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

FORM 10-Q

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

For Quarterly Period Ended June 30, 2017

or

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

For the transition period from __________ to __________

Commission File Number 000-54239

digipath, inc.
(OTCQB : DIGP)

Digipath, Inc.
(Exact name of registrant issuer as specified in its charter)

Nevada	27-3601979
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6450 Cameron St Suite 113 Las Vegas, NV	**89118**
(Address of principal executive offices)	(zip code)

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

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

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [ ]

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

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[ ]
		Emerging growth company	[X]

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

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

Yes [ ]	No [X]

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

The number of shares of registrant's common stock outstanding as of August 12, 2017 was 34,123,784.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS .

DIGIPATH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	September 30, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 113,963	$ 135,390
Accounts receivable, net	164,220	98,441
Prepaid expenses	72,650	24,246
Deposits	25,647	39,850
Total current assets	376,480	297,927
Fixed assets, net	1,089,720	1,139,748
Available-for-sale securities	6,640	9,200
Total Assets	$ 1,472,840	$ 1,446,875
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 154,427	$ 157,666
Accrued expenses	20,294	54,247
Total current liabilities	174,721	211,913
Total Liabilities	174,721	211,913
Stockholders' Equity:		
Series A convertible preferred stock, $0.001 par value, 10,000,000 shares authorized; 2,147,942 and 3,520,442 shares issued and outstanding at June 30, 2017 and September 30, 2016, respectively	2,148	3,520
Common stock, $0.001 par value, 90,000,000 shares authorized;32,040,450 and 22,491,041 shares issued and outstanding at June 30, 2017 and September 30, 2016, respectively	32,040	22,491
Additional paid-in capital	12,497,159	11,681,282
Accumulated other comprehensive loss	(43,360)	(40,800)
Accumulated (deficit)	(11,189,868)	(10,431,531)
	1,298,119	1,234,962
Noncontrolling interest	-	-
Total Stockholders' Equity	1,298,119	1,234,962
Total Liabilities and Stockholders' Equity	$ 1,472,840	$ 1,446,875

See accompanying notes to financial statements.

DIGIPATH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Nine Months Ended June 30, 2017	For the Nine Months Ended June 30, 2016
Revenues	$ 389,315	$ 264,178	$ 1,296,115	$ 507,430
Cost of sales	215,729	102,724	640,871	258,083
Gross profit	173,586	161,454	655,244	249,347
Operating expenses:				
General and administrative	300,924	302,383	907,994	910,076
Professional fees	279,843	1,004,225	745,437	1,414,913
Bad debts expense	6,896	(30,646)	30,650	272,375
Total operating expenses	587,663	1,275,962	1,684,081	2,597,364
Operating loss	(414,077)	(1,114,508)	(1,028,837)	(2,348,017)
Other income (expense):				
Other income	3,000	16,000	263,000	46,000
Interest income	2,500	2,500	7,500	7,500
Gain on early extinguishment of debt	-	-	-	12,133
Equity in losses of unconsolidated entity	-	-	-	(992,682)
Total other income (expense)	5,500	18,500	270,500	(927,049)
Net loss from continuing operations	$ (408,577)	$ (1,096,008)	$ (758,337)	$ (3,275,066)
Less: Net loss attributable to the noncontrolling interest	-	-	-	-
Net loss	$ (408,577)	$ (1,096,008)	$ (758,337)	$ (3,275,066)
Weighted average number of common shares outstanding - basic and fully diluted	31,542,189	20,342,817	27,849,386	17,225,893
Net loss per share - basic and fully diluted	$ (0.01)	$ (0.05)	$ (0.03)	$ (0.19)
Net loss attributable to Digipath, Inc.	$ (408,577)	$ (1,096,008)	$ (758,337)	$ (3,275,066)
Other comprehensive income (loss)				
Available-for-sale investments:				
Change in net unrealized income (loss) (net of tax effect)	(9,080)	5,760	(2,560)	(360)
Comprehensive loss	$ (417,657)	$ (1,090,248)	$ (760,897)	$ (3,275,426)

See accompanying notes to financial statements.

