EVIO, INC.

FORM 10-K
(Annual Report)

Filed 01/17/18 for the Period Ending 09/30/17

Address	62930 O.B. RILEY RD
	#300
	BEND, OR, 97703
Telephone	408-702-2167
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-K

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

For the fiscal year ended September 30, 2017

or

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

For the transition period from __________ to __________.

Commission File Number: 000-12350

EVIO, INC.

(Exact name of registrant as specified in its charter)

Colorado	**47-1890509**
(State of Incorporation)	(I.R.S. Employer Identification No.)
62930 O.B. Riley Rd, Suite 300 Bend, OR	**97703**
(Address of principal executive offices)	(Zip Code)

(541) 633-4568
(Registrant's telephone number, including area code)

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

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

Common stock, $.0001 par value

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

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

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

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

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

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

(Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging Growth company	☒

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fiscal quarter (March 31, 2017): $18,124,808

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding as of January 17, 2018
Common stock, par value $0.0001 per share	13,957,529

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Forward-Looking Statements

This report includes forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995 or by the U.S. Securities and Exchange Commission in its rules, regulations and releases, regarding, among other things, all statements other than statements of historical facts contained in this report, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. In addition, our past results of operations do not necessarily indicate our future results.

Other sections of this report may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to anticipate all the relevant risks to our business, and we cannot assess the impact of all such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. Those factors include, among others, those matters disclosed in this Annual Report on Form 10-K.

Except as otherwise required by applicable laws and regulations, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this report, whether as a result of new information, future events, changed circumstances or any other reason after the date of this report. Neither the Private Securities Litigation Reform Act of 1995 nor Section 27A of the Securities Act of 1933 provides any protection to us for statements made in this report. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

The Company maintains an internet website at www.eviolabs.com. The Company makes available, free of charge, through the Investor Information section of the web site, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 filings and all amendments to those reports, as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Any of the foregoing information is available in print to any stockholder who requests it by contacting our Investor Relations Department.

ITEM 1. BUSINESS

Corporate Background and Our Business

Business of Registrant

EVIO, INC. (formerly Signal Bay, Inc.), a Colorado corporation and its subsidiaries ("EVIO", the "Company", the "Registrant", "we", "our", or "us") 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 took over its operations. In September 2014, the Company changed its name from Quantech Electronics Corp. to Signal Bay, Inc. then to EVIO, INC. during 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 is located in Bend, Oregon.

EVIO Consulting Services provides advisory and research services to cannabis companies including regulatory licensing and compliance, industry research, operational support, educational services and operating services for current and prospective licensed cannabis businesses.

EVIO, Inc. d/b/a EVIO Labs is the wholly owned analytical laboratory division of the Company. EVIO Labs consists of six operating companies, CR Labs, Inc. d/b/a EVIO Labs Bend, EVIO Labs Eugene LLC, Smith Scientific Industries, Inc. d/b/a EVIO Labs Medford, Greenhaus Analytical Services LLC d/b/a EVIO Labs Portland, EVIO California and Viridis Analytics MA d/b/a EVIO Labs MA all of which provide compliance testing services. Tests include identification of compounds and contaminants including cannabinoid potency and terpene profiling, as well as screening for residual solvents, pesticides, and hazardous microbiological growth., of cannabis products.

EVIO, Inc.:

Trade Name (dba)	Company Name	State of Incorporation	Ownership %	Acquisition Month
EVIO Labs Bend (dba)	CR Labs, Inc.	Oregon	80%	September 2015
EVIO Labs Eugene	EVIO Labs Eugene, LLC	Oregon	100%	May 2016
EVIO Labs Medford (dba)	Smith Scientific Industries, LLC	Oregon	80%	June 2016
EVIO Labs Yuba City (dba)	Greenstyle Analytics	California	100%	October 2016
EVIO Labs Portland (dba)	Greenhaus Analytical Labs	Oregon	100%	October 2016
EVIO Labs MA	Viridis Analytics	Massachusetts	100%	August 2017

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 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 insure adequate risk assessment and execution to reduce loss exposure.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

Our executive mailing address is located at 62930 O. B. Riley Rd, Suite 300, Bend, OR 97703 and our telephone number is (541) 633-4568. Our locations include:

Bend, OR:	62930 O.B. Riley Rd, Suite 300, Bend, OR 97703
Medford, OR:	540 E. Vilas Rd, Suite F, Central Point, OR 97502
Eugene, OR:	1686 Pearl St, Eugene, OR 97401
Portland, OR:	4326 SW Woodstock Blvd, Suite 117, Portland, OR 97206
Yuba City, CA:	367 Burns Drive, #9. Yuba City, CA 95991
Costa Mesa, CA:	3505 Cadillac, Unit F1, Costa Mesa, CA 92626
Southborough, MA:	200 Turnpike Rd, Suite 200, Southborough, MA 01772
Henderson, NV	871 Coronado Center Drive, Ste 200. Henderson, NV 89052

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

The Company intends to hold an annual shareholders' meeting in the third quarter of the fiscal year ending September 30, 2018.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASE OF EQUITY SECURITIES

Market Information

Our common stock trades over-the-counter and is quoted on the OTC Bulletin Board under the symbol "SGBY." The table below sets forth the high and low bid prices for our common stock as reflected on the OTC Bulletin Board for the last two fiscal years. Quotations represent prices between dealers, do not include retail markups, markdowns or commissions, and do not necessarily represent prices at which actual transactions were affected.

Common Stock		
Fiscal Year 2017	**High**	**Low**
First Quarter	$ 5.45	$ 1.21
Second Quarter	$ 3.20	$ 1.45
Third Quarter	$ 2.55	$ 1.19
Fourth Quarter	$ 2.19	$ 0.74

Common Stock		
Fiscal Year 2016	**High**	**Low**
First Quarter	$ 1.90	$ 0.97
Second Quarter	$ 1.61	$ 0.13
Third Quarter	$ 0.18	$ 0.06
Fourth Quarter	$ 2.80	$ 0.04

Holders of Common Equity

As of September 30, 2017 there were 10,732,927 common shares outstanding. During the fiscal year ending September 30, 2017, the high and low sales prices of our common stock on the OTCQB were $5.45 and $0.74 respectively, and there were approximately 35 holders of record of our common stock.

Penny Stock Rules

Due to the price of our common stock, as well as the fact that we are not listed on Nasdaq or another national securities exchange, our stock is characterized as a "penny stock" under applicable securities regulations. Our stock therefore is subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The broker or dealer proposing to effect a transaction in a penny stock must furnish his customer a document containing information prescribed by the SEC and obtain from the customer an executed acknowledgment of receipt of that document. The broker or dealer must also provide the customer with pricing information regarding the security prior to the transaction and with the written confirmation of the transaction. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction and with the written confirmation of the trade. The broker or dealer must also send an account statement to each customer for which he has executed a transaction in a penny stock each month in which such security is held for the customer's account. The existence of these rules may have an effect on the price of our stock, and the willingness of certain brokers to effect transactions in our stock.

Transfer Agent

Pacific Stock Transfer is the transfer agent for our common stock with its business address at 6725 Via Austi Pkwy, Suite 300 Las Vegas, NV 89119 and its telephone number is (702) 361-3033.

Dividend Policy

Since inception we have not paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock. Although we intend to retain our earnings, if any, to finance the development and growth of our business, our Board of Directors has the discretion to declare and pay dividends in the future

ITEM 6. SELECTED FINANCIAL DATA

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

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

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.

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 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.

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.

Revenue Recognition:

The Company recognizes revenue from the sale of services in accordance with ASC 605. Revenue will be recognized only when all of the following criteria have been met:

* Persuasive evidence of an arrangement exists;
* Delivery has occurred or services have been rendered.
* The price is fixed or determinable; and
* Collectability is reasonably assured.

Stock Based Compensation

Pursuant to Accounting Standards Codification ("ASC") 505, the guidelines for recording stock issued for services require the fair value of the shares granted be based on the fair value of the services received or the publicly traded share price of the Company's registered shares on the date the shares were granted (irrespective of the fact that the shares granted were unregistered), whichever is more readily determinable. This position has been further clarified by the issuance of ASC 820. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". Accordingly, the Company elected the application of these guidelines. EVIO has determined that the fair value of all common stock issued for goods or services is more readily determinable based on the publicly traded share price on the date of grant.

While our significant accounting policies are more fully described in notes to our consolidated financial statements appearing elsewhere in this Form 10-K, 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.

RESULTS OF OPERATIONS

Revenues

				Percentage of Revenue	
	2017	2016	Change	2017	2016
Testing services	$ 2,696,227	$ 305,679	$ 2,390,548	89%	54%
Consulting services	324,803	255,282	69,521	11%	46%
Total revenue	3,021,030	560,961	2,460,069	100%	100%
Cost of revenue					
Testing services	$ 2,282,164	$ 391,753	$ 1,890,411	76%	70%
Consulting services	70,505	110,135	(39,630)	2%	20%
Depreciation	103,854	25,167	78,687	3%	4%
Total cost of revenue	2,456,523	527,055	1,929,468	81%	94%
Gross Profit	$ 564,507	$ 33,906	$ 530,601	19%	6%

Revenues for the year ended September 30, 2017 were $3,021,030 compared to $560,961 for the year ended September 30, 2016. The increase in revenues during the year ended September 30, 2017 is the result of increased testing and consulting services performed in the current year compared to the prior year as well as increased testing services resulted from acquisitions completed during the year ended September 30, 2017 which totaled $1,010,595. Cost of revenues for the year ended September 30, 2017 were $2,456,523 compared to $527,055 for the year ended September 30, 2016. The increase in the cost of revenues during the year ended September 30, 2017 is the result of the increased direct costs associated with providing testing services. Gross profit for the year ended September 30, 2017 was $564,507 compared to $33,906 during the year ended September 30, 2016. The Company experienced an increase of $571,401 in gross profit primarily attributable to the increased testing services during the fiscal year as a result of the acquisitions closed during the current fiscal year combined with having a full year of operations from the acquisitions closed during the year ended September 30, 2016. Gross profit as a percentage of revenue increased from 6% during the year ended September 30, 2016 to 19% during the year ended September 30, 2017 due to an increased average sales price per test to align with onboarding testing requirements in the states the Company operations and leveraging fixed costs of revenue, such as depreciation and facilities costs, while growing revenue.

Operating Expenses

	2017	2016	Change	Percentage of Revenue 2017	Percentage of Revenue 2016
Selling, general and administrative	$ 2,454,209	$ 785,758	$ 1,668,451	81%	140%
Depreciation and amortization	181,139	40,696	140,443	6%	7%
	$ 2,635,348	$ 826,454	$ 1,808,894	87%	147%

Total operating expenses during the year ended September 30, 2017 were $2,635,348 compared to $826,454 during the year ended September 30, 2016. The Company experienced an increase of $1,668,451 in selling, general and administrative expenses during the year ended September 30, 2017 compared to the year ended September 30, 2016 due to higher stock based compensation expenses associated with the employee equity incentive plan and common stock issued for services, along with hiring additional staff to support our sales and marketing activities. Additionally, the Company had a full year of operations from the acquisitions closed during the year ended September 30, 2016 and partial years of operations from the three acquisitions closed during the year ended September 30, 2017. There was an increase of $140,443 in depreciation and amortization recorded in operating expenses which was driven by the amortization of intangible assets associated with the acquisitions completed during the year ended September 30, 2016.

Other Expenses

	2017	2016	Change	Percentage of Revenue 2017	Percentage of Revenue 2016
Interest expense	$ 1,011,150	$ 324,282	$ 686,868	33%	58%
Loss on settlement of debt	22,170	-	22,170	1%	0%
Loss on disposal of asset	-	720	(720)	0%	0%
Impairment loss	200,000	-	200,000	7%	0%
Loss on change in fair market value of derivative liabilities	285,887	1,434,540	(1,148,653)	9%	256%
	$ 1,519,207	$ 1,759,542	$ (240,335)	50%	314%

Total other expenses were $1,519,207 during the year ended September 30, 2017 compared to $1,759,542 during the year ended September 30, 2016. The decrease of $240,335 is from the decrease in the loss on fair market value of derivatives of $1,148,653 partially offset by increases in interest expense from the recognition of debt discounts associated with convertible and non-convertible notes payable which totaled $856,907 and $236,816 during the years ended September 30, 2017 and 2016, respectively. Additionally, there was a one time impairment loss on asset of $200,000 during the year ended December 31, 2017 that did not existing during the year ended December 31, 2016.

Net Loss

	2017	2016	Change	Percentage of Revenue 2017	2016
Net loss	$ (3,590,048)	$ (2,552,090)	$ (1,037,958)	-119%	-455%

Net loss during the year ended September 30, 2017 was $3,590,048 compared to $2,552,090 during the year ended September 30, 2016. The increase in net loss is the result of increases in other expenses partially offset by an increase in revenues and gross margins as described above.

Liquidity and Capital Resources

Year Ended September 30, 2017

The Company had cash on hand of $121,013 as of September 30, 2017, current assets of $627,572 and current liabilities of $4,428,578 creating a working capital deficit of $3,801,006. Current assets consisted of cash totaling $121,013, accounts receivable net of allowances totaling $229,564, prepaid expenses totaling $169,557, other current assets of $7,438 and current portion of a note receivable of $100,000. Current liabilities consisted of accounts payable and accrued liabilities of $773,053, client deposits of $119,281, deferred revenue of $40,800, convertible notes payable net of discounts of $1,212,720, current capital lease obligations of $37,990, interest payable of $133,697, derivative liabilities of $294,637, current portions of notes payable net of discounts of $1,503,545 and current portions of related party payables of $312,855.

During the year ended September 30, 2017, the Company used $587,665 of cash in operating activities which consisted of a net loss of $3,590,049 non-cash losses of $2,454,299 and changes in working capital of $548,085.

Net cash used in investing activities total $1,058,062 during the year ended September 30, 2017. The Company paid $253,046 for the purchase of equipment, paid $505,016 for the acquisition of subsidiaries and issued a note receivable for $300,000.

During the year ended September 30, 2017, the Company generated cash of $1,709,254 from financing activities. The Company repaid $14,353 of capital lease obligations; received $114,500 of cash from the sale of series D preferred stock, $112,000 from the sale of common stock; $1,640,000 in cash from convertible notes payable, net advances from loans payable of $49,200 and made net repayments on related party notes payable of $192,093.

Year Ended September 30, 2016

The Company had cash on hand of $57,486 as of September 30, 2016, current assets of $131,969 and current liabilities of $1,716,246 creating a working capital deficit of $1,584,277. Current assets consisted of cash totaling $57,486, accounts receivable of $9,483, other current assets of $40,000 and a note receivable of $25,000. Current liabilities consisted of accounts payable and accrued liabilities of $223,316, convertible notes payable net of discounts of $257,605, interest payable of $27,197, derivative liabilities of $775,246, current portions of notes payable of $77,375, client deposits of $22,500 and current portions of related party payables of $333,007.

