convertible debentures have a maturity date of 36 months from issuance. Simple interest will be paid at a rate of 8% per annum in arrears until maturity or until conversion. The principal amount of the debentures and any accrued interest thereon are convertible at the option of the holder into common shares of the Company at any time at a conversion price of $0.60 per share.

In addition to the warrants associated with the convertible debentures, the Company issued an additional 597,300 warrants to purchase common stock of the Company as offering costs representing an equivalent of 6% of the fully converted debentures. The warrants are exercisable at $0.60 per share for a period of two years.

During the fiscal year ended September 30, 2018, the Company issued three separate debentures under the same terms for additional cash proceeds of $610,000. The additional debentures carry an additional 152,500 warrants to purchase additional common shares of the Company at $0.80 per share. Additionally, the outstanding principal and interest may be converted to common stock of the Company at $0.60 per share.

During the nine month quarter ended June 30, 2019, the Company also issued nineteen additional debentures under the same terms for additional cash proceeds of $374,000. The additional debentures carry an additional 187,000 warrants to purchase additional common shares of the Company at $0.80 per share. Additionally, the outstanding principal and interest may be converted to common stock of the Company at $0.60 per share.

Associated with the issuance of the convertible debentures, the Company incurred cash-based issuance costs of $702,963, issued common shares valued at $1,414,907 and warrants to purchase additional shares of common stock valued at $1,265,385 for total debt issuance costs of $3,383,255. The debt issuance costs were recorded as a discount to the carrying value of the convertible debentures. The warrants associated with the debt issue costs were valued using a Black-Scholes model with the following assumptions:

Expected term of options granted	2 years
Expected volatility	223%
Risk-free interest rate	2.49%
Expected dividend yield	0%

The Company separately assessed the value of the detachable warrants and conversion features of the convertible debentures. The Company separately initially valued the detachable warrants issued with the convertible debentures at $3,351,160 using a Black-Scholes model with the following assumptions:

Expected term of options granted	2 years
Expected volatility	211 - 223%
Risk-free interest rate	2.09 - 2.25%
Expected dividend yield	0%

Additionally, the outstanding principal on convertible debentures totaling $6,957,000 may be converted into common stock of the Company at $0.60 per share for a total of 11,595,000 shares. Due to the variable conversion features of the outstanding convertible notes payable as discussed in *Note 7 – Convertible Notes Payable*, the Company cannot ascertain there will be adequate unissued authorized common shares to fulfill all share-based obligations. As a result, the warrants issued in connection with the convertible debentures are not afforded equity treatment and were recorded as a derivative liability upon initial measurement. The total initial measurement of warrants issued with the convertible debentures was $4,616,545 of which $4,465,131 was recorded as a debt discount and, when combined with debt issuance costs, represents a total debt discount of $6,583,000.

As of June 30, 2019 the Company has amortized $716,745 of the total outstanding debt discount leaving an unamortized debt discount of $3,466,045. The remaining debt discount will be amortized to interest expense over the expected life of the note. There was $5,183,000 of principal and accrued interest totaling $550,939 outstanding as of June 30, 2019.

NOTE 13 – DERIVATIVE LIABILITY

As of June 30, 2019 and September 30, 2018, Company had a derivative liability balance of $1,120,966 and $1,181,278 on the balance sheets and recorded a gain of $424,774 from derivative liability fair value adjustments during the nine months ended June 30, 2019.

On November 15, 2018, the Company issued a $222,600 convertible promissory note to an unrelated party that matures on November 15, 2019. Refer to Noteholder 8 under *"Note 12 – Convertible Debentures"* for more information. The Company analyzed the conversion feature of the agreement for derivative accounting consideration under ASC 815-15, *Derivatives and Hedging* and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate. In accordance with AC 815, the Company has bifurcated the conversion feature of the note and recorded a derivative liability.

The embedded derivative for the note is carried on the Company's balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the embedded derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative at the issuance date of the note was $220,463 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $184,957 which was up to the face value of the convertible note with the excess fair value at initial measurement of $35,506 being recognized as a loss on derivative fair value measurement.

On December 27, 2018, the Company issued a $105,000 convertible promissory note to an unrelated party that matures on December 27, 2019. Refer to Noteholder 9 under *"Note 12 – Convertible Debentures"* for more information. The Company analyzed the conversion feature of the agreement for derivative accounting consideration and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate.

The aggregate fair value of the derivative at the issuance date of the note was $98,091 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $38,365 which was up to the face value of the convertible note with the excess fair value at initial measurement of $59,725 being recognized as a loss on derivative fair value measurement.