DIGIPATH, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended June 30, 2017	For the Nine Months Ended June 30, 2016
Cash flows from operating activities		
Net loss	$ (758,337)	$ (3,275,066)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts expense	30,650	272,375
Depreciation and amortization expense	186,922	183,392
Stock issued for services, related parties	79,024	35,000
Stock issued for services	145,270	53,720
Options and warrants granted for services, related parties	269,928	744,364
Options and warrants granted for services	29,832	274,127
Gain on early extinguishment of debt	-	(12,133)
Equity in losses of unconsolidated entity	-	992,682
Decrease (increase) in assets:		
Accounts receivable	(96,429)	(106,283)
Prepaid expenses	(48,404)	(11,056)
Deposits	14,203	(675)
Increase (decrease) in liabilities:		
Accounts payable	(3,239)	76,862
Accrued expenses	(33,953)	(21,671)
Deferred revenues	-	(4,167)
Net cash used in operating activities	(184,533)	(798,529)
Cash flows from investing activities		
Cash disposed in divestiture of unconsolidated entity	-	(57,876)
Purchase of fixed assets	(136,894)	(11,192)
Net cash used in investing activities	(136,894)	(69,068)
Cash flows from financing activities		
Proceeds from sale of common stock	300,000	460,000
Net cash provided by financing activities	300,000	460,000
Net decrease in cash	(21,427)	(407,597)
Cash - beginning	135,390	481,095
Cash - ending	$ 113,963	$ 73,498
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Non-cash investing and financing activities:		
Net change in unrealized gain (loss) on available-for-sale securities	$ (2,560)	$ (360)
Value of preferred stock converted to common stock	$ 1,372,500	$ 730,000

See accompanying notes to financial statements.

DIGIPATH, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Organization, Basis of Presentation and Significant Accounting Policies

Organization

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

- Digipath Labs, Inc . Digipath Labs' mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our clients' products through research, development, and standardization. In May of 2015, we opened our first testing lab in Nevada. We also have plans to open labs in other states that have legalized the sale of cannabis.

- The National Marijuana News Corp . provides a balanced and unbiased approach to cannabis news, interviews and education with a news/talk radio show, app, national marijuana news website and social media presence focusing on the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving—and profoundly controversial—medicinal and recreational marijuana industry.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Intercompany accounts and transactions have been eliminated.

The unaudited condensed consolidated financial statements of the Company and the accompanying notes included in this Quarterly Report on Form 10-Q are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. Such adjustments are of a normal, recurring nature. The Condensed Consolidated Financial Statements, and the accompanying notes, are prepared in accordance with GAAP and do not contain certain information included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016. The interim Condensed Consolidated Financial Statements should be read in conjunction with that Annual Report on Form 10-K. Results for the interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year.

Principles of Consolidation

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

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

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

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

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

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

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

Equity Method

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an Investee depends on an evaluation of several factors including, among others, representation on the Investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the Investee company. Under the equity method of accounting, an Investee company's accounts are not reflected within the Company's Consolidated Balance Sheets and Statements of Operations; however, the Company's share of the earnings or losses of the Investee company is reflected in the caption "Equity in losses of unconsolidated entity" in the Consolidated Statements of Operations. The Company's carrying value in an equity method Investee company is reflected in the caption "Investment in Digipath Corp." in the Company's Consolidated Balance Sheets. As of June 30, 2017, our share of losses from the investee company exceeded our basis, therefore the investment is not currently presented on the balance sheet.

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

Segment Reporting

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

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the instruments. In addition, the Company had debt instruments that required fair value measurement on a recurring basis.

Revenue Recognition

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

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles – Goodwill and Other (Topic 350)* . ASU 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company intends to early adopt the ASU in 2017.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* , which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for the Company in the first quarter of 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* . ASU 2016-20 amended guidance regarding accounting for *Revenue from Contracts with Customers* , which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. When effective, this standard will replace most existing revenue recognition guidance in GAAP. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in GAAP. This guidance is required to be adopted by us in the first quarter of fiscal 2019 by either recasting all years presented in our financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties that are under Common Control* . The amendments in this Update improve GAAP involving situations consisting of common control, wherein a single decision maker focuses on the economics to which it is exposed when determining whether it is the primary beneficiary of a variable interest entity ("VIE") before potentially evaluating which party is most closely associated with the VIE. ASU 2016-17 is effective for public entities for fiscal periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* , which reduces the complexity in the accounting standards by allowing the recognition of current and deferred income taxes for an intra-entity asset transfer, other than inventory, when the transfer occurs. Historically, recognition of the income tax consequence was not recognized until the asset was sold to an outside party. This amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued or made available for issuance. That is, earlier adoption should be in the first interim period if an entity issues interim financial statements. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

