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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 29, 2016

[ ] **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: 000-55418

KUSH BOTTLES, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada	**46-5268202**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1800 Newport Circle, Santa Ana, CA 92705
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: **(714) 243-4311**

N/A
Former name, former address, and former fiscal year, if changed since last report

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

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

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

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

Indicate by check mark whether 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: 47,229,412 shares outstanding as of April 12, 2016.

KUSH BOTTLES, INC.

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KUSH BOTTLES, INC
Condensed Consolidated Balance Sheets
(Unaudited)

	February 29, 2016	August 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 407,930	$ 201,259
Accounts receivable, net of allowance	235,938	146,392
Prepaids	468,130	153,389
Inventory	984,920	662,368
Total Current Assets	2,096,918	1,163,408
Goodwill	2,376,589	2,376,589
Property and equipment, net	234,846	205,281
TOTAL ASSETS	4,708,353	3,745,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 282,536	$ 377,199
Accrued expenses and other current liabilities	483,151	391,334
Line of credit	240,000	85,000
Notes payable - related parties	25,002	75,000
Notes payable - current portion	19,488	27,394
Total Current Liabilities	1,050,177	955,927
LONG-TERM DEBT		
Notes payable	50,144	54,585
TOTAL LIABILITIES	1,100,321	1,010,512
COMMITMENTS and CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.001 par value, 265,000,000 shares authorized, 47,206,062 and 46,132,779 shares issued and outstanding, respectively	47,207	46,133
Additional paid-in capital	4,284,580	3,437,070
Accumulated deficit	(723,755)	(748,447)
Total Stockholders' Equity	3,608,032	2,734,756
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,708,353	$ 3,745,268

See accompanying notes to the unaudited condensed consolidated financial statements

KUSH BOTTLES, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended February 29, 2016	For the Three Months Ended February 29, 2015	For the Six Months Ended February 29, 2016	For the Six Months Ended February 29, 2015
REVENUE	$ 1,798,539	$ 659,293	$ 3,519,029	$ 1,279,618
COST OF GOODS SOLD	1,200,690	402,190	2,351,189	805,523
GROSS MARGIN	597,849	257,103	1,167,840	474,095
OPERATING EXPENSES				
Depreciation	6,057	4,503	11,948	7,782
Stock compensation expense	12,908	-	12,908	-
Selling, general and administrative	560,344	340,102	1,105,977	641,081
Total Operating Expenses	579,309	344,605	1,130,833	648,863
INCOME (LOSS) FROM OPERATIONS	18,540	(87,502)	37,007	(174,768)
OTHER INCOME (EXPENSES)				
Other income	-	11,250	-	12,986
Interest expense	(9,922)	(910)	(12,315)	(2,773)
Total Other Income (Expenses)	(9,922)	10,340	(12,315)	10,213
INCOME (LOSS) BEFORE INCOME TAXES	8,618	(77,162)	24,692	(164,555)
PROVISION FOR INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	$ 8,618	$ (77,162)	$ 24,692	$ (164,555)
BASIC INCOME (LOSS) PER SHARE	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
DILUTED INCOME (LOSS) PER SHARE	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	46,438,907	40,855,965	46,351,843	41,004,577
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	47,412,506	40,855,965	47,325,442	41,004,577

See accompanying notes to the unaudited condensed consolidated financial statements

KUSH BOTTLES, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended February 29, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	24,692	(164,555)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	40,832	7,782
Stock compensation expense	17,377	-
Changes in operating assets and liabilities		
Accounts receivable	(89,546)	2,018
Prepaids	(314,741)	37,152
Inventory	(322,552)	(109,124)
Accounts payable	(94,663)	(8,720)
Accrued expenses and other current liabilities	187,014	10,800
Net cash used in operating activities	(551,587)	(224,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(70,407)	(34,001)
Net cash used in investing activities	(70,407)	(34,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of related party loan	(49,998)	(50,000)
Drawdown on line of credit	155,000	-
Proceeds from notes payable	-	15,026
Repayment of notes payable	(12,347)	(3,190)
Proceeds from sale of stock	736,010	485,000
Net cash provided by financing activities	828,665	446,836
NET INCREASE IN CASH	206,671	188,188
CASH AT BEGINNING OF PERIOD	201,259	23,004
CASH AT END OF PERIOD	407,930	211,192
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	12,315	2,773
Income taxes	-	-