During the year ended September 30, 2016, the Company used $276,953 of cash in operating activities which consisted of a net loss of $2,552,090, non-cash losses of $2,005,554 and changes in working capital of $269,583.

Net cash used in investing activities total $29,396 during the year ended September 30, 2016. The Company acquired net cash of $9,055 in acquisitions, paid $13,451 for the purchase of equipment and issued a note receivable for $25,000.

During the year ended September 30, 2016, the Company generated cash of $337,869 from financing activities. The Company received $48,000 of cash from the sale of series D preferred stock, $349,640 in cash from convertible notes payable, advances from loans payable of $59,587, repayments on loans payable totaling $57,862, advances from related party notes payable of $26,00 and made net repayments on related party notes payable of $87,496.

Dividends

The Company did not declare any dividends during the years ended September 30, 2017 or 2016.

Employees

As of September 30, 2017 EVIO, Inc. had 35 full time employees and 6 part time employees, of which 33 are employed by EVIO Labs. In addition, EVIO Labs licensees employ 11 people.

Need for Additional Financing

The Company is uncertain of its ability to generate sufficient liquidity from its operations so the need for additional funding may be necessary. The Company may sell stock and/or issue additional debt to raise capital to accelerate our growth.

Going Concern Uncertainties

In management's opinion, the Company's cash position is insufficient to maintain its operations at the current level for the next 12 months. Any expansion may cause the Company to require additional capital until such expansion began generating revenue. It is anticipated that the raise of additional funds will principally be through the sales of our securities. As of the date of this report, additional funding has not been secured and no assurance may be given that we will be able to raise additional funds.

Emerging Growth Company Status

We are an "emerging growth company" as defined under the Jumpstart Our Business Startups Act, commonly referred to as the JOBS Act. We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed $1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three year period.

As an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to:

- not being required to comply with the auditor attestation requirements of section 404(b) of the Sarbanes-Oxley Act (we also will not be subject to the auditor attestation requirements of Section 404(b) as long as we are a "smaller reporting company," which includes issuers that had a public float of less than $ 75 million as of the last business day of their most recently completed second fiscal quarter);
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Under this provision, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. In other words, an "emerging growth company" can delay the adoption of such accounting standards until those standards would otherwise apply to private companies until the first to occur of the date the subject company (i) is no longer an "emerging growth company" or (ii) affirmatively and irrevocably opts out of the extended transition period provided in Securities Act Section 7(a) (2) (B). The Company has elected to take advantage of this extended transition period and, as a result, our financial statements may not be comparable to the financial statements of other public companies. Accordingly, until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a) (2) (B), upon the issuance of a new or revised accounting standard that applies to your financial statements and has a different effective date for public and private companies, clarify that we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

Accounting and Audit Plan

In the next twelve months, we anticipate spending approximately $150,000 to $200,000 to pay for our accounting and audit requirements.

Off-balance sheet arrangements

On March 31, 2017, the Company entered into a long term operating lease requiring monthly payments of $10,275 for a period of 48 months terminating on March 31, 2021.

We have no other significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

ITEM 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
FORM 10-K
September 30, 2017 and 2016

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SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
EVIO, Inc.

We have audited the accompanying consolidated balance sheet of EVIO, Inc. and subsidiaries ("the Company") as of September 30, 2017, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the consolidated financial statements, the Company has negative working capital, recurring losses, and does not have a source of revenues sufficient to cover its operations costs. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT
January 17, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Evio, Inc. (formerly Signal Bay, Inc) and Subsidiaries
Las Vegas, Nevada

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

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Evio, Inc. (formerly Signal Bay, Inc.) and Subsidiaries as of September 30, 2016, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 4 to the consolidated financial statements, the Company has negative working capital, recurring losses from operations and likely needs financing in order to meet its financial obligations. These conditions raise significant doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 4. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
February 23, 2017

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
CONSOLIDATED BALANCE SHEETS

	September 30, 2017	September 30, 2016
ASSETS		
Current assets		
Cash	$ 121,013	$ 57,486
Accounts receivable, net of allowance of $74,782 and $0	229,564	9,483
Prepaid expenses	169,557	-
Other current assets	7,438	40,000
Note receivable, current portion	100,000	25,000
Total current assets	627,572	131,969
Property and equipment, net of accumulated depreciation of $213,447 and $68,610, respectively	547,073	205,842
Security deposits	92,892	6,476
Note receivable, net of current portion	1,200,000	-
Intangible assets, net of accumulated amortization, net of accumulated amortization of $189,475 and $49,319	592,260	426,301
Goodwill	2,958,137	1,415,408
Total assets	$ 6,017,934	$ 2,185,996
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	$ 773,053	$ 223,316
Client deposits	119,281	22,500
Deferred revenue	40,800	-
Interest payable	133,697	27,197
Capital lease obligation, current	37,990	-
Derivative liability	294,637	775,246
Convertible notes payable, net of discounts of $208,680 and $121,496, respectively	1,212,720	257,605
Loans payable, current, net of discounts of $127,662 and $0	1,503,545	77,375
Loans payable, related party, current	312,855	333,007
Total current liabilities	4,428,578	1,716,246
Capital lease obligation, net of current portion	52,777	-
Loans payable, net of current portion	59,832	-
Loans payable, related party, net of current portion, net of discounts of $42,044 and $0, respectively	1,251,306	876,751
Total liabilities	5,792,493	2,592,997
Stockholders' equity (deficit)		
Series A Convertible Preferred Stock, Par Value $0.0001; 1,850,000 authorized; 0 and 1,840,000 shares issued and outstanding at September 30, 2017 and 2016, respectively	-	184
Series B Convertible Preferred Stock, Par Value $0.0001; 5,000,000 authorized; 5,000,000 shares issued and outstanding at September 30, 2017 and 2016, respectively	500	500
Series C Convertible Preferred Stock, Par Value $0.0001; 500,000 authorized; 500,000 shares issued and outstanding at September 30, 2017 and 2016, respectively	50	50
Series D Convertible Preferred Stock, Par Value $.0001; 1,000,000 authorized; 832,500 and 48,000 shares issued and outstanding at September 30, 2017 and 2016, respectively	83	5
Common Stock, Par Value $.0001, 1,000,000,000 authorized; 10,732,922 and 8,500,643 issued and outstanding at September 30, 2017 and 2016	1,073	850
Additional Paid In Capital	7,657,982	3,435,608
Accumulated Deficit	(7,592,371)	(4,032,177)
Total stockholders' equity (deficit)	67,317	(594,980)
Non-controlling interest	158,124	187,979
Total equity (deficit)	225,441	(407,001)
Total liabilities and stockholders' equity (deficit)	$ 6,017,934	$ 2,185,996

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

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30,	
Revenues	**2017**	**2016**
Testing services	$ 2,696,227	$ 305,679
Consulting services	324,803	255,282
Total revenue	3,021,030	560,961
Cost of revenue		
Testing services	2,282,164	391,753
Consulting services	70,505	110,135
Depreciation and amortization	103,854	25,167
Total cost of revenue	2,456,523	527,055
Gross margin	564,507	33,906
Operating expenses		
Selling, general and administrative	2,454,209	785,758
Depreciation and amortization	181,139	40,696
Total operating expenses	2,635,349	826,454
Loss from operations	(2,070,842)	(792,548)
Other income (expense)		
Interest expense	(1,011,150)	(324,282)
Loss on settlement of debt and account payable	(22,170)	-
Loss on disposal of asset	-	(720)
Impairment loss	(200,000)	-
Gain (loss) on change in fair market value of derivative liabilities	(285,887)	(1,434,540)
Total other income (expense)	(1,519,207)	(1,759,542)
Net loss	$ (3,590,049)	$ (2,552,090)
Gain (loss) attributable to non-controlling interest	(29,855)	(26,888)
Net loss attributable to Evio, Inc.	$ (3,560,194)	$ (2,525,202)
Basic and diluted loss per common share	$ (0.37)	$ (0.49)
Weighted average common shares outstanding	9,628,206	5,148,798

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

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Common Stock		Additional Paid In Capital	Non-controlling Interest	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance September 30, 2015	1,840,000	$ 184	5,000,000	$ 500	-	$ -	-	$ -	3,986,486	$ 399	$ 1,694,063	$ 97,117	$ (1,506,975)	$ 285,288
Series C preferred stock issued for acquisition	-	-	-	-	500,000	50	-	-	-	-	214,950	-	-	215,000
Series D preferred stock issued for cash	-	-	-	-	-	-	48,000	5	-	-	47,995	-	-	48,000
Common stock issued under employee equity incentive plan	-	-	-	-	-	-	-	-	60,875	6	46,467	-	-	46,473
Common stock issued for the conversion of notes payable	-	-	-	-	-	-	-	-	4,010,326	401	206,966	-	-	207,367
Common stock issued for the conversion of interest payable	-	-	-	-	-	-	-	-	14,686	1	4,134	-	-	4,135
Common stock issued for services	-	-	-	-	-	-	-	-	428,270	43	138,404	-	-	138,447
Common stock options issued under employee equity incentive plan	-	-	-	-	-	-	-	-	-	-	7,875	-	-	7,875
Reclassification of derivative liability to additional paid in capital	-	-	-	-	-	-	-	-	-	-	1,074,754	-	-	1,074,754
Minority interest in acquisition	-	-	-	-	-	-	-	-	-	-	-	117,750	-	117,750
Net loss, year ended September 30, 2016	-	-	-	-	-	-	-	-	-	-	-	(26,888)	(2,525,202)	(2,552,090)
Balance, September 30, 2016	1,840,000	184	5,000,000	500	500,000	50	48,000	5	8,500,643	850	3,435,608	187,979	(4,032,177)	(407,001)
Conversion of series A preferred stock to common stock	(1,840,000)	(184)	-	-	-	-	-	-	438,753	44	140	-	-	-
Series D preferred stock issued for acquisition	-	-	-	-	-	-	670,000	67	-	-	669,933	-	-	670,000
Series D preferred stock issued for cash	-	-	-	-	-	-	114,500	11	-	-	114,489	-	-	114,500
Common stock issued for cash	-	-	-	-	-	-	-	-	112,000	11	111,989	-	-	112,000
Common stock issued under employee equity incentive plan	-	-	-	-	-	-	-	-	93,691	10	211,061	-	-	211,071
Common stock issued for the conversion of notes payable	-	-	-	-	-	-	-	-	1,142,892	114	764,936	-	-	765,050
Common stock issued for the conversion of interest payable	-	-	-	-	-	-	-	-	53,304	5	30,970	-	-	30,975
Common stock issued for services	-	-	-	-	-	-	-	-	333,949	33	537,482	-	-	537,515
Common stock options issued under employee equity incentive plan	-	-	-	-	-	-	-	-	-	-	118,577	-	-	118,577
Common stock issued for settlement of account payable	-	-	-	-	-	-	-	-	10,000	1	11,399	-	-	11,400
Common shares issued for settlement of note payable	-	-	-	-	-	-	-	-	40,935	4	46,662	-	-	46,666
Common shares issued for settlement	-	-	-	-	-	-	-	-	5,000	1	7,650	-	-	7,651
Common stock issued for rounded shares from reverse stock split	-	-	-	-	-	-	-	-	1,755	-	-	-	-	-
Reclassification of derivative liability to additional paid in capital	-	-	-	-	-	-	-	-	-	-	1,597,086	-	-	1,597,086
Minority interest in acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss, year ended September 30, 2017	-	-	-	-	-	-	-	-	-	-	-	(29,855)	(3,560,194)	(3,590,049)
Balance, September 30, 2017	-	$ -	5,000,000	$ 500	500,000	$ 50	832,500	$ 83	10,732,922	$ 1,073	$ 7,657,982	$ 158,124	$ (7,592,371)	$ 225,441

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

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EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended September 30, 2017	Year ended September 30, 2016
Cash flows from operating activities		
Net loss	$ (3,590,049)	$ (2,552,090)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	675,814	192,795
Loss on conversion of debt	15,964	-
Loss on settlement of account payable	6,206	-
Convertible note payable entered into for services	51,650	-
Loss on disposal of asset	-	720
Default penalties on convertible notes payable	-	51,229
Depreciation and amortization expense	284,993	89,454
Amortization of debt discount	856,907	236,816
Loss on derivative liability	285,887	1,434,540
Reduction of security deposit for rent expense	2,095	-
Allowance for doubtful accounts	74,783	-
Impairment loss	200,000	
Changes in operating assets and liabilities:		
Accounts receivable	(207,321)	42,063
Prepaid expenses	29,743	5,000
Other current asset	33,162	(40,000)
Security deposits	(87,811)	(6,476)
Accounts payable and accrued liabilities	505,256	237,663
Interest payable	137,475	31,333
Deferred revenue	40,800	-
Customer deposits	96,781	-
Net cash used in operating activities	(587,665)	(276,953)
Cash flows from investing activities		
Net cash acquired in acquisitions of subsidiaries	-	9,055
Note receivable	(300,000)	(25,000)
Net cash paid for acquisition of subsidiaries	(505,016)	-
Purchase of equipment	(253,046)	(13,451)
Net cash used in investing activities	(1,058,062)	(29,396)
Cash flows from financing activities		
Repayments of capital leases	(14,353)	-
Proceeds from issuance of common stock	112,000	-
Proceeds from the issuance of series D preferred stock	114,500	48,000
Proceeds from convertible notes, net of original issue discounts and fees	1,640,000	349,640
Proceeds from loans payable	100,000	59,587
Payment on loan payable	(50,800)	(57,862)
Proceeds from notes payable - related party	80,100	26,000
Payments on notes payable - related party	(272,193)	(87,496)
Net cash provided by financing activities	1,709,254	337,869
Net cash increase for period	63,527	31,520
Cash balance, beginning of period	57,486	25,966
Cash balance, end of period	$ 121,013	$ 57,486
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 16,193	$ 12,098
Cash paid for income tax	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Equipment financed through capital leases	$ 105,120	$ -
Vehicles financed through notes payable	$ 75,165	$ -
Settlement of account payable for common stock	$ 10,000	$ -
Debt discount from derivative liability	$ 830,590	$ 215,000
Conversion of convertible note and accrued interest into common stock	$ 796,205	$ 211,504

Conversion of Series A Preferred stock to common stock	$ 184	$ -
Reclassification of derivative liability to additional paid in capital	$ 1,597,086	$ 1,074,754
Note receivable acquired in exchange for note payable	$ 1,000,000	$ -
Acquisition of Greenstyle Consulting assets through issuance of preferred shares, cash and note payable	$ 283,225	$ -
Acquisition of GreehHaus through issuance of preferred shares and note payable	$ 744,723	$ -
Note payable entered into for acquisition of Viridis Analytics MA	$ 500,000	$ -
Common stock issued for settlement of note payable	$ 46,666	$ -
Acquisition of Oregon Analytical Services' assets through issuance of preferred shares, common shares and note payable	$ -	$ 852,500
Acquisition of Smith Scientific through issuance of preferred shares, common shares and note payable	$ -	$ 471,000
Expenses paid by note payable	$ -	$ 52,000
Exchange of cost investment for account receivable	$ -	$ 40,000

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

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

EVIO, INC. (formerly Signal Bay, 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 Bend, Oregon.