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

Note 2 – Going Concern

As shown in the accompanying condensed consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of ($11,189,868), and as of June 30, 2017, the Company's cash on hand may not be sufficient to sustain operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new customers to increase revenues. In addition, the Company is currently seeking additional sources of capital to fund short term operations. Management believes these factors will contribute toward achieving profitability. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The consolidated financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Related Party Transactions

Stock Based Compensation for Services

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

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

On January 1, 2016, we issued 500,000 shares of common stock to an entity owned by our CEO as compensation for board services rendered during the 2016 calendar year. The aggregate fair value of the common stock was $70,000 based on the closing price of the Company's common stock on the date of grant, and was expensed in ratably over the requisite service period, resulting in $17,500 of stock based compensation expense during the nine months ended June 30, 2017.

On June 21, 2016, we granted options to purchase 4,750,000 shares of common stock as compensation for services to our CEO. The options are exercisable over a ten year period at an exercise price of $0.20 per share, and 50% vest immediately, with 25% vesting each year thereafter. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 230% and a call option value of $0.1986, was $943,193. The options are being expensed over the vesting period, resulting in $176,850 of stock based compensation expense during the nine months ended June 30, 2017.

On June 21, 2016, we granted options to purchase 2,500,000 shares of common stock as compensation for services to our President and COO. The options are exercisable over a ten year period at an exercise price of $0.20 per share, and 50% vest immediately, with 25% vesting each year thereafter. The estimated value using the Black-Scholes Pricing Model, based on a volatility rate of 230% and a call option value of $0.1986, was $496,417. The options are being expensed over the vesting period, resulting in $93,078 of stock based compensation expense during the nine months ended June 30, 2017.

Note 4 – Fair Value of Financial Instruments

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

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

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

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

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

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

	Fair Value Measurements at June 30, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 113,963	$ -	$ -
Available-for-sale securities	6,640	-	-
Total assets	120,603	-	-
Liabilities			
Total liabilities	-	-	-
	$ 120,603	$ -	$ -

	Fair Value Measurements at September 30, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 135,390	$ -	$ -
Available-for-sale securities	9,200	-	-
Total assets	144,590	-	-
Liabilities			
Total liabilities	-	-	-
	$ 144,590	$ -	$ -

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

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

Note 5 – Accounts Receivable

Accounts receivable was $164,220 and $98,441 at June 30, 2017 and September 30, 2016, respectively, net of allowance for doubtful accounts of $23,150 and $-0- at June 30, 2017 and September 30, 2016, respectively.

Note 6 – Fixed Assets

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

	June 30, 2017	September 30, 2016
Software	$ 121,617	$ 121,617
Office equipment	36,080	36,080
Furniture and fixtures	10,344	2,357
Lab equipment	938,449	811,623
Leasehold improvements	489,147	487,066
	1,595,637	1,458,743
Less: accumulated depreciation	(505,917)	(318,995)
Total	$ 1,089,720	$ 1,139,748

On October 1, 2015, we disposed of fixed assets with a net book value of $3,122 pursuant to the deconsolidation of Digipath Corp. The fixed assets consisted of furniture and fixtures with a historical cost basis of $48,779 and software with a historical cost basis of $10,019, and accumulated depreciation of $48,779 and $6,897, respectively. No gain or loss was recognized on the disposals.

Depreciation and amortization expense totaled $186,922 and $183,392 for the nine months ended June 30, 2017 and 2016, respectively.

Note 7 – Available-for-Sale Securities

Available-for-sale securities consist of the following at June 30, 2017 and September 30, 2016:

	For the Nine Months Ended June 30, 2017			
	Amortized Cost	Gains in Accumulated Other Comprehensive Loss	Losses in Accumulated Other Comprehensive Loss	Estimated Fair Value
Common stock	$ 50,000	-	$ (43,360)	$ 6,640
Total available-for-sale securities	$ 50,000	-	$ (43,360)	$ 6,640

	For the Year Ended September 30, 2016			
	Amortized Cost	Gains in Accumulated Other Comprehensive Loss	Losses in Accumulated Other Comprehensive Loss	Estimated Fair Value
Common stock	$ 50,000	-	$ (40,800)	$ 9,200
Total available-for-sale securities	$ 50,000	-	$ (40,800)	$ 9,200

Common stock consisted of 400,000 shares of common stock of Blue Line Protection Group, Inc., a Nevada corporation, acquired in March of 2015 for $50,000.