See accompanying notes to the condensed consolidated financial statements

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Kush Bottles, Inc. ("the Company") was incorporated in the state of Nevada on February 26, 2014. The Company specializes in the wholesale distribution of packaging supplies for the cannabis industry. The Company's wholly owned subsidiary Kim International Corporation (KIM), a California corporation, was originally incorporated as Hy Gro Economics Corporation ("Hy Gro") on December 2, 2010. On October 30, 2012, Hy Gro amended its articles of incorporation to reflect a name change to KIM International Corporation (KIM).

Recapitalization

On March 4, 2014, the shareholders of KIM exchanged all 10,000 of their common shares for 32,400,000 common shares of Kush Bottles, Inc. The operations of KIM became the operations of Kush after the share exchange and accordingly the transaction is accounted for as a recapitalization of KIM whereby the historical financial statements of KIM are presented as the historical financial statements of the combined entity.

Subsequent to the share exchange, the members of KIM owned 32,400,000 of shares of Company's common stock, effectively obtaining operational and management control of Kush. Kush had no operations prior to the share exchange. As a result of the recapitalization, KIM was the acquiring entity in accordance with ASC 805, Business Combinations. The accumulated losses of KIM were carried forward after the completion of the share exchange. Operations prior to the share exchange were those of KIM.

All reference to common stock shares and per share amounts have been restated to effect the recapitalization which occurred on March 4, 2014.

Acquisition of Dank Bottles, LLC

On April 10, 2015, the Company entered into an equity purchase agreement to acquire all of the issued and outstanding membership interests in Dank Bottles, LLC ("Dank"), a Colorado limited liability company, effectively making Dank a wholly owned subsidiary of the Company. In exchange for the purchased interests, the Company paid cash consideration of $373,725 and issued 3,500,000 shares of common stock to the sellers of Dank. Of the $373,725 of cash consideration, $273,725 was paid on April 10, 2015 and the remaining $100,000 is to be paid in 10 monthly installments beginning on July 31, 2015 and ending April 30, 2016. As of February 29, 2016, the balanced owed to these sellers is $25,002 and is included in current liabilies on the consolidated balance sheet.

The following table summarizes the total consideration paid by each major class of consideration, including non-cash consideration paid:

Consideration paid:	
Cash	$ 273,725
Note payable, short-term	100,000
3,500,000 Common shares of Kush Bottles, Inc.	2,169,650
Total consideration	$ 2,543,375

There was no public market for the Company's common stock and, as such, we evaluated the best evidence to estimate the common stock's fair value. The common stock was valued using the market approach. The market approach bases the valuation measurement on what other similar enterprises or comparable transactions indicate the value to be. From the period of inception to April 10, 2015, the Company had sold 1,471,112 shares of its common stock to accredited investors for cash of $912,000, at a weighted average offering price of $0.6199 per share. Accordingly, the Company had valued the price of the common stock issued in conjunction with these transactions at $0.6199 per share. The Company considered these transactions preceding the acquisition the best evidence of fair value for the common stock. In the absence of an active market trading its securities, management will continue to monitor transactions in the Company's common stock to ascertain its value under the market approach.

The following table summarizes the purchase price allocation, and the estimated fair values of the net assets acquired, liabilities assumed, identifiable intangible assets, and goodwill that resulted from the acquisition of Dank as of April 10, 2015:

Cash and cash equivalents	$ 73,505
Accounts receivable, net	71,667
Inventory	300,901
Prepaid expenses	9,848
Property and equipment, net	76,767
	532,688
Accounts payable	230,600
Customer deposits	72,585
Payroll liabilities	9,889
Notes payable, short-term	52,828
	365,902
Goodwill	2,376,589
Total consideration	$ 2,543,375