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.

After the reverse merger, Signal Bay Research, Inc. continues to operate as a wholly owned subsidiary providing compliance, research and advisory services for Signal Bay, Inc.

Signal Bay Services was formed on January 25, 2015, as the management services division of EVIO.

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.

EVIO Inc. was formed on April 4, 2016 to become the holding company for all 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.

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. d/b/a Kenevir Research 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 October 26, 2016, the Company entered in to an Asset Purchase Agreement with Green Style Consulting, LLC which was closed on November 1, 2016.

The Company entered in to an Membership Interest Purchase Agreement with Viridis Analytics MA, LLC which was closed on August 1, 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

A summary of significant accounting policies of EVIO, INC. (the "Company") is presented to assist in understanding the Company's financial statements. The accounting policies presented in these footnotes conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the accompanying financial statements. These financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity.

Principles of Consolidation

The Company prepares its consolidated financial statements on the accrual basis of accounting. The accompanying consolidated financial statements include the accounts of the Company and its wholly and partially owned subsidiaries, all of which have a fiscal year end of September 30. All intercompany accounts, balances and transactions have been eliminated in the consolidation.

The Company consolidates its subsidiaries in accordance with ASC 810, and specifically ASC 810-10-15-8 which states, the usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, or over 50% of the outstanding voting shares of another entity is a condition pointing toward consolidation."

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of September 30, 2017 or 2016.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at their original invoice amounts. We regularly review collectability and establish an allowance for uncollectible amounts as necessary based on our experience with historical collectability. Management has determined that a reserve for uncollectible amounts was not required in the periods presented.

Notes Receivable

The Company accounts investments for notes receivable in accordance with ASC 320. On September 6, 2017, the Company entered in a note receivable with an unrelated entity for $1,300,000. The note, as amended, is due on September 6, 2024 and carries interest at a rate of 8% per annum. The note, as amended, requires minimum principal payments of $100,000 plus accrued interest on each anniversary date with the unpaid principal and interest being due on September 6, 2024. The Company evaluated the collectability of the note receivable as of September 30, 2017 and determined the full balance is collectible and no reserve for write off was recorded. As of September 30, 2017, there was $1,300,000 of principal, of which $100,000 was current and $1,200,000 was long term, and $6,838 of interest due.

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or more often if indicators of a potential impairment are present. Our annual impairment tests are conducted at the beginning of the fourth quarter. We use a two-step process to quantitatively evaluate goodwill for impairment. In the first step, we compare the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, we complete a second step to determine the amount of the goodwill impairment that we should record. In the second step, we determine an implied fair value of the reporting unit's goodwill by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets). We compare the resulting implied fair value of the goodwill to the carrying amount and record an impairment charge for the difference. We test individual indefinite-lived intangible assets by comparing the estimated fair value with the book values of each asset.

The Company recognizes an acquired intangible apart from goodwill whenever the intangible arises from contractual or other legal rights, or whenever it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Such intangibles are amortized on a straight-line basis over their estimated useful lives unless the estimated useful life is determined to be indefinite. The Company's intangible assets consist of client lists (amortized over five years), websites and domain names (amortized over 15 years) and testing licenses (amortized over 5 years).

Business Combinations

We have adopted the amendment to ASC 805 for the accounting for business acquisitions both during the period of the acquisition and in subsequent periods. Among the more significant changes in the accounting for acquisitions are the following:

- Contingent consideration is recorded at fair value as an element of purchase price with subsequent adjustments recognized in operations.
- Subsequent decreases in valuation allowances on acquired deferred tax assets are recognized in operations after the measurement period.
- Upon gaining control of an entity in which an equity method or cost basis investment was held, the carrying value of that investment is adjusted to fair value with the related gain or loss recorded in earnings.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial presentation. These reclassifications have no impact on net loss.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A change in managements' estimates or assumptions may have a material impact on the financial condition and results of operations of the Company during the period in which such changes occurred. Actual results could differ from those estimates. The Company's financial statements reflect all adjustments that management believes are necessary for the fair presentation of their financial condition and results of operations for the periods presented.

Revenue Recognition

It is the Company's policy that revenues and gains will be recognized in accordance with ASC Topic 605-10-25, "Revenue Recognition." Under ASC Topic 605-10-25, revenue earning activities are recognized upon the sale and delivery of its products and services. The Company generates revenue from consulting services provided to clients in the cannabis industry, licensing agreements as well as testing of cannabis and cannabis products for both medicinal and recreational consumption. The Company accepts orders for testing services which are generally completed within two weeks of receiving the order. Revenue is recognized from testing services upon delivery of the testing results to the client. Consulting engagements vary in length and scope but generally include reviewing regulatory filings, business plans and providing financial models to partners within the same industry. Revenue is recognized from consulting services upon completion of deliverables as outlined in the consulting agreement. The Company recognizes revenues from license agreements as deliverables within the agreement are met, typically training, providing the licensee with access to trademarks and other licensed materials and ongoing remote support. The Company generated revenues of $3,021,030 and $560,961 during the years ended September 30, 2017 and 2016 and had deferred revenues of $40,800 and $0 as of September 30, 2017 and 2016.

Cost of Revenue Recognition

The Company recognizes all costs incurred that are directly related to revenue generating activities as a cost of revenue. These costs include salaries and payroll taxes associated with lab employees, rent and utilities on lab facilities, depreciation of lab equipment and outsourced professional services utilized for consulting engagements. Cost of revenues totaled $2,456,523 and $527,055 during the years ended September 30, 2017 and 2016, respectively.

Stock-Based Compensation

The Company applies Topic 718 "Share-Based Payments" ("Topic 718") to share-based compensation, which requires the measurement of the cost of services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Compensation cost is recognized when the event occurs. The Black-Scholes option-pricing model is used to estimate the fair value of options granted.

The Company accounts for equity-based transactions with non-employees under the provisions of ASC Topic No. 505-50, "Equity-Based Payments to Non-Employees" ("Topic No. 505-50"). Topic No. 505-50 establishes that equity-based payment transactions with non-employees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC 740-10, "Accounting for Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year; and, (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if, based on the weight of available positive and negative evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken on a tax return. Under ASC 740-10, a tax benefit from an uncertain tax position taken or expected to be taken may be recognized only if it is "more likely than not" that the position is sustainable upon examination, based on its technical merits. The tax benefit of a qualifying position under ASC 740-10 would equal the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all the relevant information. A liability (including interest and penalties, if applicable) is established to the extent a current benefit has been recognized on a tax return for matters that are considered contingent upon the outcome of an uncertain tax position. Related interest and penalties, if any, are included as components of income tax expense and income taxes payable.

Capital Leases

The Company accounts for capital leases in accordance with ACS 840-30. During the year ended September 30, 2017, the Company entered into three separate long-term leases for equipment that contain a $1 buyout option upon lease termination. The Company determined these were capital leases based on the minimum buy out price and capitalized the net present value of the leases with totaled $116,800 as equipment. As of September 30, 2017, there was a total of $111,501 of future payments due through December 2019 of which $20,734 are financing charges leaving a total principal balance of $90,967 as of September 30, 2017. Of this amount, $37,990 is current and $52,777 is long term as of September 30, 2017. Future annual payments required under the capital leases through termination are as follows:

Year ended September 30,	Principal	Interest	Total
2018	$ 37,990	$ 15,082	$ 53,072
2019	41,922	5,354	47,276
2020	10,855	298	11,153
Total	$ 90,767	$ 20,734	$ 111,501

There were no capital lease obligations or equipment financed through capital leases as of September 30, 2016.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 30, 2017, 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. As of September 30, 2017, the Company had a note receivable totaling $1,300,000 due from a single entity.

As of September 30, 2017, the Company had total accounts receivable net of allowances of $229,564. Three separate clients comprised a total of 41% of this balance as follows:

	Balance	Percent of Total
Customer 1	$ 42,878	14%
Customer 2	45,635	15%
Customer 3	37,540	12%
All others	178,294	59%
Total	304,347	100%
Allowance for doubtful accounts	(74,783)	
Net accounts receivable	$ 229,564	

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
Laboratory and Computer Equipment	5 years
Furniture and Fixtures	7 years
Software	3 years
Domains	15 years

Impairment of Long-Lived Assets

The Company evaluates, on a periodic basis, long-lived assets to be held and used for impairment in accordance with the reporting requirements of ASC 360-10. The evaluation is based on certain impairment indicators, such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, then an estimate of the undiscounted value of expected future operating cash flows is used to determine whether the asset is recoverable and the amount of any impairment is measured as the difference between the carrying amount of the asset and its estimated fair value. The fair value is estimated using valuation techniques such as market prices for similar assets or discounted future operating cash flows.

Financial Instruments

Level 1 - Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - 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 - 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 of cash, accounts payable, and accrued liabilities. Pursuant to ASC 820 and 825, the fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

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, 2017:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments	$ -	$ -	$ 294,637	$ 294,637

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, 2016:

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative financial instruments	$ -	$ -	$ 775,246	$ 775,246

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Earning (Loss) Per Share

The Company computes net income (loss) per share in accordance with Accounting Standards Codification ("ASC") 260, " *Earnings per Share* ." ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Given the net losses of the Company during the years ended September 30, 2017 and 2016, the effects of convertible equity and debt instruments were anti-dilutive resulting in basic and diluted loss per weighted average common shares outstanding equal. There was a total of 10,433,939 and 8,560,321 common stock equivalents excluded from diluted earnings per share for the years ended September 30, 2017 and 2016.

Recently Issued Accounting Pronouncements

In February 2015, the FASB issued ASC 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis." This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company adopted has this standard and determined it does not have a significant impact on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments." This update eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard should be applied prospectively to measurement period adjustments that occur after the effective date. The new standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. The Company has adopted this guidance and the adoption of this guidance did not have an impact on the Company's results of operations, financial position, or cash flows for the years ended September 30, 2017 or 2016.

In March 2016, the FASB issued ASU 2016-09, *"Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting . "* The amendments in this update simplify several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted the new guidance on January 1, 2017. The primary impact of adoption was the recognition of excess tax benefits in our provision for income taxes rather than paid-in capital. However, as the Company has a full valuation allowance against its deferred tax asset, a corresponding adjustment was recorded to increase the valuation allowance.

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.

In January 2017, the FASB issued ASU 2017-01, " *Business Combinations (Topic 805): Clarifying the Definition of a Business,* " which revises the definition of a business. This update is effective for annual periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted. The Company notes that this guidance will impact its acquisitions beginning January 1, 2018.

Management believes recently issued accounting pronouncements will have no impact on the financial statements of the Company.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (continued)

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-1O"). The amendments in this update clarify the following two aspects to Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The entity first identifies the promised goods or services in the contract and reduce the cost and complexity. An entity evaluates whether promised goods and services are distinct. Topic 606 includes implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time). The Company is currently evaluating ASU 2016-10 and its impact on its consolidated financial statements or disclosures.

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.

Non-Controlling Interest

The Company reports the non-controlling interest in its majority owned subsidiaries in the consolidated balance sheets within the stockholders' deficit section, separately from the Company's stockholders' deficit. Non-controlling interest represents the non-controlling interest holders' proportionate share of the equity of the Company's majority-owned subsidiaries. Non-controlling interest is adjusted for the non-controlling interest holders' proportionate share of the earnings or losses and other comprehensive income (loss) and the non-controlling interest continues to be attributed its share of losses even if that attribution results in a deficit non-controlling interest balance.

Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments and measurement of their fair value for accounting purposes. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt under ASC 470, the Company will continue its evaluation process of these instruments as derivative financial instruments under ASC 815.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. At September 30, 2017, the Company effected a change in accounting estimate and adopted a Monte Carlo simulation model to value outstanding derivative liabilities as of September 30, 2017.

Related Parties

The registrant follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the Related parties include (a) affiliates of the registrant; (b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; (c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (d) principal owners of the registrant; (e) management of the registrant; (f) other parties with which the registrant may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (g) Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: (a) the nature of the relationship(s) involved; (b) description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; (c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – ACQUISITIONS

Completed During the Year Ended September 30, 2016

CR Labs, Inc.

On September 17, 2015 the Company performed a share exchange for 80% ownership of CR Labs, Inc., from its founders. CR Labs is an Oregon company engaged in providing analytical testing services for the medical marijuana industry in compliance with the Oregon Health Authority. The costs related to the transaction were $42,193 and were expensed during 2015.

The Company applied the acquisition method to the business combination and valued each of the assets acquired (cash, accounts receivable, and property, plant and equipment) and liabilities assumed (accounts payable) at fair value as of the acquisition date. The cash, accounts receivable and accounts payable were deemed to be recorded at fair value as of the acquisition date. The Company determined the fair value of property, plant and equipment to be historical book value. The preliminary allocation of the purchase price was based on estimates of the fair value of the assets and liabilities assumed. Under the purchase agreement, the Company issued 40,000,000 shares of common stock. These shares had an acquisition date fair value of $400,000. The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED		
CASH	$	2,970
ACCOUNT RECEIVABLE		3,550
PROPERTY PLANT AND EQUIPMENT		43,360
CUSTOMER LIST		67,428
GOODWILL		446,743
TOTAL ASSETS ACQUIRED		564,051
LIABILITIES ASSUMED		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		(36,421)
NOTES PAYABLE		(27,630)
TOTAL LIABILITIES ASSUMED		(64,051)
NONCONTROLLING INTEREST		(100,000)
NET ASSETS ACQUIRED FROM CR LABS ACQUISITION	$	400,000

Oregon Analytical Services, LLC

On May 24, 2016 the Company through its subsidiary EVIO Inc., executed an asset purchase agreement to acquire 100% of the assets of Oregon Analytical Services, LLC. from its founder. Oregon Analytical Services, LLC was an Oregon company engaged in providing analytical testing services for the medical marijuana industry in compliance with the Oregon Health Authority. The costs related to the transaction were $2,780 and were expensed during the year ended September 30, 2016.

The Company applied the acquisition method as a business combination and valued each of the assets acquired and liabilities assumed at fair value as of the acquisition date. The notes payable was deemed to be recorded at fair value as of the acquisition date. The Company determined the fair value of property, plant and equipment to be market value. The preliminary allocation of the purchase price was based on estimates of the fair value of the assets and liabilities assumed. Under the purchase agreement, the Company issued a promissory note in the amount of $700,000 which is due and payable by May 23, 2010, the company is required to make annual payments of $100,000 if the minimum trailing revenue for EVIO Labs Eugene exceeds $700,000 annually during the term of the promissory note, the Company issued another promissory note in the amount of $72,500 in connection with the acquisition, and 200,000 shares of Preferred Series C Stock. These shares had an acquisition date fair value of $80,000. The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED		
PROPERTY PLANT AND EQUIPMENT	$	123,143
CUSTOMER LIST		227,595
GOODWILL		529,262
TOTAL ASSETS ACQUIRED		880,000
LIABILITIES ASSUMED		
NOTES PAYABLE		(27,500)
TOTAL LIABILITIES ASSUMED		(27,500)
NET ASSETS ACQUIRED FROM OAS ACQUISITION	$	852,500

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – ACQUISITIONS (CONTINUED)

Smith Scientific Industries, Inc.