Note 8 - Changes in Stockholders’ Equity

Convertible Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.001 per share, of which 6,000,000 have been designated as Series A Convertible Preferred Stock (“Series A Preferred”). The Board of Directors is authorized to determine any number of series into which shares of preferred stock may be divided and to determine the rights, preferences, privileges and restrictions granted to any series of the preferred stock. As of June 30, 2017, there were 2,147,942 shares of Series A Preferred issued and outstanding. Shares of Series A Preferred are convertible into common stock at a fixed conversion rate of $0.20 per share.

The conversion price is adjustable in the event of stock splits and other adjustments in the Company’s capitalization, and in the event of certain negative actions undertaken by the Company. At the current conversion price, the 2,147,942 shares of Series A Preferred outstanding at June 30, 2017 are convertible into 10,739,710 shares of the common stock of the Company. No holder is permitted to convert its shares of Series A Preferred if such conversion would cause the holder to beneficially own more than 4.99% of the issued and outstanding common stock of the Company immediately after such conversion, unless waived by such holder by providing at least sixty-five days’ notice.

Preferred Stock Conversions

During the nine months ended June 30, 2017, a total of 1,372,500 Series A Preferred shares were converted into 6,862,500 shares of common stock. The stock was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Common Stock

Common stock consists of $0.001 par value, 90,000,000 shares authorized, of which 32,040,450 shares were issued and outstanding as of June 30, 2017.

Common Stock Sales

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

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

Common Stock Issued for Services

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

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

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

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

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

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

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

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

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

A total of $224,293 of stock-based compensation expense was recognized from the amortization of common stock issued for services over the requisite service period during the nine months ended June 30, 2017.

Amortization of Stock Options

A total of $299,760 of stock-based compensation expense was recognized from the amortization of options over their vesting period during the nine months ended June 30, 2017.

Note 9 – Common Stock Options

Stock Incentive Plan

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

A total of 9,290,000 options were outstanding as of June 30, 2017. No options were granted or exercised during the nine months ended June 30, 2017. On January 1, 2017, options to purchase 1,530 shares of common stock at $3.30 per share expired.

Note 10 – Common Stock Warrants

A total of 5,074,088 warrants were outstanding as of June 30, 2017. No warrants were exercised or expired during the nine months ended June 30, 2017. Warrants to purchase a total of 166,667 shares of common stock at $0.26 per share over a 36 month period were issued on June 21, 2017 pursuant to a unit offering for the sale of 333,334 shares of common stock in exchange for proceeds of $50,000, and warrants to purchase a total of 714,285 shares of common stock at $0.26 per share over a 36 month period were issued on February 21, 2017 pursuant to a unit offering for the sale of 1,428,575 shares of common stock in exchange for proceeds of $250,000.

Note 11 – Other Income

Other income consists of rental income of $3,000 and $30,000 for the nine months ended June 30, 2017 and 2016, respectively, for office and storage space subleased, along with $250,000 received from GB Sciences, Inc. during the nine months ended June 30, 2017 pursuant to the settlement of a $300,000 license agreement with GB Sciences, Inc. In addition, we recognized $10,000 and $16,000 of other income for the nine months ended June 30, 2017 and 2016, respectively, related to restitution payments received from a former employee.

Note 12 - Income Tax

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

For the nine months ended June 30, 2017 and the year ended September 30, 2016, the Company incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At June 30, 2017, the Company had approximately $7,041,000 of federal net operating losses. The net operating loss carry forwards, if not utilized, will begin to expire in 2031.

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

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

Note 13 – Subsequent Events

Preferred Stock Conversions

On August 10, 2017, a shareholder converted 150,000 shares of Series A Preferred into 750,000 shares of common stock. The stock was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Common Stock Sales

On August 5, 2017, the Company sold 1,000,000 units, consisting of 1,000,000 shares of its common stock and 500,000 warrants, exercisable at $0.26 per share over a thirty six month period, in exchange for total proceeds of $150,000. The proceeds received were allocated between the common stock and warrants on a relative fair value basis.

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

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

The information contained in this Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended September 30, 2016 and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The following discussion and analysis also should be read together with our financial statements and the notes to the financial statements included elsewhere in this Form 10-Q.