The acquisition was accounted for using the purchase method of accounting in accordance with ASC 805, Business Combinations. As of April 10, 2015, the assets acquired, including the identifiable intangible assets, and liabilities assumed from Dank were recorded at their respective fair values. Any excess of the purchase price for the acquisition over the net fair value of Dank identified tangible and intangible assets acquired and liabilities assumed were recorded as goodwill. The fair value measurements utilize estimates based on key assumptions of the Acquisition, and historical and current market data.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and related notes include the activity of the Company and its wholly owned subsidiaries KIM and Dank have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. The following (a) balance sheets as of February 29, 2016 (unaudited) and August 31, 2015, which have been derived from audited financial statements, and (b) the unaudited interim statements of operations and cash flows of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. GAAP for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended February 29, 2016 are not necessarily indicative of results that may be expected for the year ending August 31, 2016. These unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended August 31, 2015 included in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on November 30, 2015. There have been no significant changes to such accounting policies during the six months ended February 29, 2016.

Going Concern Matters

The accompanying condensed consolidated financial statements were prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has net income of $24,692 for the six months ended February 29, 2016, however, the Company had incurred a net loss for the fiscal year ended August 31, 2015 and 2014, and has an accumulated deficit of $723,755 as of February 29, 2016. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operations or continue to generate sufficient revenue to meet its operating needs. If the Company is unable to obtain adequate capital or generate sufficient revenues, it could be forced to curtail or delay development of operations.

In order to continue as a going concern, the Company needs to achieve a sustained profitable level of operations or the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through increased sales of product and by sale of restricted common shares. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish its revenue targets for profitability or eventually secure other sources of financing and attain profitable operations. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Use of Estimates

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

Accounts Receivable

Trade accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis, thus trade receivables do not bear interest. Trade accounts receivables are periodically evaluated for collectability based on past credit history and their current financial condition. The Company's allowance for doubtful accounts was $4,860 and $5,080 as of February 29, 2016 and August 31, 2015, respectively.

Inventory

Inventories are stated at the lower of cost or net realizable value using the first-in first out (FIFO) method. The Company's inventory consists of finished goods of $984,920 and $662,368 as of February 29, 2016 and August 31, 2015, respectively.

Earnings (Loss) Per Share

The Company computes net loss per share under Accounting Standards Codification subtopic 260-10, "Earnings per Share" ("ASC 260-10"). Basic net income (loss) per common share is computed by dividing net loss by the weighted average number of shares of common stock. Diluted net loss per share is computed using the weighted average number of common and common stock equivalent shares outstanding during the period.

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potentially dilutive securities outstanding during the period. Stock options are the only potentially dilutive securities; and the number of dilutive options is computed using the treasury stock method.

The following table sets forth the calculation of basic and diluted earnings per share:

	Three months ended		Six months ended	
	February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
Net income (loss)	$ 8,618	$ (77,162)	$ 24,692	$ (164,555)
Weighted average common shares outstanding for basic EPS	46,438,907	40,855,965	46,351,843	41,004,577
Net effect of dilutive options	973,599	-	973,599	-
Weighted average common shares outstanding for diluted EPS	47,412,506	40,855,965	47,325,442	41,004,577
Basic earnings (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Diluted earnings (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)

Potentially dilutive securities, which were not included in the computation of diluted earnings per share because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 973,599 and 0 for the three and six months ended February 29, 2016 and 2015, respectively.

Comprehensive Income (loss)

Comprehensive income (loss) is the change in the Company's equity (net assets) during each period from transactions and other events and circumstances from non-owner sources. During the six months ended February 29, 2016 and 2015, the Company had no elements of comprehensive income or loss.

Share-based Compensation

The Company account for its stock based award in accordance with Accounting Standards Codification subtopic 718-10, "Compensation", which requires fair value measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted stock awards. The Company estimates the fair value of stock using the stock price on the date of the approval of the award. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period and the related amount is recognized in the condensed consolidated statements of operations.

Fair Value of Financial Instruments

The Company adopted ASC 820 which 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 (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 this standard certain assets and liabilities must be measured at fair value, and disclosures are required for items measured at fair value.

The Company currently does not have non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis. 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. The fair value of the Company's cash is based on quoted prices and therefore classified as Level 1.