On June 1, 2016 the Company through its subsidiary EVIO Inc. executed a share purchase agreement for 80% ownership of Smith Scientific Industries, Inc. d/b/a Kenevir Research., from a related party, Anthony Smith, Company Director. Smith Scientific Industries is an Oregon company engaged in providing analytical testing services for the medical marijuana industry in compliance with the Oregon Health Authority. The costs related to the transaction were $2,780 and were expensed during 2016.

The Company applied the acquisition method to the business combination and valued each of the assets acquired and liabilities assumed at fair value as of the acquisition date. The cash and accounts payable were deemed to be recorded at fair value as of the acquisition date. The Company determined the fair value of property, plant and equipment to be historical book value. The preliminary allocation of the purchase price was based on estimates of the fair value of the assets and liabilities assumed. Under the purchase agreement, the Company issued a promissory note for $336,000, with required $25,000 to be paid at closing, $75,000 to be paid in two installments within 180 days, and the remaining balance in three annual installments of $58,475, and 300,000 shares of Preferred Series C Stock. These shares had an acquisition date fair value of $135,000. The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED	
CASH	$ 9,055
PROPERTY PLANT AND EQUIPMENT	11,076
CUSTOMER LIST	145,847
GOODWILL	439,402
TOTAL ASSETS ACQUIRED	605,380
LIABILITIES ASSUMED	
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	(430)
NOTES PAYABLE	(16,200)
TOTAL LIABILITIES ASSUMED	(16,630)
NONCONTROLLING INTEREST	(117,750)
NET ASSETS ACQUIRED FROM SMITH SCIENTIFIC ACQUISITION	$ 471,000

Completed During the Year Ended September 30, 2017

GreenHaus Analytical Labs, LLC (or "GHA")

On October 19, 2016, the Company entered into a Membership Interest Purchase Agreement to purchase 100% of the ownership of GreenHaus Analytical Labs, LLC. for 460,000 shares of Series "D" preferred stock and a $340,000 promissory note.

The Company applied the acquisition method to the business combination and valued each of the assets acquired (cash, accounts receivable, prepaid expenses, security deposits, customer contracts/relationships, certain testing licenses and property, plant and equipment) and liabilities assumed (accounts payable, related party payables and notes payable) at fair value as of the acquisition date.. The allocation of the purchase price was based on an independent valuation of the fair value of the assets and liabilities assumed. Under the purchase agreement, the Company issued 460,000 shares of Series "D" preferred stock, valued at $460,000 and a $340,000 promissory note with a discounted value of $284,723 for total consideration of $744,723. Portions of the note payable may be converted to common stock of the Company at certain dates as follows: 25% on April 16, 2018; 25% on October 16, 2019 and 25% on October 15, 2020. Each conversion may occur at the option of the holder at a price equal to a 20% discount from the lowest trading price in the prior five trading days.

The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED	
CASH	$ 13,070
ACCOUNTS RECEIVABLE	21,767
PREPAID EXPENSES	300
SECURITY DEPOSITS	700
PROPERTY PLANT AND EQUIPMENT	81,311
LICENSE	256,000
CUSTOMER CONTRACTS/RELATIONSHIPS	11,500
GOODWILL	653,453
TOTAL ASSETS ACQUIRED	$ 1,038,101
LIABILITIES ASSUMED	

ACCOUNTS PAYABLE	$ (73,866)
RELATED PARTY PAYABLES	(194,512)
NOTES PAYABLE	(25,000)
TOTAL LIABILITIES ASSUMED	(293,378)
NET ASSETS ACQUIRED FROM GHA ACQUISITION	$ 744,723

The license and customer contracts/relationships acquired will be amortized over their expected useful lives of five years.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – ACQUISITIONS (CONTINUED)

Green Style Consulting, LLC

On October 26, 2016, the Company entered in to an Asset Purchase Agreement with Green Style Consulting, LLC. Effective, November 1, 2016, the company owned all assets of Green Style Consulting, LLC d/b/a Green Style Analytics, including 1,300 client names, analytical testing equipment, brands/websites, and the vanity toll-free number 844-420-TEST for 210,000 shares of Series “D” preferred stock, $20,000 cash down payment and a $50,000 promissory note. The Asset Purchase Agreement also requires a portion of net profit be paid to the seller through November 2019.

The Company applied the acquisition method to the business combination and valued each of the assets acquired (customer lists and property, plant and equipment) at fair value as of the acquisition date. The allocation of the purchase price was based on an independent valuation of fair value of the assets and liabilities assumed based. Under the purchase agreement, the Company issued 210,000 shares of Series “D” preferred stock, valued at $210,000, a cash payment of $20,000, a $50,000 promissory note which carried a premium of $7,415 and a share of future monthly profit valued at $15,810 for total consideration of $303,225. The note payable may be converted to common stock of the Company at certain dates as follows: 50% on November1, 2017 and 50% on November 1, 2018. Each conversion may occur at the option of the holder at a price equal to a 20% discount from the lowest trading price in the prior five trading days. Additionally, the Company has agreed to pay the sellers 20% of EVIO California, Inc.’s net profits effective November 1, 2016 for a period of three years ending October 31, 2019. There were no monthly net profits from the date of acquisition to September 30, 2017.

The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED		
PROPERTY PLANT AND EQUIPMENT	$	19,300
CUSTOMER CONTRACTS/RELATIONSHIPS		14,800
GOODWILL		269,125
TOTAL ASSETS ACQUIRED	$	303,225
LIABILITIES ASSUMED		-
NET ASSETS ACQUIRED FROM GREEN STYLE ACQUISITION	$	303,225

The customer contracts/relationships acquired will be amortized over the expected useful life of five years.

Viridis Analytics MA, LLC (or “Viridis”)

On July 31, 2017, the Company entered into a Membership Interest Purchase Agreement to purchase 100% of the ownership of Viridis Analytics MA, LLC for $500,000 cash and a $500,000 promissory note.

The Company applied the acquisition method to the business combination and valued each of the assets acquired (cash, accounts receivable, other current assets, a website, customer contracts/relationships, a lab lease with favorable market terms and property, plant and equipment) at fair value as of the acquisition date.. The allocation of the purchase price was based on an independent valuation of fair value of the assets acquired. Under the purchase agreement, the Company paid $500,000 of cash and a $500,000 promissory note with a discounted value of $364,382 for total consideration of $864,382. The following table shows the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS ACQUIRED		
CASH	$	1,914
ACCOUNTS RECEIVABLE		65,776
OTHER CURRENT ASSET		600
PROPERTY PLANT AND EQUIPMENT		152,126
WEBSITE		7,215
CUSTOMER CONTRACTS/RELATIONSHIPS		13,500
FAVORABLE LEASE		3,100
GOODWILL		620,151
TOTAL ASSETS ACQUIRED	$	864,382
LIABILITIES ASSUMED	$	-
NET ASSETS ACQUIRED FROM VIRIDIS ACQUISITION	$	864,382

The customer contracts/relationships acquired will be amortized over their expected useful lives of five years while the favorable lease will be amortized through the remaining contractual term of six months.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – ACQUISITIONS (CONTINUED)

In accordance with ASC 805-10-50, the Company is providing the following unaudited pro-forma to present a summary of the combined results of the Company's consolidated operations with all acquisitions. as if the acquisitions had been completed as of the beginning of the reporting period. Adjustments were made to eliminate any inter-company transactions in the periods presented.

EVIO, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30,	
Revenues	**2017**	**2016**
Testing services	$ 2,802,199	$ 743,306
Consulting services	324,803	255,282
Total revenue	3,127,002	998,588
Cost of revenue		
Testing services	2,469,863	592,929
Consulting services	70,505	110,135
Depreciation and amortization	103,854	35,312
Total cost of revenue	2,644,222	738,376
Gross margin	482,780	260,212
Operating expenses		
Selling, general and administrative	2,739,462	982,881
Depreciation and amortization	211,565	64,683
Total operating expenses	2,951,027	1,074,564
Loss from operations	(2,468,247)	(787,352)
Other income (expense)		
Interest expense	(1,011,606)	(316,745)
Loss on settlement of debt	(22,170)	-
Loss on disposal of asset	-	(720)
Impairment loss	(200,000)	
Gain (loss) on change in fair market value of derivative liabilities	(285,887)	(1,434,540)
Total other income (expense)	(1,519,663)	(1,752,005)
Net loss	$ (3,987,910)	$ (2,539,357)

NOTE 4 – GOING CONCERN

The Company's consolidated 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 a 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.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – GOING CONCERN (CONTINUED)

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 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 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 September 30, 2017 and 2016 consist of:

	2017	2016
Customer list	$ 480,670	$ 440,870
License	256,000	-
Favorable lease	3,100	-
Website	41,965	34,750
Total	781,735	475,620
Accumulated amortization	(189,475)	(49,319)
Net value	$ 592,260	$ 426,301

The Company estimates amortization to be recorded on existing intangible assets through the year ended September 30, 2022 to be:

For the years ended September 30,	Amortization
2018	$ 151,717
2019	149,651
2020	149,651
2021	107,476
2022	9,722
Total	$ 568,217

NOTE 6 – PROPERTY AND EQUIPMENT

The Company's property and equipment consisted of the following as of September 30, 2017 and 2016:

	2017	2016
Furniture and Equipment	$ 146,870	$ 21,551
Laboratory Equipment	439,071	188,531
Software	58,333	59,049
Leasehold Improvements	41,081	5,321
Vehicles	75,165	-
Total	760,520	274,452
Accumulated depreciation	(213,447)	(68,610)
Net value	$ 547,073	$ 205,842

The Company capitalized a total of $116,800 of equipment purchased through capital leases as disclosed in *Note 2 – Summary of Significant Accounting Policies* and recorded depreciation expense of $32,445 and $0 on that equipment during the years ended September 30, 2017 and 2016, respectively.

During the year ended September 30, 2017, the Company purchased a software license for $200,000 in cash which was initially capitalized as a fixed asset. The Company relied on the representation of the seller regarding the assignability of the license. However, independent verification of the assignability was not obtained. As a result, the Company recognized a $200,000 impairment loss on the write off of the asset.

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NOTE 7 – RELATED PARTY TRANSACTIONS

Through September 30, 2016, the Company received loans from its Chief Operating Officer totaling $96,000. Through September 30, 2016, the Company made repayments totaling $14,295. There were repayments totaling $7,500 made during the year ended September 30, 2017. There was $84,205 and $91,705 due as of September 30, 2017 and 2016, respectively, and is included in the accompanying consolidated balance sheets as a current portion of notes payable to related parties. The loans carry a 0% interest rate and are due on demand.

During the years ended September 30, 2017 and 2016, the Company incurred total expenses of $42,192 and $60,026, respectively, for management consulting services performed by Newport Commercial Advisors, an entity fully owned and controlled by our Chief Executive Officer. There was not a balance payable to Newport Commercial Advisors as of September 30, 2017 or 2016.

On June 22, 2015, the Company purchased a 4% ownership of Libra Wellness Center, LLC from Lori J Glauser, our COO for $40,000. Libra Wellness Center, LLC subsequently obtained additional financing resulting in our ownership being diluted to 1.5%. The $40,000 was to be paid in one installment due no later than April 1, 2016. On June 16, 2016, the Company was engaged by Libra Wellness Center, LLC to provide advisory services in the amount of $12,750. The Company received regulatory approval to sell its interest in Libra Wellness Center on September 29, 2016. As of September 30, 2016, the Company had not received payment for the divesture resulting in a $40,000 receivable as of September 30, 2016. This amount was collected in full during the year ended September 30, 2017 resulting in a balance of $0 as of September 30, 2017.

During the year ended September 30, 2017, the Company received loans from its Chief Executive Officer totaling $80,100 and made repayments totaling $75,650. The loans are non-interest bearing and due on demand. There was $4,450 due as of September 30, 2017.

During the years ended September 30, 2017 and 2016 the Company made repayments to Eric Ezrine, a shareholder of CR Labs, on an outstanding note payable totaling $13,139 and $0, respectively. The loans carry an interest rate of 0% per annum. There was $130 and $13,269 due as of September 30, 2017 and 2016, respectively. Additionally, the Company entered into a severance agreement with Mr. Ezrine whereby it agreed to make payments totaling $44,500 through August 2018. The Company made repayments of $22,050 during the year ended September 30, 2017. There was $22,450 and $44,500 accrued as of September 30, 2017 and 2016, respectively.

On May 24, 2016, the Company executed an asset purchase agreement with Sara Lausmann, managing member owner of Oregon Analytical Services, LLC, for $972,500. The terms of the purchase required the issuance of 200,000 shares of Series C Preferred Stock, valued at $80,000, $72,500 in a short-term loan and $700,000 in a long-term note. During the years ended September 30, 2017 and 2016, the Company repaid $47,714 and $34,916, respectively, to Sara Lausmann, Vice President Client Services. The total amount owed is $689,870 and $737,584 as of September 30, 2017 and 2016, respectively. As of September 30, 2017 and 2016, $89,870 and $37,584 and $600,000 and $700,000 are included in the accompanying consolidated balance sheets as current and long-term portions of notes payable to related party, respectively. The notes carry interest at a rate of 5% per annum and had accrued interest totaling $47,409 and $13,521 due as of September 30, 2017 and 2016, respectively.

On June 1, 2016, the Company executed a share purchase agreement with Anthony Smith, for the purchase of 80% of Smith Scientific Industries for $636,000. The terms of the purchase required the issuance of 300,000 shares of Series C Preferred Stock, valued at $135,000 and $336,000 in a promissory note. During the year ended September 30, 2017, the Company repaid $50,000 to Anthony Smith, our Chief Science Officer. The note carries interest at a rate of 5% per annum. There was $261,000 and $311,000 of principal due as of September 30, 2017 and 2016 and $18,846 and $5,155 of accrued interest due as of September 30, 2017 and 2016, respectively.

On October 19, 2016, the Company assumed a $194,512 payable due to Henry Grimmett, and officer of Greenhaus and current Director of the Company, with its acquisition of Greenhaus Analytical Services, LLC. The note bears interest at 0% per annum and requires repayments of $25,000 quarterly. During the year ended September 30, 2017, the Company made repayments totaling $25,100. There was a total of $169,412 due as of September 30, 2017 of which $100,000 is current and $69,412 is long term.

As discussed in Note 3 - Acquisitions, on October 19, 2016, the Company entered into a $340,000 note payable as part of its acquisition of Greenhaus Analytical Services, LLC. The note carried a debt discount of $55,277. The note carries interest at a rate of 6% per annum and matures on October 16, 2020. There was $340,000 of principal, an unamortized debt discount of $42,044 and $19,506 of accrued interest due as of September 30, 2017.