The following discussion contains certain statements that may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Report, including, without limitation, "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements are not guarantees of future performance and involve risks, uncertainties and requirements that are difficult to predict or are beyond our control. Forward-looking statements speak only as of the date of this quarterly report. You should not put undue reliance on any forward-looking statements. We strongly encourage investors to carefully read the factors described in our Annual Report on Form 10-K for the year ended September 30, 2016 in the section entitled "Risk Factors" for a description of certain risks that could, among other things, cause actual results to differ from these forward-looking statements. We assume no responsibility to update the forward-looking statements contained in this quarterly report on Form 10-Q. The following should also be read in conjunction with the unaudited Financial Statements and notes thereto that appear elsewhere in this report.

Overview

Digipath, Inc. was incorporated in Nevada on October 5, 2010. Digipath, Inc. and its subsidiaries ("Digipath," the "Company," "we," "our" or "us") supports the cannabis industry's best practices for reliable testing, cannabis education and training, and brings unbiased cannabis news coverage to the cannabis industry. Our business units as of September 30, 2016 are described below.

- Digipath Labs, Inc . Digipath Labs' mission is to provide pharmaceutical-grade analysis and testing to the cannabis industry to ensure consumers and patients know exactly what is in the cannabis they ingest and to help maximize the quality of our clients' products through research, development, and standardization. In May of 2015, we opened our first testing lab in Nevada. We also have plans to open labs in other states that have legalized the sale of cannabis.

- The National Marijuana News Corp. provides a balanced and unbiased approach to cannabis news, interviews and education with a news/talk radio show, app, national marijuana news website and social media presence focusing on the political, economic, medicinal, scientific, and cultural dimensions of the rapidly evolving—and profoundly controversial—medicinal and recreational marijuana industry.

Results of Operations for the Three Months Ended June 30, 2017 and 2016:

The following table summarizes selected items from the statement of operations for the three months ended June 30, 2017 and 2016.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Increase / (Decrease)
Revenues	$ 389,315	$ 264,178	$ 125,137
Cost of sales	215,729	102,724	113,005
Gross profit	173,586	161,454	12,132
Operating expenses:			
General and administrative	300,924	302,383	(1,459)
Professional fees	279,843	1,004,225	(724,382)
Bad debts expense	6,896	(30,646)	37,542
Total operating expenses:	587,663	1,275,962	(688,299)
Operating loss	(414,077)	(1,114,508)	(700,431)
Total other income (expense)	5,500	18,500	(13,000)
Net loss	$ (408,577)	$ (1,096,008)	$ 687,431

Revenues

Revenues were primarily generated by our cannabis testing lab. Revenues for the three months ended June 30, 2017 were $389,315, compared to revenues of $264,178 during the three months ended June 30, 2016, an increase of $125,137, or 47%. The increase in revenue in the current period was due to the continued growth of our testing lab operations in Nevada as our customer base, consisting of production and cultivation facilities, increased their operations. Pricing competition from an increased number of licensed labs in the market slowed our growth rate slightly in our third fiscal quarter, but we anticipate competitive pricing pressure will erode going forward due to the effectiveness on July 1, 2017 of the Nevada law permitting the recreational use of marijuana.

Cost of Sales

Cost of sales for the three months ended June 30, 2017 were $215,729, compared to $102,724 during the three months ended June 30, 2016, an increase of $113,005, or 110%. Cost of sales consists primarily of labor, depreciation and maintenance on lab equipment, in addition to supplies consumed in our testing operations. The increased cost of sales in the current period was primarily due to the operational increases over the comparative period. Our gross margins declined slightly due to short term price competition resulting in gross margins of approximately 45% during the three months ended June 30, 2017, compared to gross margins of approximately 61% during the three months ended June 30, 2016. We expect gross margins to increase, along with revenues as we realize efficiencies and economies of scale and increase our pricing as demand increases with the legalization of recreational cannabis in Nevada.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2017 were $300,924, compared to $302,383 during the three months ended June 30, 2016, a decrease of $1,459, or less than 1%. The expenses consisted primarily of marketing, rent, salaries and wages, and travel expenses.

Professional Fees

Professional fees for the three months ended June 30, 2017 were $279,843, compared to $1,004,225 during the three months ended June 30, 2016, a decrease of $724,382, or 72%. Professional fees decreased primarily due to decreased stock-based compensation paid to consultants engaged to pursue our expansion efforts during the current period.