On February 4, 2019, the Company issued a $265,000 convertible promissory note to an unrelated party that matures on February 4, 2020. Refer to Noteholder 8 under *"Note 12 – Convertible Debentures"* for more information. The Company analyzed the conversion feature of the agreement for derivative accounting consideration and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate.

The aggregate fair value of the derivative at the issuance date of the note was $322,521 which was recorded as a derivative liability on the balance sheet. The Company recognized a loss of $322,521 on derivative fair value measurement.

On February 5, 2019, the Company issued a $131,250 convertible promissory note to an unrelated party that matures on February 5, 2020. Refer to Noteholder 9 under *"Note 12 – Convertible Debentures"* for more information. The Company analyzed the conversion feature of the agreement for derivative accounting consideration and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate.

The aggregate fair value of the derivative at the issuance date of the note was $144,752 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $14,423 which was up to the face value of the convertible note with the excess fair value at initial measurement of $130,329 being recognized as a loss on derivative fair value measurement.

On February 11, 2019, the Company issued a $131,250 convertible promissory note to an unrelated party that matures on February 11, 2020. Refer to Noteholder 9 under *"Note 12 – Convertible Debentures"* for more information. The Company analyzed the conversion feature of the agreement for derivative accounting consideration and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible notes are subject to a variable conversion rate.

The aggregate fair value of the derivative at the issuance date of the note was $228,916 which was recorded as a derivative liability on the balance sheet. The Company recognized a loss of $228,916 on derivative fair value measurement.

At June 30, 2019, the Company marked-to-market the fair value of the derivative liabilities related to conversion features and determined an aggregate fair value of $835,762 and recorded a $208,198 gain from change in fair value for the nine months ended June 30, 2019. The fair value of the embedded derivatives was determined using a Black-Scholes option pricing model based on the following assumptions: (1) expected volatility of 123%, (2) risk-free interest rate of 1.92%, (3) exercise prices of $0.21 - $0.31, and (4) expected lives of 0.38 – 0.62 of a year.

On October 2, 2018, the Company issued a total of $220,000 convertible debenture to an unrelated party that matures on January 1, 2019. The Company issued a total of 100,000 warrants to purchase additional shares of common stock of the Company in connection with the convertible debenture. The Company analyzed the issued warrants for derivative accounting consideration under ASC 815-15 "Derivatives and Hedging" and determined that the warrants should be classified as a derivative because the Company is unable to ascertain there will be adequate unissued authorized shares of common stock to fulfill its obligations should the warrants be exercised. In accordance with AC 815, the Company has recorded a derivative liability related to the warrants.

The derivative for the warrants is carried on the Company's balance sheet at fair value. The derivative liability is marked-to-market each measurement period and any unrealized change in fair value is recorded as a component of the income statement and the associated fair value carrying amount on the balance sheet is adjusted by the change. The Company fair values the derivative using the Black-Scholes option pricing model. The aggregate fair value of the derivative at the issuance date of the warrants was $57,014 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $53,333 which was up to the face value of the convertible debentures with the excess fair value at initial measurement of $3,681 being recognized as a loss on derivative fair value measurement.

As discussed in *"Note 12 – Convertible Debentures"*, the Company issued a total of $374,000 of convertible debentures to unrelated parties that mature on dates ranging from October 17, 2020 to October 23, 2020. The Company issued a total of 187,000 warrants to purchase additional shares of common stock of the Company in connection with the convertible debentures. The Company analyzed the issued warrants for derivative accounting consideration and determined that the warrants should be classified as a derivative. The aggregate fair value of the derivative at the issuance date of the warrants was $73,383 which was recorded as a derivative liability on the balance sheet, for which the Company recorded an equivalent debt discount to the convertible debentures.

At June 30, 2019, the Company marked-to-market the fair value of the derivative liabilities related to warrants and determined an aggregate fair value of $285,294 and recorded a $997,254 gain from change in fair value for the nine months ended June 30, 2019. The fair value of the derivatives was determined using a Black-Scholes option pricing model based on the following assumptions: (1) expected volatility of 123%, (2) risk-free interest rate of 1.92%, (3) exercise prices of $0.60 to $0.80, and (4) expected lives of 0.59 – 1.32 years.

The following table summarizes the derivative liabilities included in the balance sheet at June 30, 2019:

Fair Value of Derivative Liabilities:		
Balance, September 30, 2018	$	1,181,278
Initial measurement of derivative liabilities		1,145,140
Change in fair market value		(1,205,452)
Write off due to conversion		-
Balance, June 30, 2019	$	1,120,966

The following table summarizes the gain (loss) on derivative liability included in the income statement for the Nine Months Ended June 30, 2019 and 2018, respectively.