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 management's assumptions about the assumptions that market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodology used to measure fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Advances from Related Party. The Company assessed that the fair value of this liability approximates its carrying value due to its short-term nature.

Note Payable – Vehicle Loan. The Company assesses the fair value of this liability to approximate its carrying value based on the effective yields of similar obligations.

Line-of-Credit Payable. The Company assessed that the fair value of this liability approximates its carrying value due to its short-term nature.

The Company had no financial assets or liabilities that are measured at fair value on a recurring basis as of February 29, 2016 and August 31, 2015.

Segment Information

The Company is organized as a single operating segment, whereby its chief operating decision maker assesses the performance of and allocates resources to the business as a whole.

Reclassification

Certain reclassifications have been made in financial statements to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

Recently Issued Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-16, Business Combinations (Topic 805), "Simplifying the Accounting for Measurement Period Adjustments" (ASU 2015-16). This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of charges in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company believes based on recent acquisitions that the impact that the adoption of ASU 2015-16 is likely immaterial. ASU 2015-16 will be effective for the Company in fiscal 2017.

In August 2015, the FASB issued ASU No. 2015-15, "Interest—Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting" (ASU 2015-15). Specifically, the ASU states that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the underlying line of credit (LOC) arrangement, regardless of whether there are outstanding borrowings under that LOC arrangement. Presentation of fees under LOC arrangements had not been specified in earlier guidance issued by the FASB in April, 2015, ASU 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" (ASU 2015-03), which changed the presentation of debt issuance costs in financial statements. Under the guidance in ASU 2015-03, debt issuance costs (other than those in LOC arrangements) are presented in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-15 is effective upon adoption of ASU 2015-03. Early adoption of ASU 2015-03 is allowed for financial statements that have not previously been issued. The guidance is to be applied retrospectively to all prior periods. ASUs 2015-03 and 2015-15 will be effective for the Company beginning in fiscal 2017. The Company is currently evaluating the impact that the combined adoption of ASUs 2015-03 and 2015-15 may have on the Company's Consolidated Financial Statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") 2014-15, Presentation of Financial Statements —Going Concern (Subtopic 205-40). The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is evaluating the effect that this guidance will have on its financial statements and footnote disclosures.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11—Simplifying the Measurement of Inventory. The ASU was issued as part of the FASB's simplification initiative and under the ASU; inventory is measured at the lower of cost and net realizable value, which would eliminate the other two options that currently exist for the market: (1) replacement cost and (2) net realizable value less an approximately normal profit margin. This ASU is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company is assessing the impact of the adoption of the ASU on its financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, " *Revenue from Contracts with Customers (Topic 606)*" ("ASU 2014-09"). ASU 2014-09 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. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In July 2015, the FASB issued guidance to defer the effective date for one year. For public entities, the standard will be effective for annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods), which means it will be effective for our fiscal year beginning October 1, 2018. Early adoption is permitted to the original effective date of December 15, 2016 (including interim reporting periods within those periods). We have not yet selected a transition method and we are currently evaluating the impact that the updated standard will have on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance" ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. Under ASU 2015-03, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015, which means it will be effective for our fiscal year beginning October 1, 2016. Early adoption is permitted. We do not believe that adoption of ASU 2015-03 will have a significant impact on our consolidated financial statements.

Other Accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 2 – CONCENTRATIONS OF RISK

Supplier Concentrations

The Company purchases inventory from various suppliers and manufacturers. For the six months ended February 29, 2016 and 2015, three vendors accounted for approximately 50% and 72%, respectively, of total inventory purchases.

Customer Concentrations

For the six months ended February 28, 2015, Dank represented 28% of the Company's revenues. On April 10, 2015, the Company acquired Dank. During the six months ended February 29, 2016, one customer represented 11% of the Company's revenues.

NOTE 3 – RELATED-PARTY TRANSACTIONS

As a result of the Dank acquisition on April 10, 2015, the Company owed $100,000 to the sellers of Dank. The balance on this loan was $25,002 and 75,000 as of February 29, 2016 and August 31, 2015, respectively.

The Company leases its California and Colorado facilities from related parties. During the six months ended February 29, 2016 and 2015, the Company made rent payments of $84,600 and $47,000, respectively, to these related parties.