Bad Debts Expense

Bad debts expense for the three months ended June 30, 2017 was $6,896, compared to recoveries of $30,646 during the three months ended June 30, 2016, a net increase of $37,542, or 123%. Bad debts expense increased during the current period consisted of an increased allowance for doubtful accounts of $4,396 related to our trade receivables and another $2,500 of an increased allowance for doubtful accounts related to interest on our impaired note receivable owed by Digipath Corp., compared to a decreased allowance for doubtful accounts of $34,396 primarily related to the subsequent collections on past due rent receivables owed to us by our former sublet tenant for the three months ended June 30, 2016.

Operating Loss

Our operating loss for the three months ended June 30, 2017 was $414,077 compared to $1,114,508 during the three months ended June 30, 2016, a decrease of $700,431, or 63%. Our operating loss decreased primarily due to our increased revenues and decreased stock-based compensation, offset in part by increased bad debts related to changes in our allowance for doubtful accounts during the three months ended June 30, 2017, compared to the three months ended June 30, 2016.

Other Income (Expense)

Other income for the three months ended June 30, 2017 was $5,500, compared to other income of $18,500 during the three months ended June 30, 2016, a net decrease of $13,000. Other income consisted of $1,500 of rental income from subleased storage space, $1,500 related to restitution payments received from a former employee and $2,500 of interest income on a note receivable for the three months ended June 30, 2017. Other income during the three months ended June 30, 2016 consisted of $16,000 of restitution payments from a former employee and $2,500 of interest income on a note receivable.

Net Loss

Net loss for the three months ended June 30, 2017 was $408,577, compared to $1,096,008 during the three months ended June 30, 2016, a decrease of $687,431, or 63%.

Results of Operations for the Nine Months Ended June 30, 2017 and 2016:

The following table summarizes selected items from the statement of operations for the nine months ended June 30, 2017 and 2016. The operations of our deconsolidated subsidiary, Digipath Corp. have been removed and summarized in a single line item as, "Equity in losses of unconsolidated entity" within "Other income (expense)".

	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016	Increase / (Decrease)
Revenues	$ 1,296,115	$ 507,430	$ 788,685
Cost of sales	640,871	258,083	382,788
Gross profit	655,244	249,347	405,897
Operating expenses:			
General and administrative	907,994	910,076	(2,082)
Professional fees	745,437	1,414,913	(669,476)
Bad debts expense	30,650	272,375	(241,725)
Total operating expenses:	1,684,081	2,597,364	(913,283)
Operating loss	(1,028,837)	(2,348,017)	(1,319,180)
Total other income (expense)	270,500	(927,049)	1,197,549
Net loss	$ (758,337)	$ (3,275,066)	$ (2,516,729)

Revenues

Revenues were generated primarily by our cannabis testing lab. Revenues for the nine months ended June 30, 2017 were $1,296,115, compared to revenues of $507,430 during the nine months ended June 30, 2016, an increase of $788,685, or 155%. The revenue in the current period was due to the continued growth of our testing lab operations in Nevada as our customer base, consisting of production and cultivation facilities, increased their operations. We anticipate steadily increasing lab testing revenues during the remainder of the fiscal year ending September 30, 2017 and well into 2018 as Nevada laws permitting the recreational use of marijuana became effective on July 1, 2017.

Cost of Sales

Cost of sales for the nine months ended June 30, 2017 were $640,871, compared to $258,083 during the nine months ended June 30, 2016, an increase of $382,788, or 148%. Cost of sales consists primarily of labor, depreciation and maintenance on lab equipment, in addition to supplies consumed in our testing operations. The increased cost of sales in the current period was primarily due to the operational increases over the comparative period, resulting in improved gross margins of approximately 51% during the nine months ended June 30, 2017, compared to gross margins of approximately 49% during the nine months ended June 30, 2016.

General and Administrative Expenses

General and administrative expenses for the nine months ended June 30, 2017 were $907,994, compared to $910,076 during the nine months ended June 30, 2016, a decrease of $2,082. The expenses consisted primarily of marketing, rent, salaries and wages, and travel expenses.

Professional Fees

Professional fees for the nine months ended June 30, 2017 were $745,437, compared to $1,414,913 during the nine months ended June 30, 2016, a decrease of $669,476, or 47%. Professional fees decreased primarily due to $583,157 of decreased stock-based compensation paid to management and consultants engaged to pursue our expansion efforts.