	June 30,			
		2019		2018
Day one loss due to derivatives on convertible debt	$	(780,678)	$	(765,115)
Change in fair value of derivatives		1,205,452		2,922,558
Total derivative gain (loss)	$	424,774	$	2,157,443

NOTE 14 – STOCK OPTIONS AND WARRANTS

The following table summarizes all stock option and warrant activity for the Nine Months Ended June 30, 2019:

	Shares		Weighted-Average Exercise Price Per Share
Outstanding, September 30, 2018	4,638,050	$	0.784
Granted	646,920		0.610
Exercised			-
Forfeited	-		-
Expired	-		-
Outstanding, June 30, 2019	5,284,970	$	0.796

The following table discloses information regarding outstanding and exercisable options and warrants at June 30, 2019:

	Outstanding			Exercisable	
Exercise Prices	Number of Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Option Shares	Weighted Average Exercise Price
$ 0.400	110,000	$ 0.400	2.13	110,000	$ 0.400
$ 0.420	330,000	$ 0.420	4.55	330,000	$ 0.420
$ 0.500	165,000	$ 0.500	2.20	162,500	$ 0.500
$ 0.600	627,220	$ 0.600	0.62	627,220	$ 0.600
$ 0.650	145,000	$ 0.650	3.32	36,250	$ 0.650
$ 0.800	3,482,750	$ 0.800	1.94	3,095,250	$ 0.800
$ 0.850	100,000	$ 0.850	3.80	-	$ 0.850
$ 1.050	25,000	$ 1.050	4.30	-	$ 1.050
$ 1.260	220,000	$ 1.260	3.01	110,000	$ 1.260
$ 1.300	10,000	$ 1.300	2.31	7,500	$ 1.300
$ 1.386	60,000	$ 1.386	3.01	30,000	$ 1.386
$ 1.666	10,000	$ 1.666	3.09	5,000	1.666
Total	5,284,970	$ 0.783	2.82	4,513,720	$ 0.796

In determining the compensation cost of the stock options granted, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model. The assumptions used in these calculations are summarized as follows:

	June 30, 2019
Expected term of options granted	1.1 to 5.0 years
Expected volatility	102.63 to 122.49%
Risk-free interest rate	2.57 to 2.67%
Expected dividend yield	0%

The Company recognized stock option expense of $167,398 and $206,108 during the three months ended June 30, 2019 and 2018, respectively. There was $696,960 of unrecognized stock-based compensation expense as of June 30, 2019.

NOTE 15 – SUBSEQUENT EVENTS

Common Stock Issuances

The Company made the following issuances of common stock subsequent to June 30, 2019:

- 25,000 common shares for the conversion of 10,000 shares of Series D Preferred Stock.
- 58,245 common shares for the settlement of $21,000 of accounts payable.
- 12,500 common shares valued at $6,624 for the vesting of restricted stock grants for officers and directors
- 688,017 common shares for services valued at $192,390
- 1,201,420 common shares for the conversion of $357,222 of outstanding principal on convertible notes payable.
- 381,351 common shares for the settlement of $165,000 of outstanding interest and penalties on convertible notes payable.

Convertible Notes Payable

On August 8, 2019, the Company entered into a convertible note payable with an unrelated party for $33,092 which included $1,575 third party fees resulting in net cash proceeds to the Company of $31,517. The convertible note payable carries interest at a rate of 8% per annum, is due on August 8, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days.

On August 8, 2019, the Company entered into a convertible note payable with an unrelated party for $33,092 which included $1,575 third party fees resulting in net cash proceeds to the Company of $31,517. The convertible note payable carries interest at a rate of 8% per annum, is due on August 8, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days.

On August 30, 2019, the Company entered into a convertible note payable with an unrelated party for $110,000 which included $10,000 original issue discount resulting in net cash proceeds to the Company of $100,000. The convertible note payable carries interest at a rate of 8% per annum, is due on May 30, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days.

Convertible Notes Payable – Exchanged Note

On August 29, 2019, the Company entered into an exchange agreement with an unrelated party for $199,203, of which the loan payable to Henry Grimmett, dated October 16, 2016, outstanding and principal would be assumed by the new note holder. The new convertible note payable carries an interest rate of 8% per annum, is due on May 29, 2020 and is convertible into common stock of the Company at the option of the noteholder six months after issuance at a rate equal to a 35% discount from the lowest trading price of the Company's common stock in the preceding 15 trading days.