NOTE 4 – PROPERTY AND EQUIPMENT

The major classes of fixed assets consist of the following as of February 29, 2016 and August 31, 2015:

	February 29, 2016	August 31, 2015
Office Equipment	$ 46,968	$ 28,955
Machinery and equipment	110,808	68,173
Leasehold improvements	46,371	32,780
Vehicles	117,292	140,609
	321,439	270,517
Accumulated Depreciation	(86,593)	(65,246)
	$ 234,846	$ 205,271

Depreciation expense was $40,832 and $7,782, for the six months ended February 29, 2016 and 2015, respectively.

NOTE 5 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	February 29, 2016	August 31, 2015
Customer deposits	$ 281,234	$ 177,493
Accrued compensation	61,241	144,428
Credit card liabilities	123,705	56,748
Sales tax payable	16,971	12,665
	$ 483,151	$ 391,334

NOTE 6 – STOCKHOLDERS' EQUITY

Preferred Stock

The authorized preferred stock is 10,000,000 shares with a par value of $0.001. As of February 29, 2016 and August 31, 2015, the Company has no shares of preferred stock issued or outstanding.

Common Stock

The authorized common stock is 265,000,000 shares with a par value of $0.001. As of February 29, 2016 and August 31, 2015, 47,206,062 and 46,132,779 shares were issued and outstanding, respectively.

During the six months ended February 29, 2016, the Company sold 903,033 restricted shares of its common stock to accredited investors in exchange for cash of $736,010. The Company also issued 170,250 shares of its common stock in exchange for $112,574 of services rendered, of which $95,197 was included in accrued expenses as of August 31, 2015.

Stock Options

The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of our stock price over the expected option term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award.

The Company did not award any stock options during the six months ended February 29, 2016. A summary of the Company's stock option activity during the period ended February 29, 2016 and August 31, 2015 is presented below:

	No. of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, August 31, 2015	1,000,000	$ 0.05	3.46 years	$ 595,000
Granted	-	-	-	-
Exercised	-	-	-	-
Balance Outstanding, February 29, 2016	1,000,000	$ 0.05	3.04 years	$1,260,000
Exercisable, February 29, 2016	1,000,000	$ 0.05	3.04 years	$1,260,000

As of February 29, 2016, there was no unrecognized compensation cost related to non-vested share-based.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease

The Company's corporate head-quarters and primary distribution center is located in Santa Ana, California. The Company also has a facility located in Auburn, Washington. Each facility is leased. The California facility lease expires on August 1, 2017 and requires monthly payments of $9,000 in fiscal 16 and $10,000 in fiscal 17 for a total of $174,000 in lease commitments through the end of term. The Washington facility lease has a term of 6 months and provides for monthly payments of $1,739, and expires on December 31, 2015. Beginning January 2016, the Company elected to lease the Washington facility on a month to month basis for $2,074 per month. Effective April 10, 2015, the Company assumed the facility lease in Denver, Colorado, which is the headquarters of operations for its wholly-owned subsidiary, Dank. The lease runs through March 31, 2020 and requires escalating monthly payments, ranging between $4,800 and $5,800, for a total of $273,900 in future lease commitments through the end of the term. During the six months ended February 29, 2016 and 2015, the Company recognized $101,203 and $58,278 respectively, of rental expense, related to its office, retail and warehouse space.

Litigation

The Company may be subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity. The Company had no pending legal proceedings or claims as of February 29, 2016 and August 31, 2015.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent issuance of Common Stock

Subsequent to February 29, 2016 and through the date of this filing, the Company sold 23,350 restricted shares of its common stock to accredited investors in exchange for cash consideration of $20,013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management and information currently available to management. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely" or similar expressions, indicates a forward-looking statement.