Bad Debts Expense

Bad debts expense for the nine months ended June 30, 2017 was $30,650, compared to $272,375 during the nine months ended June 30, 2016, a decrease of $241,725, or 89%. Bad debts expense during the current period consisted of an increased allowance for doubtful accounts of $23,150 related to our trade receivables and another $7,500 of an increased allowance for doubtful accounts related to interest on our impaired note receivable owed by Digipath Corp., compared to an increased allowance for doubtful accounts of $1,750 related to our trade receivables and another allowance of $270,625 related to a note receivable and corresponding interest on debt owed by DigiPath Corp. for which DigiPath Corp. does not currently have the ability to repay for the nine months ended June 30, 2016.

Operating Loss

Our operating loss for the nine months ended June 30, 2017 was $1,028,837, compared to $2,348,017 during the nine months ended June 30, 2016, a decrease of $1,319,180, or 56%. Our operating loss decreased primarily due to our increased revenues, decreased stock-based compensation, and reductions in our allowance for doubtful accounts during the nine months ended June 30, 2017, compared to the nine months ended June 30, 2016.

Other Income (Expense)

Other income for the nine months ended June 30, 2017 was $270,500, compared to other expenses on a net basis of $927,049 during the nine months ended June 30, 2016, a net increase of $1,197,549. Other income consisted of rental income of $3,000 and $30,000 for the nine months ended June 30, 2017 and 2016, respectively, from subleased office and storage space, along with $250,000 received during the nine months ended June 30, 2017 pursuant to the settlement of a $300,000 license agreement with GB Sciences, Inc. In addition, we recognized $10,000 and $16,000 of other income related to restitution payments received from a former employee and $7,500 of interest income from debt owed to us by Digipath Corp. for both the nine months ended June 30, 2017 and 2016. Other expenses during the nine months ended June 30, 2016 also consisted of equity in losses of unconsolidated entity of $992,682, which consisted of a loss on the impairment of our investment in DigiPath Corp. of $893,325 and $99,357 from our interest in the current period losses of the unconsolidated entity, as diminished by a gain on early extinguishment of debt of $12,133 owed to DigiPath Corp.

Net Loss

Net loss for the nine months ended June 30, 2017 was $758,337, compared to $3,275,066 during the nine months ended June 30, 2016, a decrease of $2,516,729, or 77%. Our net loss decreased primarily due to our increased revenues and from the avoidance of loss from our unconsolidated subsidiary, Digipath Corp., in addition to reductions in stock-based compensation.

Liquidity and Capital Resources

The following is a summary of the Company’s cash flows provided by (used in) operating, investing, and financing activities for the nine month periods ended June 30, 2017 and 2016:

		2017		2016
Operating Activities	$	(184,533)	$	(798,529)
Investing Activities		(136,894)		(69,068)
Financing Activities		300,000		460,000
Net Decrease in Cash	$	(21,427)	$	(407,597)

Net Cash Used in Operating Activities

During the nine months ended June 30, 2017, net cash used in operating activities was $184,533, compared to net cash used in operating activities of $798,529 for the same period ended June 30, 2016. The decrease in cash used in operating activities is primarily attributable to our 155% increase in revenues and our 35% decrease in operating expenses from cost savings we implemented as we continued to develop our cannabis testing lab operations .

Net Cash Used in Investing Activities

During the nine months ended June 30, 2017, net cash used in investing activities was $136,894, compared to $69,068 for the same period ended June 30, 2016. The increase is attributable to greater investments made for cannabis testing equipment in the current period than was necessary in the previous period, as well as $57,876 of cash held and retained by our subsidiary, Digipath Corp., at the time of divestiture in the comparative period.

Net Cash Provided by Financing Activities

During the nine months ended June 30, 2017, net cash provided by financing activities was $300,000, compared to $460,000 for the same period ended June 30, 2016.

Ability to Continue as a Going Concern

As of June 30, 2017, our balance of cash on hand was $113,963. We currently may not have sufficient funds to sustain our operations for the next twelve months and we may need to raise additional cash to fund our operations and expand our lab testing business. As we continue to develop our lab testing business and attempt to expand operational activities, we expect to continue to experience net negative cash flows from operations in amounts not now determinable, and will be required to obtain additional financing to fund operations through common stock offerings to the extent necessary to provide working capital. We have and expect to continue to have substantial capital expenditure and working capital needs.