Legal Proceedings

On May 9, 2019, Stephanie Head, a former part-time lab administrator for EVIO Labs Eugene, LLC, filed a wrongful termination lawsuit with the US District Court - District of Oregon, Eugene Division, Case No. 6:19-CV-00681, against EVIO Labs Eugene, LLC, EVIO, Inc. and Lori Glauser. This case is still in process.

On August 29, 2018, the Company issued FIRSTFIRE GLOBAL OPPORTUNITIES FUND, LLC ("Creditor") a Promissory Note in the original principal amount of $220,000.00 (the "Note"). The Company failed to timely pay certain sums under the Note and, as a result of the Breach, on or about August 7, 2019, Creditor filed a *Complaint - Breach of Promissory Note* in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida. Since such filing, the Company and Creditor have entered into a Settlement Agreement and Stipulation, pursuant to which the Company has agreed to issue the Creditor 1,000,000 shares of its common stock under 3(a)(10) of the Securities Act of 1933 in settlement for all claims. The settlement was approved by the court on August 27, 2019. The shares were issued on September 6, 2019.

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained herein involve risks and uncertainties, including statements as to:

- *our future operating results;*
- *our business prospects;*
- *our contractual arrangements and relationships with third parties;*
- *the dependence of our future success on the general economy;*
- *our possible financings; and*
- *the adequacy of our cash resources and working capital.*

These forward-looking statements can generally be identified as such because the context of the statement will include words such as we "believe," "anticipate," "expect," "estimate" or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this report, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto, included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this report, particularly in the "Risk Factors" section.

Critical Accounting Policies and Estimates.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources.

Business of Registrant

EVIO, Inc., a Colorado corporation and its subsidiaries provide analytical testing and advisory services to the emerging legalized cannabis industry. EVIO, Inc. was originally incorporated in the State of New York, December 12, 1977 under the name 3171 Holding Corporation. On February 22, 1979, the name was changed to Electronomic Industries Corp. and on February 23, 1983 the name was changed to Quantech Electronics Corp. The Company was reincorporated in the State of Colorado on December 15, 2003. On August 29, 2014, the Company completed a reverse merger with Signal Bay Research, Inc., a Nevada Corporation, and assumed its operations. In September 2014, the Company changed its name from Quantech Electronics Corp. to Signal Bay, Inc. then to EVIO, INC. in August 2017. The Company has selected September 30 as its fiscal year end. The Company is domiciled in the State of Colorado, and its corporate headquarters are located in Henderson, Nevada.

As a part of and prior to the consummation of the reverse merger, William Waldrop and Lori Glauser, principals of Signal Bay Research, Inc., purchased 80% of the issued and outstanding common stock from WB Partners. The merger between the Company and Signal Bay Research was finalized and closed contemporaneously with the share purchase. As part of this share purchase, Mr. Waldrop and Ms. Glauser became the officers and directors of the Company. Immediately after the reverse, WB Partners owned less than 5% of the common stock. The company filed a Form 10-12G on November 25, 2014 and was determined to be a shell company by the SEC as per the Form 10-12G/A which went effective on January 24, 2015. On January 29, 2015, the company filed an 8-K stating it entered into a material agreement and was no longer a shell company.

On September 17, 2015, EVIO entered into a share exchange agreement with CR Labs, Inc., an Oregon Corporation, pursuant to which the Company acquired 80% of the outstanding common stock of CR Labs, Inc. CR Labs, Inc. ceased operations in December, 2018 and operations were consolidated into Greenhaus Analytical Labs at its new location in Tigard, OR.

EVIO Labs Oregon, Inc. was formed on April 4, 2016 to become the holding company for Oregon laboratory operations.

EVIO Labs Eugene was formed on May 23, 2016, as a wholly owned subsidiary of EVIO Inc. Subsequently on May 24, 2016, EVIO Labs Eugene acquired all of the assets of Oregon Analytical Services, LLC, inclusive of client lists, equipment, trade names and personnel. EVIO Labs Eugene ceased operations in December, 2018 and operations were consolidated into Greenhaus Analytical Labs at its new location in Tigard, OR.

On June 1, 2016, EVIO Inc. entered into a share purchase agreement to purchase 80% of the outstanding common stock of Smith Scientific Industries, Inc. in Medford, OR.

On October 19, 2016, the Company entered into a Membership Interest Purchase Agreement to purchase 100% of the ownership of Greenhaus Analytical Labs, LLC.

On August 1, 2017, the Company entered into a Membership Interest Purchase Agreement with Viridis Analytics MA, LLC.

On December 29, 2017, the Company entered into a Membership Purchase Agreement to purchase 60% of the outstanding shares of C3 Labs, LLC on January 1, 2018. In August 2018, the company exercised its option to increase its ownership to 90%.