As discussed in Note 3 – Acquisitions, on November 1, 2016, the Company entered into a $50,000 note payable, that contained a premium of $7,416 based on fair value, to Green Style Consulting, LLC as part of the asset purchase agreement. Green Style Consulting, LLC Managing Member is our General Manager Northern California, who was hired by the Company concurrent to the asset purchase. The note carries interest at a rate of 5% per annum and matures on October 31, 2018. During the year ended September 30, 2017, the Company made repayments of $6,090. There was $43,910 of principal, $4,028 of unamortized note premium and $5,055 of accrued interest due as of September 30, 2017.

As discussed in Note 3 – Acquisitions, on October 19, 2016, the Company entered into an asset purchase agreement with Green Style Consulting LLC requiring a future share of net profits generated by Green Style Consulting. The fair value of these future net profits were estimated to be $15,809. There have been no monthly net profits to distribute from the time of acquisition to September 30, 2017 and as such no repayments have been made. There was $15,809 accrued and included in accounts payable and accrued liabilities for future payments related to this earn out as of September 30, 2017.

Through September 30, 2016, the Company borrowed a total of $16,200 from our Chief Science Officer to fund operations. The loans are non-interest bearing, due on demand and as such are included in current liabilities. During the year ended September 30, 2017, the Company made repayments totaling $7,000. There was

$9,200 and $16,200 due as of September 30, 2017 and 2016, respectively.

Through March 31, 2016, our executive, administrative and operating offices were located at 2996 Panorama Ridge Dr. Henderson, NV 89052. The office space was being provided by one of our Directors at no cost to the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock

The Company designated 1,850,000 shares of Series A Convertible Preferred Stock ("Series A Preferred Stock") with a par value of $0.0001 per share. Initially, there will be no dividends due or payable on the Series A Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Corporation's Certificate of Incorporation. Any and all such future terms concerning dividends shall be reflected in an amendment to this Certificate, which the Board shall promptly file or cause to be filed.

All shares of the Series A Preferred Stock shall rank (i) senior to the Corporation's Common Stock and any other class or series of capital stock of the Corporation hereafter created, (ii) pari passu with any class or series of capital stock of the Corporation hereafter created and specifically ranking, by its terms, on par with the Series A Preferred Stock and (iii) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking, by its terms, senior to the Series A Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

The Series A Preferred shall have no liquidation preference over any other class of stock.

Except as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock or any other class or series of preferred stock) for the taking of any corporate action.

Conversion at the Option of the Holder. From 12 months from the date of issuance, each holder of shares of Series A Preferred Stock may, at any time and from time to time, convert (an "Optional Conversion") each of its shares of Series A Preferred Stock into fully paid and nonassessable shares of Common Stock at a rate equal to 4.9% of the Common Stock.

For a period of 18 months after the Preferred is convertible, the conversion price of the Series A Preferred will be subject to adjustment to prevent dilution in the event that the Company issues additional shares at a purchase price less than the applicable conversion price. The conversion price will be subject to adjustment on a weighted basis that takes into account issuances of additional shares. At the expiration of the antidilution period, the conversion rate in Section VI (A) above shall be equal to a conversion rate equal to 4.9% on the Common Stock. For example, if on the date of expiration of the antidilution clause there are 500,000,000 shares of Common Stock issued and outstanding then each Series A Preferred Stock shall convert at a rate of 13.24 common shares for each 1 Series Preferred Share.

The Company has evaluated the Series A Preferred Stock in accordance with ASC 815 and has determined their conversion options were for equity and ASC 815 does not apply.

The Company has evaluated the Series A Preferred Stock in accordance with FASB ASC Subtopic 470-20, and has determined that there is no beneficial conversion feature that must be accounted.

All 1,840,000 outstanding Series A Convertible Stock was converted into 438,753 (post split) share of common stock during the year ended September 30, 2017.

The Company has 0 and 1,840,000 shares of Series A Convertible Stock issued and outstanding as of September 30, 2017 and 2016, respectively.

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.

Initially, there will be no dividends due or payable on the Series B Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Corporation's Certificate of Incorporation. Any and all such future terms concerning dividends shall be reflected in an amendment to this Certificate, which the Board shall promptly file or cause to be filed.

All shares of the Series B Preferred Stock shall rank (i) senior to the Corporation's Common Stock and any other class or series of capital stock of the Corporation hereafter created, (ii) pari passu with any class or series of capital stock of the Corporation hereafter created and specifically ranking, by its terms, on par with the Series B Preferred Stock and (iii) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking, by its terms, senior to the Series B Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

The Series B Preferred shall have no liquidation preference over any other class of stock.

Each holder of outstanding shares of Series B Preferred Stock shall be entitled to the number of votes equal to one Common Share. Except as provided by law, or by the provisions establishing any other series of Preferred Stock, holders of Series B Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Each holder of shares of Series B Preferred Stock may, at any time and from time to time, convert (an "Optional Conversion") each of its shares of Series B Preferred Stock into one (1) fully paid and nonassessable shares of Common Stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – STOCKHOLDERS' EQUITY (CONTINUED)

Series B Convertible Preferred Stock (continued)

The Company has evaluated the Series B Preferred Stock in accordance with ASC 815 and has determined their conversion options were for equity and ASC 815 does not apply.

The Company has evaluated the Series B Preferred Stock in accordance with FASB ASC Subtopic 470-20, and has determined that there is no beneficial conversion feature that must be accounted.

The Company has 5,000,000 shares of Series B Convertible Stock issued and outstanding as of September 30, 2017 and 2016.

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.

Initially, there will be no dividends due or payable on the Series C Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Corporation's Certificate of Incorporation. Any and all such future terms concerning dividends shall be reflected in an amendment to this Certificate, which the Board shall promptly file or cause to be filed.

All shares of the Series C Preferred Stock shall rank (i) senior to the Corporation's Common Stock and any other class or series of capital stock of the Corporation hereafter created, (ii) pari passu with any class or series of capital stock of the Corporation hereafter created and specifically ranking, by its terms, on par with the Series B Preferred Stock and (iii) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking, by its terms, senior to the Series B Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

In any liquidation, dissolution, or winding up of the Corporation, the holders of the Series C Preferred Stock shall be entitled to receive (a) in preference to the holders of the Common Stock (b) on a pari passu basis to any sum that the holders of the Series B Preferred Stock shall be entitled to receive, but (c) subordinate in preference to any sum that the holders of any shares of any other series of the Corporation's Preferred Stock shall be entitled, an amount equal to $1 per share (subject to appropriate adjustment in the event of any stock dividend, forward stock split, or other similar recapitalization). After payment of such sums, (i) the holders of the Series A Preferred Stock and (ii) the holders of the Common Stock, shall be entitled to receive any remaining assets of the Corporation on a pro rata, as-converted basis assuming conversion of the Series A Preferred Stock into Common Stock at the then- current Conversion Rate.

Each holder of outstanding shares of Series C Preferred Stock shall be entitled to the number of votes equal to five (5) Common Shares. Except as provided by law, or by the provisions establishing any other series of Preferred Stock, holders of Series B Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Each holder of shares of Series C Preferred Stock may, at any time and from time to time, convert (an "Optional Conversion") each of its shares of Series C Preferred Stock into five (5) fully paid and nonassessable shares of Common Stock; provided, however, that any Optional Conversion must involve the issuance of at least 100 shares of Common Stock.

In the event of a forward or reverse split, the conversion ratio shall be modified on a pro rata basis to align with the forward or reverse split.

The Company has evaluated the Series C Preferred Stock in accordance with ASC 815 and has determined their conversion options were for equity and ASC 815 does not apply.

The Company has evaluated the Series C Preferred Stock in accordance with FASB ASC Subtopic 470-20, and has determined that there is no beneficial conversion feature that must be accounted.

During the year ended September 30, 2016, the Company issued 300,000 shares of Series C Preferred Stock for the acquisition of Smith Scientific Industries, Inc. and 200,000 shares of Series C Preferred Stock for the acquisition of the assets of Oregon Analytical Services.

There were 500,000 shares of Series C Convertible Stock issued and outstanding as of September 30, 2017 and 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – STOCKHOLDERS' EQUITY (CONTINUED)

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.

Initially, there will be no dividends due or payable on the Series D Preferred Stock. Any future terms with respect to dividends shall be determined by the Board consistent with the Corporation's Certificate of Incorporation. Any and all such future terms concerning dividends shall be reflected in an amendment to this Certificate, which the Board shall promptly file or cause to be filed.

All shares of the Series D Preferred Stock shall rank (i) senior to the Corporation's Common Stock and any other class or series of capital stock of the Corporation hereafter created, (ii) pari passu with any class or series of capital stock of the Corporation hereafter created and specifically ranking, by its terms, on par with the Series B Preferred Stock and (iii) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking, by its terms, senior to the Series B Preferred Stock, in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

As originally issued, in any liquidation, dissolution, or winding up of the Corporation, the holders of the Series D Preferred Stock shall be entitled to receive (a) in preference to the holders of the Common Stock (b) on a pari passu basis to any sum that the holders of the Series B Preferred Stock shall be entitled to receive, but (c) subordinate in preference to any sum that the holders of any shares of any other series of the Corporation's Preferred Stock shall be entitled, an amount equal to $1 per share (subject to appropriate adjustment in the event of any stock dividend, forward stock split, or other similar recapitalization). After payment of such sums, (i) the holders of the Series A Preferred Stock and (ii) the holders of the Common Stock, shall be entitled to receive any remaining assets of the Corporation on a pro rata, as-converted basis assuming conversion of the Series A Preferred Stock into Common Stock at the then- current Conversion Rate. On July 31, 2017, the Company amended its articles of incorporation such that the Series D Preferred Stock shall have no liquidation preference over any other class of stock.

Each holder of outstanding shares of Series D Preferred Stock shall be entitled to the number of votes equal to two hundred fifty (250) Common Shares. Except as provided by law, or by the provisions establishing any other series of Preferred Stock, holders of Series B Preferred Stock and of any other outstanding series of Preferred Stock shall vote together with the holders of Common Stock as a single class.

Each holder of shares of Series D Preferred Stock may, at any time and from time to time, convert (an "Optional Conversion") each of its shares of Series D Preferred Stock into 2.5 fully paid and nonassessable shares of Common Stock; provided, however, that any Optional Conversion must involve the issuance of at least 500 shares of Common Stock.

In the event of a forward or reverse split, the conversion ratio shall be modified on a pro rata basis to align with the forward or reverse split.

The Company has evaluated the Series D Preferred Stock in accordance with ASC 815 and has determined their conversion options were for equity and ASC 815 does not apply.

The Company has evaluated the Series D Preferred Stock in accordance with FASB ASC Subtopic 470-20, and has determined that there is no beneficial conversion feature that must be accounted.

During the year ended September 30, 2016, the Company issued 48,000 shares of Series D Preferred Stock for cash proceeds of $48,000. During the year ended September 30, 2017, the Company issued 114,500 shares of Series D Preferred Stock for cash proceeds of $114,500 and 670,000 shares of Series D Preferred Stock, valued at $670,000, in conjunction with the acquisitions as discussed in *Note 3* .

There were 832,500 and 48,000 shares of Series D Convertible Stock issued and outstanding as September 30, 2017 and 2016, respectively.

EVIO, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – STOCKHOLDERS' EQUITY (CONTINUED)

Common Stock

During the year ended September 30, 2017, the Company effected a 1:100 reverse stock split. The effects of the split have been reflected retroactively in the financial statements for all periods presented.

On September 5, 2017, the Company amended its articles of incorporation to reduce the number of authorized common shares from 3,000,000 to 1,000,000,000.

During the year ended September 30, 2016, the Company issued 60,875 common shares valued at $46,473 under its employee equity incentive plan; 4,010,326 common shares for the conversion of $207,367 of outstanding principal on convertible notes payable; 14,686 common shares for the conversion of $4,135 of convertible accrued interest and 428,270 common shares for services valued at $138,447. All conversions of outstanding principal and accrued interest on convertible notes payable were done so at contractual terms.

During the year ended September 30, 2017, the Company issued 333,949 common shares valued at $537,515 for services; 438,753 common shares for the conversion of 1,840,000 shares of Series A Preferred Stock; 112,000 common shares for cash proceeds of $112,000; 93,691 common shares valued at $211,071 under its employee equity incentive plan; 10,000 common shares for the settlement of $11,400 of accounts payable; 1,755 common share due to the rounding impacts of the 1:100 reverse stock split; 1,142,892 common shares for the conversion of $765,050 of outstanding principal on convertible notes payable; 53,304 for the conversion of $30,975 of convertible accrued interest; 40,935 common shares for the settlement of non-convertible debt totaling $46,666 and 5,000 common shares valued at $7,651 as a settlement. All conversions of outstanding principal and accrued interest on convertible notes payable were done so at contractual terms.

There were 10,732,927 and 8,500,643 shares of common stock issued and outstanding at September 30, 2017 and 2016, respectively.

NOTE 9 – LOANS PAYABLE

The Company had the following loans payable outstanding as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
On July 22, 2016, the Company entered into a Purchase and Sale of Future Receivables agreement (the "Agreement") with 1 Global Capital, LLC ("1GC") for $50,000. The Agreement calls for 160 daily payments of $437.50, due on business days, for total payments of $70,000. The Company recognized an original debt discount of $20,000 as interest expense.	$ -	$ 49,875
On May 24, 2016, the Company assumed a $27,500 Promissory note with annual interest of 5%, as part of the acquisition of Oregon Analytical Services (see note 3). The note is due on demand and requires quarterly payments.	-	27,500
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.	71,039	-
On August 1, 2017, the Company entered into a note payable totaling $500,000 for the acquisition of Virdiris (see note 3). The note carries interest at 8% annually and is due on July 1, 2018.	500,000	-
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.	1,000,000	-
On August 31, 2017, the Company executed a note payable for $120,000 of which $20,000 was an original issue discount resulting in cash proceeds of $100,000. The note carries interest at 8% annually and is due on March 3, 2018.	120,000	
	1,691,039	77,375
Less: unamortized original issue discounts	(127,662)	-
Total loans payable	1,563,377	
Less: current portion of loans payable	1,503,545	77,375
Long-term portion of loans payable	$ 59,832	$ -

As of September 30, 2017 and 2016, the Company accrued interest of $12,625 and $638, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – 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 11 – Derivative Liabilities* , 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 September 30, 2016:

Holder	Issue Date	Due Date	Principal	Unamortized Debt Discount	Carrying Value	Accrued Interest
Noteholder 1	5/17/2016	5/18/2017	$ 76,650	$ (5,867)	$ 70,783	$ 2,268
Noteholder 1	8/26/2016	8/26/2017	76,650	(6,650)	70,000	588
Noteholder 2	5/22/2016	5/23/2017	45,000	-	45,000	1,282
Noteholder 3	3/20/2016	3/21/2017	27,500	(12,959)	14,541	1,454
Noteholder 3	5/18/2016	5/19/2017	76,650	(48,510)	28,140	2,252
Noteholder 3	9/19/2016	5/19/2017	76,650	(47,510)	29,140	185
			$ 379,100	$ (121,496)	$ 257,604	$ 8,029

The following table summarizes all convertible notes outstanding as of September 30, 2017:

Holder	Issue Date	Due Date	Principal	Unamortized Debt Discount	Carrying Value	Accrued Interest
Noteholder 1	3/2/2017	3/2/2018	$ 125,000	$ (38,112)	$ 86,888	$ 5,671
Noteholder 1	7/14/2017	7/14/2018	275,600	(11,795)	263,805	4,712
Noteholder 1	8/14/2017	8/14/2018	275,600	(13,068)	262,532	2,839
Noteholder 4	3/2/2017	3/2/2018	69,000	(50,009)	18,991	7,187
Noteholder 4	6/5/2017	3/2/2018	125,000	(70,833)	54,167	3,205
Noteholder 4	7/14/2017	7/14/2018	275,600	(11,795)	263,805	4,470
Noteholder 4	8/14/2017	8/14/2018	275,600	(13,068)	262,532	2,597
			$ 1,421,400	$ (208,680)	$ 1,212,720	$ 30,681

Noteholder 1

On May 17, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount resulting in cash proceeds to the Company of $70,000 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 May 18, 2017. The Note was convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. The Company may prepay the note during the first six months it is outstanding. During the year ended September 30, 2017, the noteholder converted all outstanding principal and interest in exchange for a total of 111,573 post-split (11,157,314 pre-split) common shares. There was $0 and $76,650 of principal and $0 and $2,268 of accrued interest due at September 30, 2017 and 2016, respectively.