The identification in this report of factors that may affect our future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Factors that could cause our actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to:

- Trends affecting the Company's financial condition, results of operations or future prospects;
- The Company's business and growth strategies;
- The Company's financing plans and forecasts;
- The factors that we expect to contribute to our success and the Company's ability to be successful in the future;
- The Company's business model and strategy for realizing positive results as sales increase;
- Competition, including the Company's ability to respond to such competition and its expectations regarding continued competition in the market in which the Company competes;
- Expenses;
- The Company's ability to meet its projected operating expenditures and the costs associated with development of new projects;
- The Company's ability to pay dividends or to pay any specific rate of dividends, if declared;
- The impact of new accounting pronouncements on its financial statements;
- That the Company's cash flows from operating activities will be sufficient to meet its projected operating expenditures for the next twelve months;
- The Company's market risk exposure and efforts to minimize risk;
- Development opportunities and its ability to successfully take advantage of such opportunities;
- Regulations, including anticipated taxes, tax credits or tax refunds expected;
- The outcome of various tax audits and assessments, including appeals thereof, timing of resolution of such audits, the Company's estimates as to the amount of taxes that will ultimately be owed and the impact of these audits on the Company's financial statements;
- The Company's overall outlook including all statements under *Management's Discussion and Analysis or Plan of Operation;*
- That estimates and assumptions made in the preparation of financial statements in conformity with US GAAP may differ from actual results; and
- Expectations, plans, beliefs, hopes or intentions regarding the future.

The following discussion and analysis was prepared to supplement information contained in the accompanying consolidated financial statements and is intended to provide certain details regarding the Company's financial condition as of February 29, 2016, and the results of operations for the three and six months ended February 29, 2016. It should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this report as well as the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal years ended August 31, 2015 and August 31, 2014.

Overview

Kush Bottles, Inc. ("Kush" or the "Company") provides customizable packaging products, materials and supplies for the cannabis industry. Representative examples of our products include pop-top bottles, exit/barrier bags, tubes, and other small-sized containers. We sell our solutions predominantly to businesses operating in jurisdictions that have some form of cannabis decriminalization. These businesses include medical and recreational dispensaries, large and small scale processors, and packaging re-distributors. We also sell direct to consumers primarily via our online store.

The Company was incorporated in the state of Nevada on February 26, 2014. The Company specializes in the wholesale distribution of packaging supplies for the cannabis industry. The Company's wholly owned subsidiary Kim International Corporation (KIM), a California corporation**,** was originally incorporated as Hy Gro Economics Corporation ("Hy Gro") on December 2, 2010. On October 30, 2012, Hy Gro amended its articles of incorporation to reflect a name change to KIM International Corporation (KIM).

On April 10, 2015, the Company entered into an equity purchase agreement to acquire all of the issued and outstanding membership interests in Dank Bottles, LLC ("Dank"), a Colorado limited liability company. In exchange for the purchased interests, the Company paid cash consideration of $373,725 and issued 3,500,000 shares of common stock to the sellers of Dank. Of the $373,725 of cash consideration, $273,725 was paid on April 10, 2015 and the remaining $100,000 is to be paid in 10 monthly installments beginning on July 31, 2015 and ending April 30, 2016. Effective April 10, 2015, Dank is now a wholly-owned subsidiary of Kush.

Results of Operations – Comparison for the three month periods ended February 29, 2016 and 2015

Total revenues increased from $659,293 during the three month period ended February 28, 2015 to $1,798,539 during the three month period ended February 29, 2016, which represents an increase of $1,139,246 or 173%. This increase is primarily due to continued sales growth in California, Oregon, Washington, and Colorado. Sales growth was not significantly impacted by inflation or changes in pricing. Cost of goods sold increased from $402,190 during the three month period ended February 28, 2015 to $1,200,690 during the three month period ended February 29, 2016, an increase of $798,500. The two primary components of cost of goods sold include direct purchases and freight. Gross profits for the three month period ended February 29, 2016 amounted to $597,849 for a 33% gross margin. Gross profits for the three month period ended February 28, 2015 amounted to $257,103 for a 39% gross margin. Gross Profits increased by $340,746 or 133% during the three month period ended February 29, 2016 compared to the three month period ended February 28, 2015. The primary source of the increase in sales, cost of goods sold, and gross profits is due to growth in customer base in the states of California, Oregon, Washington, and Colorado.