On April 29, 2018, the Company entered into an Asset Purchase Agreement with Leaf Detective, LLC which was closed on the same date.

On May 2, 2018, the Company entered into a Stock Purchase Agreement with Keystone, Labs, Inc. to purchase 50% of the outstanding shares of Keystone Labs.

On June 27, 2018, Greenhaus Analytical Labs, LLC, a wholly owned subsidiary of EVIO, Inc., entered into an Asset Purchase Agreement with MRX Labs LLC which completed on July 5, 2018.

The active subsidiaries of EVIO, Inc. are as follows:

Trade Name (dba)	Company Name	State of Incorporation	Ownership %	Acquisition Month
EVIO Labs Medford	Smith Scientific Industries, LLC	Oregon	80%	June 2016
EVIO Labs Portland	Greenhaus Analytical Labs	Oregon	100%	October 2016
EVIO Labs MA	Viridis Analytics	Massachusetts	100%	August 2017
EVIO Labs Berkeley	C3 Labs, LLC	California	90%	January 2018
Keystone Labs	Keystone Labs, Inc.	Ontario, Canada	50%	May 2018
EVIO Labs Humboldt	Leaf Detective, LLC	California	100%	April 2018

In addition to the wholly owned subsidiaries, the Company has entered into license agreements with independent testing laboratories in Florida and Colorado. Under the terms of the agreements, the independent laboratories are granted non-transferable and non-exclusive rights to use the Company's trademarks and trade name.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2019 compared to Three Months Ended June 30, 2018

Revenues and Costs of Revenues

	Three Months Ended June 30			Percentage of Revenue	
	2019	2018	Change	2019	2018
Testing services	$ 1,098,310	$ 595,701	$ 502,609	99.7%	93.9%
Consulting services	3,000	38,637	(35,637)	0.3%	6.1%
Total revenue	1,101,310	634,338	466,972	100.0%	100.0%
Cost of revenue					
Testing services	$ 823,540	$ 754,647	$ 68.893	74.8%	119.0%
Consulting services	-	4,729	(4,729)	0.0%	0.7%
Depreciation	289,523	70,075	219,448	26.3%	11.0%
Total cost of revenue	1,113,063	829,451	283,612	101.1%	130.8%
Gross margin	$ (11,753)	$ (195,113)	$ 183,360	-1.1%	-30.8%

Revenues

For the three months ended June 30, 2019, we generated revenues of $1,098,310 compared to $595,701 for the three months ended June 30, 2018 an increase of $502,609 or 84%. The increase was due primarily to increased testing revenue, offset by a decrease in consulting revenue of $35,637.

Gross Profit

For the three months ended June 30, 2019, gross loss was $11,753 compared to a gross loss of $195,113 for the three months ended June 30, 2018 an decrease of $183,360. The increase was primarily attributed to increase in testing volume in both Oregon and California.

Operating Expenses

	Three months ending June 30				
	2019	2018	Change	Percent of Revenue	
Selling, general and administrative	$ 1,486,539	1,989,753	$ (503,214)	135.0%	313.7%
Depreciation and amortization	62,291	125,500	(63,209)	5.7%	19.8%
Total Operating Expenses	$ 1,548,830	$ 2,115,253	$ (566,422)	140.7%	333.5%

For the three months ended June 30, 2019, Total Operating Expenses were $1,548,830 compared to $2,115,253 for the three months ended June 30, 2018, a decrease of $566,422. A majority of the decrease was attributed to a reduction in third party consulting and stock option expenses in the quarter ending June 30, 2019.

Operating Income (Loss)

For the three months ended June 30, 2019, loss from operations was $1,560,583, compared to $2,310,366 for the three months ended June 30, 2018 a decrease of $749,783 or 32%. The decrease in operating loss was attributed to an increase in revenue and off-set by an increase in cost of goods sold.

Other Income (Expense)

	Three months ending June 30				
	2019	2018	Change	Percent of Revenue	
Interest expense, net of interest income	$ (592,089)	(1,510,076)	$ 917,987	-53.2%	-238.1%
Other income (expense)	(178,549)	-	(178,549)	-16.0%	-
Gain (loss) on change in fair market value of derivative liabilities	981,421	363,352	618,069	88.1%	57.3%
Total other income (expense)	$ 210,783	$ (1,146,724)	$ 1,357,507	18.9%	-180.8%

For the three months ended June 30, 2019, net other income was $210,783, compared to net other expense of $1,146,724 for the three months ended June 30, 2018. The increase in other income of $1,357,507, was a result of an increase in the fair market value of derivative liabilities and reduction of interest expense, offset by an increase in other expenses.