On May 17, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount resulting in cash proceeds to the Company of $70,000 which was funded on December 13, 2016 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 May 18, 2017. The Note was convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2017, the noteholder converted all outstanding principal and interest in exchange for a total of 71,649 post-split (7,164,852 pre-split) common shares. There was $0 and $0 of principal and $0 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On August 26, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount resulting in cash proceeds to the Company of $70,000 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 26, 2017. The Note is convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2017, the noteholder converted all outstanding principal and interest in exchange for a total of 100,874 post-split (10,087,373 pre-split) common shares. There was $0 and $76,650 of principal and $0 and $588 of accrued interest due at September 30, 2017 and 2016, respectively.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Noteholder 1 (continued)

On August 26, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount resulting in cash proceeds to the Company of $70,000 which was funded on January 3, 2017 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 26, 2017. The Note is convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2017, the noteholder converted all outstanding principal and interest in exchange for a total of 111,033 post-split (11,103,272 pre-split) common shares. There was $0 and $0 of principal and $0 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On March 2, 2017, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $125,000 resulting in cash proceeds to the Company of $125,000 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 March 2, 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 65% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. There was $125,000 and $0 of principal and $7,397 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On March 2, 2017, the Company sold a Convertible Promissory Note to an unrelated party, for the principal amount of $125,000 resulting in cash proceeds to the Company of $125,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith which was funded on June 5, 2017. The Note, together with accrued interest at the annual rate of 8%, is due on March 2, 2018. The Note is convertible into the Company's common stock upon funding 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. During the year ended September 30, 2017, the noteholder converted all outstanding principal and interest in exchange for a total of 194,795 post-split (19,479,452 pre-split) common shares. There was $0 and $0 of principal and $0 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On July 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 July 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. There was $275,000 and $0 of principal and $4,701 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

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. There was $275,000 and $0 of principal and $2,833 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

Noteholder 2

On May 23, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $45,000 resulting in cash proceeds to the Company of $45,000 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 May 23, 2017. The Note is convertible into the Company's common stock commencing 180 days from the date of issuance at a conversion price equal to 72% of the lowest trade price of the Company's common stock for the ten prior trading days including the date of conversion. The Company may prepay the note during the first 90 days it is outstanding for a sum of 115% of the unpaid principal and accrued interest outstanding and within the next 90 days at a rate of 130% of the unpaid principal and accrued interest outstanding. The note may not be prepaid after 180 days from issuance. During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due in exchange for a total of 33,344 post-split (3,334,387 pre-split) common shares. There was $0 and $45,000 of principal and $0 and $1,282 of accrued interest due at and September 30, 2017 and 2016, respectively.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Noteholder 3

On March 21, 2016, an unrelated party purchased from an existing convertible noteholder outstanding principal of $115,019. The Note is due on March 21, 2017 and carries an interest rate of 0% per annum. The Note is convertible into the Company's common stock at a conversion price equal to 50% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2016, the Company issued a total of 3,384,939 post-split (338,493,893 pre-split) common shares for the conversion of $115,019 of principal. There was $0 of principal and $0 of accrued interest due at September 30, 2016.

On March 21, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $27,500 of which $2,500 was an original issue discount resulting in cash proceeds to the Company of $25,000 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 March 21, 2017. The Note is convertible into the Company's common stock commencing from the date of issuance at a conversion price equal to 50% of the lowest trade price of the Company's common stock for the twenty-five prior trading days including the date of conversion. The Company may prepay the note during the first 180 days it is outstanding at a graduated scale of 100% of the principal amount if repaid within 30 days from issuance; 110% of the principal during the next 30 days; 120% of the principal during the next 30 days; 130% of the principal during the next 30 days; 140% of the principal during the next 30 days and 150% of the principal during the next 30 days. The note may not be prepaid after 180 days without the expressed written consent of the noteholder. During the year ended September 30, 2017 the noteholder elected to convert all outstanding principal and interest due in exchange for a total of 98,856 post-split (9,885,621 pre-split) common shares. There was $0 and $27,500 of principal and $0 and $1,454 of accrued interest due at and September 30, 2017 and 2016, respectively.

On May 19, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount resulting in cash proceeds to the Company of $70,000 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 May 19, 2017. The Note is convertible into the Company's common stock commencing from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. The Company may prepay the note during the first 180 days it is outstanding at a rate of 115% of the outstanding principal amount during the first 90 days from issuance and 135% of the principal amount during the next 90 days. The note may not be prepaid without the consent of the noteholder after 180 days. During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due in exchange for a total of 127,357 post-split (12,735,692 pre-split) common shares. There was $0 and $76,650 of principal and $0 and $2,252 of accrued interest due at September 30, 2017 and 2016, respectively.

On September 19, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $76,650 of which $6,650 was an original issue discount and $7,000 was paid to a third party on our behalf resulting in cash proceeds to the Company of $63,000 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 May 19, 2017. The Note is convertible into the Company's common stock commencing from the date of issuance at a conversion price equal to 55% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. The Company may prepay the note during the first 180 days it is outstanding at a rate of 115% of the outstanding principal amount during the first 90 days from issuance and 135% of the principal amount during the next 90 days. The note may not be prepaid without the consent of the noteholder after 180 days. During year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest in exchange for 182,553 post-split (18,255,293 pre-split) shares of common stock. There was $0 and $76,650 of principal and $0 and $185 of accrued interest due at September 30, 2017 and 2016, respectively.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Noteholder 4

On February 19, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $25,000 resulting in cash proceeds to the Company of $25,000 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 February 19, 2017. The Note is convertible into the Company's common stock commencing from the date of issuance at a conversion price equal to 50% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2016 the Company issued 106,383 post-split (10,638,298 pre-split) shares of common stock for the conversion of $25,000 of principal and 4,799 post-split (479,906 pre-split) shares of common stock for the conversion of $1,128 of accrued interest payable. There was $0 of principal and $0 of accrued interest due at September 30, 2016.

On February 19, 2016, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $25,000 of which $2,000 was an original issue discount resulting in cash proceeds to the Company of $23,000 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 February 19, 2017. The Note is convertible into the Company's common stock commencing from the date of issuance at a conversion price equal to 50% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2016 the Company issued 102,041 post-split (10,204,082 pre-split) shares of common stock for the conversion of $25,000 of principal. There was $0 of principal and $0 of accrued interest due at September 30, 2016.

On March 2, 2017, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $125,000 resulting in cash proceeds to the Company of $125,000 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 March 2, 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 65% of the lowest trade price of the Company's common stock for the twenty prior trading days including the date of conversion. During the year ended September 30, 2017, the holder elected to convert a total of $56,000 of principal in exchange for 111,538 post-split (11,153,800 pre-split) shares of common stock. There was $69,000 and $0 of principal and $7,187 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On March 2, 2017, the Company sold a Convertible Promissory Note to an unrelated party, for the principal amount of $125,000 resulting in cash proceeds to the Company of $125,000 pursuant to the terms of a Securities Purchase Agreement of even date therewith which was funded on June 5, 2017. The Note, together with accrued interest at the annual rate of 8%, is due on March 2, 2018. The Note is convertible into the Company's common stock upon funding 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 $125,000 and $0 of principal and $3,205 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

On July 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 July 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. There was $275,000 and $0 of principal and $4,701 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

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. There was $275,000 and $0 of principal and $2,833 and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

EVIO, INC.
(FORMERLY SIGNAL BAY, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

Noteholder 5

On July 23, 2015, Signal Bay, Inc. (the "Company") executed a convertible promissory note with a principal amount of $102,500 (the "Note") to St. George Investments, LLC. ("Lender"). The Note was funded on July 23, 2015 (Purchase Date). The Company may repay this note at any time. This note shall be deemed paid in full if Company pays to Lender (a) the sum of $91,250 (meaning Borrower would receive a $11,250 discount) on or before the date that is ninety (90) days from the Purchase Price Date, or (b) the sum of $97,500 (meaning Borrower would receive a $5,000 discount) on any date after the date that is ninety (90) days from the Purchase Price Date but on or before the date that is one hundred thirty-five (135) days from the Purchase Price Date (the "Prepayment Opportunity Date"). If Borrower does not repay the entire Outstanding Balance of this Note on or before the Prepayment Opportunity Date, it shall receive no prepayment discount and must pay the entire Outstanding Balance of this Note in full on or before the Maturity Date. Lender has the right at any time following an Event of Default, at its election, to convert (each instance of conversion is referred to herein as a "Conversion") all or any part of the Outstanding Balance into shares ("Conversion Shares") of fully paid and non-assessable common stock, $0.0001 par value per share ("Common Stock"), of Borrower as per the following conversion formula: the number of Conversion Shares equals the amount being converted (the "Conversion Amount") divided by the Conversion Price. The conversion price (the "Conversion Price") for each Conversion (as defined below) shall be equal to the product of 70% (the "Conversion Factor") multiplied by the average of the three (3) lowest Closing Bid Prices in the twenty (20) Trading Days immediately preceding the applicable Conversion. On March 31, 2016, Tangiers Global LLC Purchased $115,019 of the note from St. George Investments, resulting in a balance of $25,071 owing to St. George Investments. During the year ended September 30, 2016, principal and interest of $85,348 and $3,008, respectively, was converted into 162,246,500 shares of common stock. There was $0 of principal and $0 of accrued interest due as of September 30, 2016.

Noteholder 6

On February 5, 2017, the Company sold and issued a Convertible Promissory Note to an unrelated party, for the principal amount of $50,000 pursuant to a settlement agreement entered into on the same date. The Note was retroactively dated to August 23, 2016. The Note, together with accrued interest at the annual rate of 8%, is due on August 23, 2017. The Note is convertible into the Company's common stock commencing 180 days from the date of the note at a conversion price equal to 72% of the lowest trade price of the Company's common stock for the ten prior trading days including the date of conversion. The Note was converted in full on April 25, 2017 in exchange for 52,632 post-split (5,263,230 pre-split) common shares. There was $0 of principal and $0 of accrued interest due at September 30, 2017 and 2016, respectively.

NOTE 11 – DERIVATIVE LIABILITIES

Year Ended September 30, 2016

As of September 30, 2016 the Company had a $775,246 derivative liability balance on the balance sheets and recorded a loss from derivative liability fair value adjustments of $1,434,540 during the year ended September 30, 2016. The Company assessed its outstanding convertible notes payable as summarized in *Note 10 – Convertible Notes Payable* and determined certain convertible notes payable with variable conversion features contain embedded derivatives and are therefore accounted for at fair value under *ASC 820, Fair Value Measurements and Disclosures* and *ASC 825, Financial Instruments.* The derivative liability is marked to market at each measurement period and any unrealized change in fair value is recorded as a component of the consolidated statement of operations and the associated fair value carrying amount on the consolidated balance sheet is adjusted by the change. Upon conversion of the notes, the corresponding derivative liability at date of conversion is written off to additional paid in capital.

Utilizing Level 3 inputs, the Company fair values the embedded derivatives at each measurement date as of and during the year ended September 30, 2016 using the Black-Sholes option pricing model based on the following assumptions: risk free rates ranging from 0.23% to 0.49%, dividend yield of 0%, expected lives of 0.24 to 0.63 years, and volatility of 272% to 316%. In connection with the convertible notes issued during the year ended September 30, 2016, the Company recognized a derivative liability at issuance dates of $634,862 of which $215,000 was recognized as a debt discount and the excess fair market value of $419,862 was recognized as a loss on derivative fair value measurements. A total of $1,074,754 was written off to additional paid in capital during the year ended September 30, 2016 as a result of the conversion of notes and accrued interest totaling $211,504.

Year Ended September 30, 2017

As of September 30, 2017 Company had a $294,637 derivative liability balance on the balance sheets and recorded a loss from derivative liability fair value adjustments of $285,887 during the years ended September 30, 2017. The derivative liability activity comes from convertible notes payable as follows:

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $27,500 Convertible Promissory Notes to an unrelated party that matured on March 21, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 50% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $36,769 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $25,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $11,769 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion in full, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $60,180 loss from change in fair value of derivatives and a conversion of $183,770 for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 279%, (3) risk-free interest rate of .48%, (4) expected life of 0.46 of a year, and (5) estimated fair value of the Company's common stock of $2.21 post-split ($0.0221 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,500 Convertible Promissory Notes to an unrelated party that matures on May 19, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 50% discount from the lowest trading price in the twenty trading days prior to conversion. 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.

EVIO, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – DERIVATIVE LIABILITIES (CONTINUED)

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 $166,260 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $96,260 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $29,171 gain from change in fair value of derivatives and a conversion of $296,657 for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 260%, (3) risk-free interest rate of .63%, (4) expected life of 0.49 of a year, and (5) estimated fair value of the Company's common stock of $2.85 post-split ($0.0285 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,500 Convertible Promissory Notes to an unrelated party that matured on May 19, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 50% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $255,582 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $185,582 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all of the outstanding principal to common shares. At September 30, 2017, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $165,342 gain from change in fair value of derivatives and a conversion of $160,486 for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 369%, (3) risk-free interest rate of .95%, (4) expected life of 1.00 year, and (5) estimated fair value of the Company's common stock of $1.52 post-split ($0.0152 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,500 Convertible Promissory Notes to an unrelated party that matured on May 18, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 45% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $289,266 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $219,266 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $22,093 gain from change in fair value of derivatives and $267,173 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 260%, (3) risk-free interest rate of .63%, (4) expected life of 0.48 of a year, and (5) estimated fair value of the Company's common stock of $2.85 post-split ($0.0285 pre-split) per share.