Operating expenses for the three month period ended February 29, 2016 amounted to $579,309 compared to $344,605 for the three month period ended February 28, 2015, an increase of $234,704 or 68%. The increase in operating expenses stems from increases in professional fees, rent, office expenses, and payroll. Payroll and payroll related costs increased by $123,103 during the three month period ended February 29, 2016 due to the increase in head-count and salary levels. Professional fees increased $12.826 during the three month period ended February 29, 2016 as a result of continued utilization of auditors and SEC counsel. Rent expense increased by $24,509 due to rent increases in Washington and California and expansion into the Colorado facility as a result of the acquisition of Dank.

The net result for the three month period ended February 29, 2016 was a profit of $8,618 or $0.00 income per share compared to a net loss of $77,162 or $(0.00) loss per share for the three month period ended February 28, 2015.

Results of Operations – Comparison for the six month periods ended February 29, 2016 and 2015

Total revenues increased from $1,279,618 during the six month period ended February 28, 2015 to $3,519,029 during the six month period ended February 29, 2016, which represents an increase of $2,239,411 or 175%. This increase is primarily due to continued sales growth in California, Oregon, Washington, and Colorado. Sales growth was not significantly impacted by inflation or changes in pricing. Cost of goods sold increased from $805,523 during the six month period ended February 28, 2015 to $2,351,189 during the six month period ended February 29, 2016, an increase of $1,545,666. The two primary components of cost of goods sold include direct purchases and freight. Gross profits for the six month period ended February 29, 2016 amounted to $1,167,840 for a 33% gross margin. Gross profits for the six month period ended February 28, 2015 amounted to $474,095 for a 37% gross margin. Gross Profits increased by $693,745 or 146% during the six month period ended February 29, 2016 compared to the six month period ended February 28, 2015. The primary source of the increase in sales, cost of goods sold, and gross profits is due to growth in customer base in the states of California, Oregon, Washington, and Colorado.

Operating expenses for the six month period ended February 29, 2016 amounted to $1,130,833 compared to $648,863 for the six month period ended February 28, 2015, an increase of $481,970 or 74%. The increase in operating expenses stems from increases in professional fees, rent, office expenses, and payroll. Payroll and payroll related costs increased by $298,075 during the six month period ended February 29, 2016 due to the increase in head-count and salary levels. Professional fees increased $58,347 during the six month period ended February 29, 2016 as a result of continued utilization of auditors and SEC counsel. Rent expense increased by $43,926 due to rent increases in Washington and California and expansion into the Colorado facility as a result of the acquisition of Dank.

The net result for the six month period ended February 29, 2016 was a profit of $24,692 or $(0.00) income per share compared to a net loss of $164,555 or $(0.00) loss per share for the six month period ended February 28, 2015.

Liquidity and Capital Resources

At February 29, 2016, we had cash of $407,930 and a working capital surplus of $1,046,741.

Cash Flows from Operating Activities

For the six month period ended February 29, 2016, net cash used in operating activities was $551,587 compared to $224,647 in net cash used in operating activities for the six month period ended February 28, 2015. The change is primarily attributed to increases in accounts receivable, prepaids, inventory and accounts payable during the six month period ended February 29, 2016.

Cash Flows from Investing Activities

Net cash used in investing activities increased from $34,001 to $70,407 for the six month period ended February 29, 2016 as a direct result of investing in additional fixed assets.

Cash Flows from Financing Activities

Net cash provided by financing activities increased from $446,836 to $828,665 for the six month period ended February 29, 2015 and 2016, respectively. The change is primarily attributed to a drawdown on a line of credit in an amount of $155,000, as well as the sale of shares of the Company's common stock in private placement offerings in exchange for cash of $736,010 during the six month period ended February 29, 2016 compared to $485,000 in offerings during the six month period ended February 29, 2015.

The Company has net income of $24,692 for the six months ended February 29, 2016, however, the Company had incurred a net loss for the fiscal year ended August 31, 2015 and 2014, and has an accumulated deficit of $723,755 as of February 29, 2016. Historically, the Company has had operating losses and negative cash flows from operations. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operations or generate sufficient revenue to meet its operating needs. If the Company is unable to obtain adequate capital or generate sufficient revenues, it could be forced to curtail or delay development of operations. This need may be adversely impacted by uncertain market conditions and changes in the regulatory environment. To address its financing requirements, the Company intends to seek financing through debt and equity issuances and rights offerings to existing stockholders.