Net Loss

	Three months ending June 30				
	2019	2018	Change	Percent of Revenue	
Net income (loss)	(1,349,800)	(3,457,090)	2,107,290	-122.6%	-545.0%
Provision for income taxes (benefit)	2,735		2,735	0.2%	0.0%
Net income (loss) attributable to noncontrolling interest	(49,257)	(257,101)	207,844	-4.5%	-40.5%
Net income (loss) attributable to EVIO, Inc. shareholders	$ (1,303,278)	$ (3,199,989)	$ 1,909,210	-118.3%	-504.5%

Net loss during the three months ended June 30, 2019 was $1,349,800, compared to $3,457,090 during the three months ended June 30, 2018. The reduction of $2,107,290 in net loss is the result of an increase in gross margin and reduction in operating expenses and gain on change in fair market value of derivative liabilities.

Nine Months Ended June 30, 2019 compared to Nine Months Ended June 30, 2018

Revenues

Revenues and Costs of Revenues

	Nine Months Ended June 30			Percentage of Revenue	
	2019	2018	Change	2019	2018
Testing services	$ 3,020,727	$ 2,172,061	$ 848,666	99.9%	93.9%
Consulting services	3,000	141,453	(138,453)	0.1%	6.1%
Total revenue	3,023,727	2,313,514	710,213	100%	100%
Cost of revenue					
Testing services	$ 2,672,706	$ 2,115,487	$ 557,219	88.4%	91.4%
Consulting services	-	93,721	(93,721)	0.0%	4.1%
Depreciation	901,827	154,894	746,933	29.8%	6.7%
Total cost of revenue	3,574,533	2,364,102	1,210,431	118.2%	102.2%
Gross margin (loss)	$ (550,806)	$ (50,588)	$ (500,218)	-18.2%	-2.2%

For the nine months ended June 30, 2019, EVIO generated revenues of $3,020,727 compared to $2,172,061 for the nine months ended June 30, 2018 an increase of $848,666, or 39%. The increase was due to increase in testing revenues, primarily in California, offset by a decrease in consulting revenue of $138,453.

Gross Profit

For the nine months ended June 30, 2019, gross loss was $550,806 compared to gross loss of $50,588 for the nine months ended June 30, 2018 an increase of $500,218. The increased loss was primarily attributed to increase in operating costs in California including costs to implement and validate new methods to meet the needs of California's pesticide, heavy metals, and microbial testing regulations. Additional costs were incurred related to the relocation of the Massachusetts laboratory.

Operating Expenses

	Nine months ending June 30			Percent of Revenue	
	2019	2018	Change		
Selling, general and administrative	$ 4,206,841	5,023,122	$ (816,281)	139.1%	217.1%
Depreciation and amortization	178,273	266,656	(88,383)	5.9%	11.5%
Total Operating Expenses	$ 4,385,114	$ 5,289,778	$ (904,664)	145.0%	228.6%

For the nine months ended June 30, 2019, Total Operating Expenses was $4,385,114 compared to $5,289,778 for the nine months ended June 30, 2018 a decrease of $904,663. The reduction in Operating Expenses is primarily due a reduction in administrative expenses, specifically a reduction in stock-based compensation for services.

Operating Income (Loss)

For the nine months ended June 30, 2019, loss from operations was $4,935,920, compared to $5,340,366 for the nine months ended June 30, 2018 and decrease of $404,446. The decrease in operating loss was primarily due to reduction in operating expenses, offset by a reduction in gross margin.

Other Income (Expense)

	Nine months ending June 30				
	2019	2018	Change	Percent of Revenue	
Interest expense, net of interest income	$ (3,049,386)	(2,897,264)	$ (152,122)	-100.4%	-125.2%
Other income (expense)	(276,066)	-	(276,066)	-9.1%	-
Gain (loss) on settlement of debt		(56,093)	56,093		-2.4%
Gain (loss) on change in fair market value of derivative liabilities	424,774	2,157,443	(1,732,669)	14.0%	93.3%
Total other income (expense)	$ (2,900,678)	$ (795,914)	$ (2,104,764)	-95.5%	-34.4%

For the nine months ended June 30, 2019, the net expense from other income (expense) was $2,900,678 compared to a loss of $795,914 for the nine months ended June 30, 2018. The increase in Other Expense of $2,104,764 was primarily due to a decrease in the loss on fair market value of derivatives and increase in interest expense.