The Company has incurred recurring losses from operations resulting in an accumulated deficit, and, as set forth above, the Company's cash on hand is not sufficient to sustain operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is actively pursuing new customers to increase revenues. In addition, the Company is currently seeking additional sources of capital to fund short term operations. In the event sales do not materialize at the expected rates, management would seek additional financing or would attempt to conserve cash by further reducing expenses. There can be no assurance that we will be successful in achieving these objectives, becoming profitable or continuing our business without either a temporary interruption or a permanent cessation . In addition, additional financing may result in substantial dilution to existing stockholders.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. The unaudited consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make assumptions, estimates and judgments that affect the amounts reported, including the notes thereto, and related disclosures of commitments and contingencies, if any. We have identified certain accounting policies that are significant to the preparation of our financial statements. These accounting policies are important for an understanding of our financial condition and results of operations. Critical accounting policies are those that are most important to the presentation of our financial condition and results of operations and require management's subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments.

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

Equity Method

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an Investee depends on an evaluation of several factors including, among others, representation on the Investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the Investee company. Under the equity method of accounting, an Investee company's accounts are not reflected within the Company's Consolidated Balance Sheets and Statements of Operations; however, the Company's share of the earnings or losses of the Investee company is reflected in the caption "Equity in losses of unconsolidated entity" in the Consolidated Statements of Operations. The Company's carrying value in an equity method Investee company is reflected in the caption "Investment in Digipath Corp." in the Company's Consolidated Balance Sheets. As of June 30, 2017, our share of losses from the investee company exceeded our basis, therefore the investment is not currently presented on the balance sheet.

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

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with the provisions of ASC 718 Stock Compensation (ASC 718) and Equity-Based Payments to Non-employees pursuant to ASC 505-50 (ASC 505-50). All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instruments is reached because of sufficiently large disincentives for nonperformance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or in other factors that occurred during the period of our evaluation or subsequent to the date we carried out our evaluation which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system of controls and procedures will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any legal or administrative proceedings that we believe, individually or in the aggregate, would be likely to have a material adverse effect on our financial condition or results of operations.

ITEM 1A. RISK FACTORS.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide the information required by this Item.

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

The following issuances of equity securities by the Company were exempt from the registration requirements of the Securities Act of 1933 pursuant to Section 4(a)(2) of the Securities Act of 1933 during the three month period ended June 30, 2017:

On May 2, 2017, we issued 100,000 shares of common stock, restricted in accordance with Rule 144, to Dr. John Abroon in connection with his appointment to our newly created Advisory Board.

On May 2, 2017, we issued 140,000 shares of common stock, restricted in accordance with Rule 144, to a consultant in consideration of services rendered from April 1, 2017 through May 31, 2017.

On June 21, 2017, we sold 333,334 units, consisting of 333,334 shares of common stock and 166,667 warrants, exercisable at $0.26 per share over a thirty six month period, in exchange for total proceeds of $50,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS .

Exhibit	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Form 10 filed with the Securities and Exchange Commission by Digipath, Inc. on July 15, 2011)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 of the Form 10 filed with the Securities and Exchange Commission by Digipath, Inc. on July 15, 2011)
3.3	Certificate of Amendment to Articles of Incorporation dated April 4, 2014 (incorporated by reference to Exhibit 3.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on April 10, 2014)
3.4	Certificate of Designations, Preferences, Limitations, Restrictions and Relative Rights of Series A Convertible Preferred Stock dated April 9, 2014 (incorporated by reference to Exhibit 3.2 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on April 10, 2014)
3.5	Certificate of Amendment to Articles of Incorporation dated May 22, 2015 (incorporated by reference to Exhibit 3.1 of the Report on Form 8-K filed with the Securities and Exchange Commission by Digipath, Inc. on May 26, 2015)
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

* Filed herewith.

SIGNATURES

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

Date: August 14, 2017

DIGIPATH, INC.

By:	*/s/ Joseph J. Bianco*
Name:	Joseph J. Bianco
Title:	Chief Executive Officer and Director

By:	*/s/ Todd Peterson*
Name:	Todd Peterson
Title:	Chief Financial Officer and Secretary

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph J. Bianco, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2017 of Digipath, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 14, 2017

/s/ Joseph J. Bianco

Joseph J. Bianco, Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2017 of Digipath, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2017

/s/ Todd Peterson

Todd Peterson, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Digipath, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2017 (the “Report”) I, Joseph J. Bianco, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(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.

Dated: August 14, 2017

/s/ Joseph J. Bianco

Joseph J. Bianco, Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

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

In connection with the Quarterly Report of Digipath, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2017 (the "Report") I, Todd Peterson, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

(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.

Dated: August 14, 2017

/s/ Todd Peterson

Todd Peterson, Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.