EVIO, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – DERIVATIVE LIABILITIES (CONTINUED)

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,500 Convertible Promissory Notes to an unrelated party that matures on May 18, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 45% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $147,208 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $77,208 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $29,982 gain from change in fair value of derivatives and $117,226 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 245%, (3) risk-free interest rate of .66%, (4) expected life of 0.43 of a year, and (5) estimated fair value of the Company's common stock of $2.09 post-split ($0.0209 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $45,000 Convertible Promissory Notes to an unrelated party that matures on May 23, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 28% discount from the lowest trading price in the ten trading days prior to conversion. 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 $74,456 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $45,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $26,456 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded $74,456 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 253%, (3) risk-free interest rate of .63%, (4) expected life of 0.46 of a year, and (5) estimated fair value of the Company's common stock of $2.64 post-split ($0.0264 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,650 Convertible Promissory Notes to an unrelated party that matures on August 18, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 45% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $115,409 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $45,409 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded an $3,362 loss from change in fair value and $118,771 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 101%, (3) risk-free interest rate of .78%, (4) expected life of 0.37 of a year, and (5) estimated fair value of the Company's common stock of $2.01 post-split ($0.0201 pre-split) per share.

NOTE 11 – DERIVATIVE LIABILITIES (CONTINUED)

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $76,650 Convertible Promissory Notes to an unrelated party that matures on August 18, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 45% discount from the lowest trading price in the twenty trading days prior to conversion. 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 $115,409 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $70,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $45,409 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $31,047 gain from change in fair value and $84,362 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 75%, (3) risk-free interest rate of .85%, (4) expected life of 0.17 of a year, and (5) estimated fair value of the Company's common stock of $1.50 post-split ($0.0150 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $125,000 Convertible Promissory Notes to an unrelated party that matures on March 2, 2018. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 35% discount from the lowest trading price in the fifteen trading days prior to conversion. 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 $157,523 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $125,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $32,523 being recognized as a loss on derivative fair value measurement.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $36,644 loss from change in fair value and $194,167 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 94%, (3) risk-free interest rate of 1.13%, (4) expected life of 0.58 of a year, and (5) estimated fair value of the Company's common stock of $1.61 post-split ($0.0161 pre-split) per share.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $125,000 Convertible Promissory Notes to an unrelated party that matures on March 2, 2018. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 35% discount from the lowest trading price in the fifteen trading days prior to conversion. 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 $107,768 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $107,768 which was up to the face value of the convertible note.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – DERIVATIVE LIABILITIES (CONTINUED)

During the year ended September 30, 2017, the noteholder elected to convert a total of $56,000 of principal. At September 30, 2017, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $66,537 and recorded a $2,431 loss from change in fair value and $43,662 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using a Monte Carlo simulation model based on the following assumptions: (1) expected volatility of 132%, (2) risk-free interest rate of 1.16%, and (3) expected life of 0.42 of a year.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $50,000 Convertible Promissory Notes to an unrelated party that matures on August 23, 2017. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 28% discount from the lowest trading price in the fifteen trading days prior to conversion. 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 upon the note becoming convertible on February 23, 2017 was $40,037 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $40,037 which was up to the face value of the convertible note.

During the year ended September 30, 2017, the noteholder elected to convert all outstanding principal and interest due. Upon conversion, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $0 and recorded a $16,319 loss from change in fair value and $56,356 due to conversion for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using the Black-Scholes option pricing model based on the following assumptions: (1) dividend yield of 0%, (2) expected volatility of 70%, (3) risk-free interest rate of .82%, (4) expected life of 0.33 of a year, and (5) estimated fair value of the Company's common stock of $2.12 post-split ($0.0212 pre-split) per share

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $125,000 Convertible Promissory Notes to an unrelated party that matures on March 2, 2018. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 35% discount from the lowest trading price in the fifteen trading days prior to conversion. 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 $107,785 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $107,785 which was up to the face value of the convertible note.

At September 30, 2017, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $115,801 and recorded a $8,016 loss from change in fair value for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using a Monte Carlo simulation model based on the following assumptions: (1) expected volatility of 132%, (2) risk-free interest rate of 1.16%, and (3) expected life of 0.42 of a year.

As discussed in *Note 10 – Convertible Notes Payable* , the Company issued a $125,000 Convertible Promissory Notes to an unrelated party that matures on March 2, 2018. The note bears interest at a rate of 8% per annum and can be convertible into the Company's common shares six months after issuance, at the holder's option, at the conversion rate equal to a 35% discount from the lowest trading price in the fifteen trading days prior to conversion. 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 $157,523 which was recorded as a derivative liability on the balance sheet. The Company recorded a debt discount of $125,000 which was up to the face value of the convertible note with the excess fair value at initial measurement of $32,523 being recognized as a loss on derivative fair value measurement.

At September 30, the Company marked-to-market the fair value of the derivative liabilities related to notes and determined an aggregate fair value of $112,299 and recorded a $45,224 gain from change in fair value of derivatives for the year ended September 30, 2017. The fair value of the embedded derivatives for the notes was determined using a Monte Carlo simulation model based on the following assumptions: (1) expected volatility of 132%, (2) risk-free interest rate of 1.16%, and (3) expected life of 0.42 of a year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – DERIVATIVE LIABILITIES (CONTINUED)

The following table summarizes the derivative liabilities included in the balance sheet at September 30, 2016:

Fair Value of Embedded Derivative Liabilities:	
Balance, September 30, 2015	$ 200,460
Initial measurement of derivative liabilities	634,862
Change in fair market value	1,014,678
Conversion	(1,074,754)
Balance, September 30, 2016	$ 775,246

The following table summarizes the derivative liabilities included in the balance sheet at September 30, 2017:

Fair Value of Embedded Derivative Liabilities:	
Balance, September 30, 2016	$ 775,246
Initial measurement of derivative liabilities	1,312,384
Change in fair market value	(195,907)
Conversion	(1,597,086)
Balance, September 30, 2017	$ 294,637

The following table summarizes the loss on derivative liability included in the income statement for the financial years ended September 30, 2017 and 2016, respectively.

	September 30,	
	2017	**2016**
Day one loss due to derivatives on convertible debt	$ 481,794	$ 419,862
Change in fair value of derivatives	(195,907)	1,014,678
Total derivative expense	$ 285,887	$ 1,434,540

NOTE 12 – INCOME TAXES

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. When it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carry forward period.

The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements for the years ended September 30, 2016 and 2015 applicable under FASB ASC 740. We did not recognize any adjustment to the liability for uncertain tax position and therefore did not record any adjustment to the beginning balance of accumulated deficit on the balance sheet. All tax returns for the Company remain open.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences for the periods presented are as follows:

Income tax provision at the federal statutory rate	35%
Effect on operating losses	(35)%
	-

Net deferred tax assets consisted of the following:

	September 30, 2017	**September 30, 2016**
Net operating loss carry forward	$ 1,076,144	$ 728,834
Valuation allowance	(1,076,144)	(728,834)
Net deferred tax asset	$ —	$ —

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – INCOME TAXES (CONTINUED)

A reconciliation of income taxes computed at the statutory rate is as follows:

	September 30, 2017	September 30, 2016
Computed federal income tax expense at statutory rate of 35%	$ (1,256,517)	$ (893,232)
Depreciation and amortization	99,748	31,309
Deferred revenue	14,280	-
Common stock issued for services	225,598	48,456
Common stock issued under employee incentive plan	58,102	16,266
Stock option expense	41,502	2,756
Amortization of debt discounts	299,917	73,033
Default penalties on convertible notes payable	-	17,930
Change in derivative liability	100,060	502,089
Change in valuation allowance	417,310	201,393
Income tax expense	$ -	$ -

NOTE 13 – INDUSTRY SEGMENTS

This summary reflects the Company's current segments, as described below.

Corporate

The parent Company provides overall management and corporate reporting functions for the entire organization.

Consulting

The Company provides advisory, licensing and compliance services to the cannabis industry. Consulting clients are located in states that have state managed medical and/or recreational programs. EVIO assists these companies with license applications, business planning, state compliance and ongoing operational support.

Testing Services

The Company provides analytical testing services to the cannabis industry under the EVIO Labs brand. As of September 30, 2017, EVIO Labs has six operating labs. EVIO Labs clients are located in Oregon, California and Massachusetts and consist of growers, processors and dispensaries. Operating under the rules of the appropriate state regulating body, EVIO Labs certifies products have been tested and are free from pesticides and other containments before resale to patients and consumers.

Year ended September 30, 2017	Corporate	Consulting Services	Testing Services	Total Consolidated
Revenue	$ -	$ 324,803	$ 2,696,227	$ 3,021,030
Segment income (loss) from operations	(1,027,737)	(344,833)	(698,271)	(2,070,842)
Total assets	26,842	1,534,823	4,456,269	6,017,934
Capital expenditures	-	(1,038)	(252,008)	(253,046)
Depreciation and amortization	-	23,895	261,097	284,993

Year ended September 30, 2016	Corporate	Consulting Services	Testing Services	Total Consolidated
Revenue	$ -	$ 255,282	$ 305,679	$ 560,961
Segment loss from operations	(300,814)	(252,512)	(239,222)	(792,548)
Total assets	47,911	113,873	2,024,212	2,185,996
Capital expenditures	-	-	(11,699)	(11,699)
Depreciation and amortization	-	23,688	65,766	89,454

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – COMMITMENTS AND CONTINGENCIES

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

During the year ended September 30, 2017, the Company purchased a software license for $200,000 in cash. The Company relied on the representation of the seller regarding the assignability of the license. However, independent verification of the assignability was not obtained. As a result, the Company recognized a $200,000 impairment loss on the write off of the asset. There have been no additional amounts accrued for potential losses related to the assignability of the license.

The Company has entered into various office and laboratory leases as well as a long term operating lease. Future minimum rental payments under the terms of the lease are:

Year ending September 30,	
2018	338,963
2019	303,811
2020	265,392
2021	203,742
2022	118,410
Total	**$ 1,230,318**

NOTE 15 – REVENUE CONCENTRATION

The Company generated revenues of $3,021,030 and $560,961 for the years ended September 30, 2017 and 2016, respectively. The Company did not have any customer that represented greater than 10% of revenues during the years ended September 30, 2017 or 2016.

NOTE 16 – STOCK OPTIONS AND WARRANTS

The following tables summarizes all stock option and warrant activity for the year ended September 30, 2017 and 2016:

	Shares	**Weighted-Average Exercise Price Per Share**
Outstanding, September 30, 2015	-	$ -
Granted	315,000	0.449
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding, September 30, 2016	315,000	$ 0.449

	Shares	**Weighted-Average Exercise Price Per Share**
Outstanding, September 30, 2016	315,000	$ 0.449
Granted	380,000	1.295
Exercised	-	-
Forfeited	(40,000)	1.075
Expired	-	-
Outstanding, September 30, 2017	655,000	$ 0.902

The following table discloses information regarding outstanding and exercisable options and warrants at September 30, 2017:

	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	150,000	$	0.400	3.88	75,000	$	0.400
$0.500	155,000	$	0.500	3.88	77,500	$	0.500
$1.260	270,000	$	1.260	4.75	-	$	1.260
$1.386	60,000	$	1.386	4.75	-	$	1.386
$1.300	10,000	$	1.300	4.05	2,500	$	1.300
$1.666	10,000	$	1.666	4.84	-		1.666
Total	655,000	$	0.902	4.33	155,000	$	0.465

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:

	September 30, 2017
Expected term of options granted	5 years
Expected volatility	2.68%
Risk-free interest rate	1.89%
Expected dividend yield	0%

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NOTE 16 – STOCK OPTIONS AND WARRANTS (CONTINUED)

The following table discloses information regarding outstanding and exercisable options and warrants at September 30, 2016:

	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	160,000	$ 0.400	4.88	-	$ 0.400
$0.500	155,000	$ 0.500	4.88	-	$ 0.500
Total	315,000	$ 0.449	4.88	-	$ 0.000

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:

	September 30, 2016
Expected term of options granted	5 years
Expected volatility	409%
Risk-free interest rate	1.14%
Expected dividend yield	0%

NOTE 17 – SUBSEQUENT EVENTS

Employment Agreements

On December 27, 2017, the Company entered into employment agreements with its Chief Executive Officer, Chief Operating Officer, President and amended the agreement of its Chief Science Officer. Each agreement is effective January 1, 2018.

The agreement with our Chief Executive Officer carries a three year term with a base salary of $150,000 annually plus a car allowance of $750 monthly. Additionally, 450,000 stock options were granted with an exercise price of $0.80 which will vest quarterly over a two year period.

The agreement with our Chief Operating Officer carries a three year term with a base salary of $150,000 annually plus a car allowance of $500 monthly. Additionally, 750,000 stock options were granted with an exercise price of $0.80 which will vest quarterly over a two year period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – SUBSEQUENT EVENTS (CONTINUED)

Employment Agreements (Continued)

The agreement with our newly appointed President carries a two year term. Under the terms of the agreement, total compensation will be $24,000 cash annually plus a total of 450,000 common shares which vest quarterly over a two year period.

The agreement with our Chief Science Officer carries a three year term with a base salary of $120,000 annually plus a car allowance of $350 monthly. Additionally, 250,000 stock options were granted with an exercise price of $0.80 which will vest quarterly over a two year period.

Common Stock Issuances

The Company made the following issuances of common stock subsequent to September 30, 2017:

- 1,245,000 common shares issued for cash at $0.40 per share resulting in total cash proceeds of $498,000.
- 219,320 common shares for the conversion of 92,728 shares of Series D Preferred Stock.
- 324,000 common shares payable valued at $162,000 for the settlement of a non-convertible note totaling $126,600 resulting in a loss on settlement of $35,400.
- 125,000 common shares valued at $62,500 for the conversion of $50,000 of a related party note payable. The conversion was performed at the contractual terms of the note payable.
- 37,500 common shares valued at $18,750 for the settlement of $15,000 of accounts payable resulting in a loss on settlement of $3,750.
- 7,000 common shares valued at $7,755 for the vesting of restricted stock grants for officers and directors
- 25,000 common shares valued at $32,210 for the vesting of restricted stock grants for consultants
- 224,750 common shares for services valued at $214,480
- 934,079 common shares for the conversion of $330,336 of outstanding principal on convertible notes payable and 17,458 common shares for the conversion of $6,548 of accrued interest on convertible notes payable. All conversions were performed at contractual terms.
- 15,000 common shares valued at $12,150 subject to vesting requirements of a consulting agreement with a contracted Chief Information Officer. The agreement requires a total of 60,000 common shares be issued which vest in equal quarterly amounts of 15,000 shares effective October 16, 2017.
- 50,000 common shares valued at $68,000 subject to vesting requirements of an employment agreement with our President. The agreement requires a total of 450,000 common shares be issued which vest in quarterly amounts of 50,000 shares from January 2018 to December 2018 then 62,500 quarterly for January 2019 to December 2019 so that a total of 450,000 common shares are earned over the course of two years.