Net Loss

	Nine months ending June 30				
	2019	2018	Change	Percent of Revenue	
Net income (loss)	(7,836,598)	(6,136,280)	(1,700,318)	-259.2%	-265.2%
Provision for income taxes (benefit)	5,704		5,704	0.2%	0.0%
Net income (loss) attributable to noncontrolling interest	(210,640)	(269,897)	59,257	-7.0%	-11.7%
Net income (loss) attributable to EVIO, Inc. shareholders	$ (7,631,662)	$ (5,866,383)	$ (1,752,780)	-252.4%	-253.6%

Net loss during the nine months ended June 30, 2019 was $7,836,598 compared to $6,136,280 during the nine months ended June 30, 2018. The increase in net loss is the result of increase in interest and operating expenses and loss and decreased gain on change in fair market value of derivative liabilities offset by increases in gross margin.

Liquidity and Capital Resources

The following is a summary of the Company's cash flows provided by (used in) operating, investing, and financing activities for the nine-month periods ended June 30, 2019 and 2018:

	2019	2018
Operating Activities	$ (2,356,864)	$ (3,733,471)
Investing Activities	(92,548)	(2,458,053)
Financing Activities	2,423,814	7,518,460
Effect of exchange rates on cash and cash equivalents	4,927	(193,506)
Net increase (decrease) in cash	$ (20,671)	$ 1,133,430

Operating Activities

During the nine months ended June 30, 2019, the Company used $2,356,864 in operating activities which consisted of a net loss of $7,842,302, non-cash losses of $3,929,569 and changes in working capital of $1,555,869.

During the nine months ended June 30, 2018, the Company used $3,733,471 in operating activities which consisted of a net loss of $6,136,280, non-cash losses of $3,029,080 and changes in working capital of ($626,271).

Investing Activities

During the nine months ended June 30, 2019, the Company used $92,548 in investing activities, which consisted of the purchase of equipment of $853,644 and the recovery of notes payable of $761,096.

During the nine months ended June 30, 2018, the Company used $2,458,053 in investing activities which consisted of $883,512 of cash used to purchase equipment and $1,574,541 of cash used in acquisitions.

Financing Activities

During the nine months ended June 30, 2019, the Company acquired $2,423,814 from financing activities. The Company received $374,000 from the issuance of convertible debentures, $1,078,732 from the issuance of convertible notes, $144,193 from related party advances, $592,000 from the sale of common stock, net proceeds of $274,553 on capital leases, repayments of $30,476 on loans payable and $11,906 on related party loans payable.

During the nine months ended June 30, 2018, the Company acquired $7,518,460 from financing activities. The Company received $6,136,120 from the issuance of convertible debentures, $250,000 from the issuance of convertible notes, $2,041,501 from the sale of common stock, $7,999 from issuance of common stock warrants, made repayments of $58,103 on capital leases, repayments of $612,531 on loans payable and $246,526 on related party loans payable.

Dividends

The Company has never declared dividends.

Critical Accounting Policies and Estimates.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources.

While our significant accounting policies are more fully described in notes to our consolidated financial statements appearing elsewhere in this Form 10-Q, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we used in the preparation of our financial statements.

Revenue Recognition

In 2018 the Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

In 2017 the Company's policy was that revenues and gains will be recognized in accordance with ASC Topic 605102, "Revenue Recognition." Under ASC Topic 6051025, revenue earning activities are recognized upon the sale and delivery of its products and services.

The Company generates revenue from consulting services, licensing agreements and testing of cannabis and cannabis products for both medicinal and recreational consumption.

The Company accounts for a contract after it has been approved by all parties to the arrangement, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company evaluates the services promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. The Company's services included in its contracts are distinct from one another.

The Company determines the transaction price for each contract based on the consideration it expects to receive for the distinct services being provided under the contract.

The Company recognizes revenue as performance obligations are satisfied and the customer obtains control of the goods or services provided. In determining when performance obligations are satisfied, the Company considers factors such as contract terms, payment terms and whether there is an alternative future use of the product or service.

The Company recognizes revenue from testing services upon delivery of its testing results to the client. Customer orders for testing services are generally completed within two weeks of receiving the order.

Consulting engagements may vary in length and scope, but will generally include the review and/or preparation of regulatory filings, business plans and financial models to customers within the same industry. Revenue from consulting services is recognized upon completion of deliverables as outlined in the consulting agreement.

The Company recognizes revenue from right of use license agreements upon transfer of control of the functional intellectual property. In certain licensing agreements, the Company may receive royalty revenues based upon performance metrics which are recognized as earned over time.

Stock Based Compensation

In accordance with ASC No. 718, Compensation – Stock Compensation ("ASC 718"), the Company measures the cost of stock based Compensation arrangements based on the grant date fair value and recognizes the cost in the financial statements over the period during which employees are required to provide services. Stock based compensation arrangements may include stock options, restricted stock plans, performance-based awards, stock appreciation rights and employee stock purchase plans.

The Company utilizes the Black Scholes option pricing model, which was developed for use in estimating the fair value of options. Option pricing models require the input of highly complex and subjective variables including the expected life of options granted and the expected volatility of the Company's stock price over a period equal to or greater than the expected life of the options.

Accounting and Audit Plan

In the next twelve months, we anticipate spending approximately $180,000 - $240,000 to pay for our accounting and audit requirements.

Our Website.

Our website can be found at www.eviolabs.com.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company, as a smaller reporting company, as defined by Rule 229.10(f)(1), is not required to provide the information required by this Item.

ITEM 4 – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our principal executive and principal financial officers have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is gathered and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report for the reasons disclosed in our annual report on Form 10-K.

This quarterly report does not include an attestation report of the Company's independent 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 Rule 308(b) of Regulation S-K, which permits the Company to provide only management's report in this Quarterly Report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in Internal Controls over Financial Reporting during the nine months ended June 30, 2019. Upon hiring additional financial staff, EVIO will prepare written policies and procedures for accounting and financial reporting to establish a formal process to close our books monthly on an accrual basis and account for all transactions, including equity transactions, and prepare, review and submit SEC filings in a timely manner.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 9, 2019, Stephanie Head, a former part-time lab administrator for EVIO Labs Eugene, LLC, filed a wrongful termination lawsuit with the US District Court - District of Oregon, Eugene Division, Case No. 6:19-CV-00681, against EVIO Labs Eugene, LLC, EVIO, Inc. and Lori Glauser. This case is still in process.

On August 29, 2018, the Company issued FIRSTFIRE GLOBAL OPPORTUNITIES FUND, LLC ("Creditor") a Promissory Note in the original principal amount of $220,000.00 (the "Note"). The Company failed to timely pay certain sums under the Note and, as a result of the Breach, on or about August 7, 2019, Creditor filed a *Complaint - Breach of Promissory Note* in the Circuit Court of the 17^{th} Judicial Circuit in and for Broward County, Florida. Since such filing, the Company and Creditor have entered into a Settlement Agreement and Stipulation, pursuant to which the Company has agreed to issue the Creditor 1,000,000 shares of its common stock under 3(a)(10) of the Securities Act of 1933 in settlement for all claims. The settlement was approved by the court on August 27, 2019. The shares were issued on September 6, 2019.

ITEM 1A. RISK FACTORS

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

The above statement notwithstanding, shareholders and prospective investors should be aware that certain risks exist with respect to the Company and its business, including those risk factors contained in our most recent Registration Statements on Form S-1 and Form 10, as amended. These risks include, among others: limited assets, lack of significant revenues and only losses since inception, industry risks, dependence on third party manufacturers/suppliers and the need for additional capital. The Company's management is aware of these risks and has established the minimum controls and procedures to ensure adequate risk assessment and execution to reduce loss exposure.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

There was no other information during the quarter ended June 30, 2019, which was not previously disclosed in our filings during that period.

ITEM 6. EXHIBITS

31.1	Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002
31.2	Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1	Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002
32.2	Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 15, 2019.

EVIO, INC.

By: */s/ William Waldrop*
William Waldrop
Chief Executive Officer

By: */s/ Paul Wright*
Paul Wright
Acting Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on November 15, 2019.

By: */s/ William Waldrop*
William Waldrop
Director & Principal Executive Officer

By: */s/ Lori Glauser*
Lori Glauser
Director

By: */s/ Anthony Smith*
Anthony Smith
Director

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William Waldrop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EVIO, 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 period presented in this report;

4. The registrant's other certifying officer 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 the 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 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 person performing the equivalent functions):

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

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

Date: November 15, 2019

By: */s/ William Waldrop*
William Waldrop
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Paul Wright, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EVIO, 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 period presented in this report;

4. The registrant's other certifying officer 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 the 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 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 person performing the equivalent functions):

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

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

Date: November 15, 2019

By: */s/ Paul Wright*
Paul Wright
Acting Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO RULE 13b — 14(b) OF THE SECURITIES EXCHANGE ACT AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of EVIO, INC. (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I William Waldrop, 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.

Date: November 15, 2019

By: */s/ William Waldrop*
William Waldrop
Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO RULE 13b — 14(b) OF
THE SECURITIES EXCHANGE ACT AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of EVIO, INC. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Wright, 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.

Date: November 15, 2019

By: */s/ Paul Wright*
Paul Wright
Acting Chief Financial Officer