Stock Option Issuances

In addition to the stock options discussed under Employment Agreements, on November 1, 2017 the Company issued 75,000 stock options with an exercise price of $0.65. The shares vest in equal 18,750 installments each six months so that all options are vested upon the two year anniversary of the grant.

Acquisitions

On January 1, 2018, the Company completed its acquisition of C3 Labs, LLC ("C3 Labs"). In consideration of a 60% ownership, the Company issued a $500,000 convertible note payable which carries no interest and matures on June 30, 2018. Upon maturation, the note will convert to common stock of the Company at $0.75 per share. Additionally, the Company issued a $100,000 note payable due on March 31, 2018.

The Company has been granted two options to purchase additional interest of C3 Labs subject to the following terms and conditions.

(a) 30% Option. Effective as of Closing and terminating the date three (3) years from the Closing Date, the C3 Members hereby collectively grant EVIO the right to ratably purchase from the C3 Members an aggregate of 30% of the Interests in C3 LABS following the issuance of 60% of the Interests to EVIO. EVIO may exercise its option by providing C3 LABS and the C3 Members written notice of its intent to exercise the option. The C3 Members shall have three (3) days following the date of such notice to execute assignments of Interests totaling 30% of the then outstanding membership interests in C3 LABS in favor of EVIO California. If EVIO should elect to exercise its option within nine (9) months from the Closing Date, the exercise price for the 30% of Interests shall be $450,000.00, to be paid in cash or EVIO's common stock, as agreed by the C3 Members. If EVIO does not exercise the option within nine (9) months from the Closing Date, the exercise price shall be set by mutual agreement between the parties or, if no such agreement can be reached, as determined by an independent third-party valuation by an appraiser agreed to by the parties.

(b) 10% Option. Effective as of three (3) years after the Closing Date and terminating the date twenty four (24) months therefrom, the C3 Members hereby collectively grant EVIO the right to ratably purchase from the C3 Members an aggregate of 10% of the then outstanding Interests in C3 LABS (comprising the remaining Interests not owned by EVIO). EVIO may exercise its option by providing C3 LABS and the C3 Members written notice of its intent to exercise the option. The C3 Members shall have three (3) days following the date of such notice to execute assignments of Interests totaling 10% of the then outstanding membership interests in C3 LABS in favor of EVIO. Upon notice of its intent to exercise the option granted hereby, the exercise price shall be set by mutual agreement between the parties or, if no such agreement can be reached, as determined by an independent third-party valuation by an appraiser agreed to by the parties.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

During the year ended September 30, 2017, the Company dismissed MaloneBailey, LLP and engaged Sadler, Gibb & Associates, LLC as its independent registered audit firm. We have not had any disagreements with our auditors on any matters of accounting principles, practices, or financial statement disclosure.

ITEM 9A. 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.

This annual 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 Annual Report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. Our internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2017. Based on this assessment, management concluded that the Company's internal controls over financial reporting is not effective as a result of the identified material weakness in our internal control over financial reporting described below. In making this assessment, management used the framework set forth in the report entitled Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring.

Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weakness during its assessment of internal controls over financial reporting as of September 30, 2017:

Independent Directors : The Company intends to obtain at least 2 independent directors at its 2018 annual shareholder meeting. The cost associated to the addition in minimal and not deemed material.

No Segregation of Duties : Ineffective controls over financial reporting: The Company hired additional staff members, either as employees or consultants, during October and November 2016. These additional staff members are responsible for making sure that information required to be disclosed in our reports filed and submitted under the Exchange Act is recorded, processed, summarized and reported as and when required and will the staff members will have segregated responsibilities with regard to these responsibilities. The costs associated with the hiring the additional staff members will increase the Company's Sales, General and Administration (SG&A) Expense. It is anticipated the cost of the new staff members will be approximately $100,000 per year. As of September 30, 2017, we had no full-time employees with the requisite expertise in the key functional areas of finance and accounting. As a result, there is a lack of proper segregation of duties necessary to ensure that all transactions are accounted for accurately and in a timely manner.

No audit committee : After the election of the independent directors at the 2018 annual shareholder meeting, the Company expects that an Audit Committee will be established. The cost associated to the addition an audit committee are minimal and not deemed material.

Written Policies & Procedures : We need to 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.

Management's Remediation Initiatives

As our resources allow, we will add financial personnel to our management team. We plan to 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. Upon the addition of independent directors, we will create an audit committee made up of our independent directors.

As of September 30, 2017, the Company has not taken any remediation actions to address these weaknesses in our controls even though they were identified during the year. The Company hired, as soon as its financial position permitted it to do so, additional staff in its accounting department to be able to segregate the duties. The Company expects that the expense will be approximately $100,000 per year which would allow the Company to hire one new staff member.

(b) Changes in Internal Control over Financial Reporting

There were no change in Internal Controls over Financial Reporting during the year ended September 30, 2017. 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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our directors and executive officers and additional information concerning them are as follows:

Name	Age	Position
William Waldrop	49	CEO and Director
Lori Glauser	48	COO, President, and Director
Henry Grimmett	68	Director
Anthony Smith, Ph.D.	48	CSO and Director
Christian Carnell	33	CFO

William H. Waldrop – Chairman of the Board and Chief Executive Officer

Mr. Waldrop is our CEO and member of the Board of Directors. Mr. Waldrop has over 20 years' experience in corporate formation, operations, financing and leadership. In 2010, Mr. Waldrop founded Newport Commercial Advisors, which assists start-up and high-growth companies in developing and executing their business strategies. From 2006 – 2009, Mr. Waldrop was the Co-Founder and President of CMP Capital, a national commercial finance company. CMP Capital provided finance solutions for the transportation and construction industries. From 2004 – 2005, Mr. Waldrop was the President and Chief Operating Officer of College Partnership. College Partnership was publicly traded company that assists high school students with their college selection and financial aid. From 2002 – 2005, Mr. Waldrop was the CEO and President of Vision Direct Marketing, a full-service marketing company. Vision Direct Marketing was acquired by College Partnership. From 2000 – 2002, Mr. Waldrop was Vice President of Operations at Leading Edge Broadband, a start-up international telecommunications company, he designed and operated network managing call traffic between the United States and the Philippines for International Call Centers. From 1992 – 2000, Mr. Waldrop was a Senior Manager at AirTouch Cellular, now Verizon Wireless, he managed a 44-Store, $100 million annual revenue distribution channel. Mr. Waldrop received a B.S. from California State University of Long Beach, 1991 and an MBA in Finance and Entrepreneurship from the University of Southern California, 1997.

Lori Glauser– COO, President and Director

Ms. Glauser founded EVIO, Inc. with William Waldrop in 2014 and has served as our Chief Operating Officer and a member of the board of directors. Ms. Glauser is responsible for the strategic growth and day to day operations of EVIO, Inc. including the company's Labs and Advisory Services divisions. Lori came to EVIO with 25 years' experience in engineering, management consulting, and startup company management. Her expertise lies in business planning and operations, business process engineering, financial forecasting, risk analysis, customer experience, product management, and regulatory compliance. Previously, Ms. Glauser was a management consultant in the energy and water industries with Ernst & Young, IBM, Financial Times Group, and SNL Financial. She also launched two startups. Lori began her career in 1991 as a mechanical engineer, and later as management consultant with Stone & Webster, a global architect/engineering firm where she worked in the nuclear power industry. After transitioning to the cannabis industry in 2014, Lori was founding chair of Women Grow – Las Vegas; served on FOCUS standards committee; was a member of the ArcView investor network, and was co-author of Medical Marijuana Desk Reference. At EVIO, Ms. Glauser assisted numerous entrepreneurs in attaining licensing for cannabis businesses, and has been actively involved in M&A as the company has grown through acquisitions and licensing of new lab facilities. Lori has a BS in Mechanical Engineering from the University of New Hampshire and an MBA from University of Alabama.

Anthony Smith, Ph.D. - Director and Chief Science Officer of EVIO Labs

Executive Scientist and founder of Kenevir Technologies, LLC and Kenevir Research Labs, Dr. Anthony Smith received his Ph.D. from Oregon State University in Molecular & Cellular Biology with an emphasis on biochemistry, metabolism and nutrition. He brings over 15 years of natural product research, quality assurance, product development, GMP manufacturing, FDA & regulatory experience and analytical expertise to Kenevir Research. Dr. Smith was recently appointed to the Oregon governor's Task Force on Researching the Medicinal and Public Health Properties of Cannabis.

Henry Grimmett, MA - Director and President of EVIO Labs

Mr. Grimmett , co-founder of GreenHaus Analytical Labs, has been a successful career entrepreneur. Mr. Grimmett started his first business while still in college harvesting abalone and sea weed. Mr. Grimmett had the great fortune of studying plant biochemistry and plant physiology with David Rayle and Steve Johnson at San Diego State University, who were conducting pioneering research on IA (auxin) and other growth hormones in plants and received his degree in Botany. Over the years, he worked extensively with pesticides and herbicides studying their efficacy and environmental effects. Mr. Grimmett was a licensed real estate broker where he owned three Red Carpet real estate franchises. He had obtained a securities license and syndicated real estate and conducted forecasting studies for land banking. More recently he and his wife Susan founded Glass Alchemy where they revolutionized the industry by introducing many new colors into the borosilicate glass palette. Henry brings a strong management and research bent to the company as well as experience with regulatory compliance and accreditation protocols.

Christian Carnell – CFO

Christian Carnell was engaged as a part time outsourced CFO effective November 1, 2016 and previously served as the Chief Financial Officer of Equities.com from November of 2012 to February 2015. Mr. Carnell is a Certified Public Accountant through the state of California and served as an auditor at Child, Van Wagoner & Bradshaw from January 2007 to August 2008 where he planned, supervised, and conducted audit testing procedures related to public and private companies' annual audits and quarterly reviews and educated clients on accounting functions and procedures in accordance with US GAAP. Mr. Carnell received his Bachelor of Science in Accounting from the University of Utah in May of 2009.

Code of Ethics

We have adopted a Code of Ethics which is designed to ensure that our directors and officers meet the highest standards of ethical conduct. The Code of Ethics requires that our directors and officers comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. A copy of the Company's code of ethics has been attached to this prospectus as Exhibit 14.

Committees of the Board of Directors

The Company does not presently have a separately designated audit committee, compensation committee, nominating committee, executive committee or any other committees of its Board of Directors. As such, the Board of Directors acts in those capacities. The Company believes that committees of the Board are not necessary at this time given that the Company is in its development stage. However, the Board of Directors will continue to study this matter, and the Company plans to add Board members and/or committees of the Board as its business develops.

Audit Committee Financial Expert

Neither Mr. Waldrop nor Ms. Glauser qualify as an "audit committee financial expert." The Company believes that the cost related to retaining such a financial expert at this time is prohibitive, given its current operating and financial condition. Further, because the Company is in the development stage of its business operations, it believes the services of an audit committee financial expert are not warranted at this time.

ITEM 11. EXECUTIVE COMPENSATION

The Companies' officers and directors have received the annual salary listed below for the services rendered on behalf of the Company:

	Year	Salary	Bonus	Stock Awards	All Other Compensation	Total
William Waldrop, CEO, Director (1)(2)	2017	$ 1	$ -	$ -	$ 42,192	$ 42,193
	2016	1	-	-	60,026	60,027
Lori Glauser, President, COO, Director (2)	2017	1	-	-	-	1
	2016	1	-	-	11,000	11,001
Christian Carnell, CFO	2017	-	-	54,794	11,700	66,494
	2016	-	-	-	-	-

(1) Mr. Waldrop's private company Newport Commercial Advisors received compensation for his management services.

(2) Commencing in Fiscal Year 2018, it is projected that the CEO and COO will begin to earn a base salary upon receipt of funding or significant company revenues.

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

The following table sets forth, as of the date of this filing, certain information concerning the beneficial ownership of our common stock by (i) each stockholder known by us to own beneficially five percent or more of our outstanding common stock; (ii) each director; (iii) each named executive officer; and (iv) all of our executive officers and directors as a group, and their percentage ownership and voting power.

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of our common stock, except to the extent authority is shared by spouses under community property laws. Except as otherwise indicated in the table below, addresses of named beneficial owners are in care of the Company, 62930 O. B. Riley Rd, Suite 300, Bend, OR 97703.

Name	Common Stock Shares Beneficially Owned	Percentage Class	Series B Preferred Stock Shares Beneficially Owned	Percentage Class	Series C Preferred Stock Shares Beneficially Owned	Percentage Class	Series D Preferred Stock Shares Beneficially Owned	Percentage Class	Total Voting Power
William Waldrop	1,365,000	12.7%	2,500,000	50%					19.0%
Lori Glauser	1,406,667	13.1%	2,500,000	50%					19.2%
Anthony Smith					300,000	60%			7.4%
Henry Grimmett							330,000	40%	4.1%
Christian Carnell	18,750	0.2%							0.2%
All officers and directors as a group (5 persons)									49.90%
All officers, directors and 5% holders as a group (5 persons)									49.90%

(1) Beneficial ownership is determined in accordance with Rule 13d-3(a) of the Exchange Act and generally includes voting or investment power with respect to securities.

(2) Figures may not add up due to rounding of percentages.

(a) The Series B Preferred converts into Common Stock at a ratio of 1:1.

(b) The Series B Preferred Stock has voting rights equal to 1 votes for each 1 share of owned.

(c) The Series C Preferred converts in Common Stock at a ratio of 1:5.

(d) The Series C Preferred Stock has voting rights equal to 5 votes for each 1 share of owned.

(e) The Series D Preferred converts in Common Stock at a ratio of 1:2.5.

(f) The Series D Preferred Stock has voting rights equal to 2.5 votes for each 1 share of owned.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

INDEPENDENT AUDITOR FEES

The following is a summary of the fees billed to us by our independent auditors for the fiscal years ended September 30, 2017 and 2016:

	Fiscal Year 2017	Fiscal Year 2016
Audit Fees	$ 70,500	$ 52,050

ITEM 15. EXHIBITS

Exhibit No.	Exhibit Description
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 January 17, 2018.

EVIO, INC.

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

By: */s/ Christian Carnell*
Christian Carnell
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 January 17, 2018.

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

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

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

By: */s/ Henry Grimmett*
Henry Grimmett
Director

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William Waldrop, certify that:

1. I have reviewed this Annual report on Form 10-K 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: January 17, 2018

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

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Christian Carnell, certify that:

1. I have reviewed this Annual report on Form 10-K 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: January 17, 2018

By: */s/ Christian Carnell*
Christian Carnell
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 Annual Report of EVIO, INC. (the "Company") on Form 10-K for the year ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, 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: January 17, 2018

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 Annual Report of EVIO, INC. (the “Company”) on Form 10-K for the year ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christian Carnell, 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: January 17, 2018

By: */s/ Christian Carnell*
Christian Carnell
Chief Financial Officer