Management has outlined a plan to raise capital over the next 12 months through the issuance of restricted shares of the Company's common stock to accredited investors. Management believes that the capital raised through these methods will be sufficient to sustain operations for the next 12 months. However, the outcome of these matters cannot be predicted with certainty at this time.

Off-Balance Sheet Transactions

We have no off-balance sheet transactions.

Critical Accounting Policies and Estimates

We disclose those accounting policies that we consider to be significant in determining the amounts to be utilized for communicating our consolidated financial position, results of operations and cash flows in the first note to our consolidated financial statements included elsewhere herein. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results are likely to differ from these estimates, but management does not believe such differences will materially affect our financial position or results of operations. We believe that the following accounting policies are the most critical because they have the greatest impact on the presentation of our financial condition and results of operations.

Use of Estimates

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

Accounts Receivable

Trade accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis, thus trade receivables do not bear interest. Trade accounts receivables are periodically evaluated for collectability based on past credit history and their current financial condition.

Inventory

Inventories are stated at the lower of cost or net realizable value using the first-in first out (FIFO) method.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, after the asset is placed in service. Asset lives range from 3 to 7 years. Gains and losses from the retirement or disposition of property and equipment are included in operations in the period incurred. Maintenance and repairs are expensed as incurred.

Accounts Receivable and Allowance for Bad Debts

Trade accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis, thus trade receivables do not bear interest. Trade accounts receivables are periodically evaluated for collectability based on past credit history and their current financial condition.

Fair Value of Financial Instruments

The fair value of certain of our financial instruments, including cash and cash equivalents, receivables, other current assets, accounts payable, accrued compensation and employee benefits, other accrued liabilities and notes payable, approximate their carrying amounts because of the short-term maturity of these instruments.

Concentration of Risk

Financial instruments that potentially expose us to concentrations of risk consist primarily of cash and cash equivalents and accounts receivable, which are generally not collateralized. Our policy is to place our cash and cash equivalents with high quality financial institutions, in order to limit the amount of credit exposure. The Company generally does not require collateral from its customers, but its credit extension and collection policies include analyzing the financial condition of potential customers, establishing credit limits, monitoring payments, and aggressively pursuing delinquent accounts. The Company maintains allowances for potential credit losses. A significant portion of the Company’s revenues are derived from the sales of products to the purveyors of cannabis products and services.

Goodwill and Other Long-Lived Assets

Goodwill represents the excess of cost over the fair value of identifiable assets acquired and liabilities assumed in business combinations. The Company’s management assess goodwill for impairment on an annual basis during the fourth quarter using an August 1 measurement date unless circumstances require a more frequent measurement. When evaluating goodwill for impairment, the Company may first perform an assessment qualitatively whether it is more likely than not that a reporting unit's carrying amount exceeds its fair value, referred to as a "step zero" approach. If, based on the review of the qualitative factors, the Company determines it is not more likely than not that the fair value of goodwill is less than its carrying value, it would bypass the two-step impairment test. Events and circumstances the Company considers in performing the "step zero" qualitative assessment include macro-economic conditions, market and industry conditions, internal cost factors, share price fluctuations, and the operational stability and the overall financial performance of the reporting units. If the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount, it would perform the first step (“step one”) of the two-step impairment test and calculate the estimated fair value of the goodwill by using discounted cash flow valuation model. These methods require estimates of future revenues, profits, capital expenditures, working capital, and other relevant factors. The Company estimates these amounts by evaluating historical trends, current budgets, operating plans, industry data, and other relevant factors.

For fiscal 2015, the Company began its assessment with the step zero qualitative analysis because the fair value substantially exceeded the carrying value goodwill. After evaluating and weighing all relevant events and circumstances, the Company concluded that it is not more likely than not that the fair value of goodwill was less its carrying amounts. Consequently, the Company did not perform a step one quantitative analysis in fiscal 2015.

Revenue Recognition

It is the Company’s policy that revenues from product sales are recognized in accordance with ASC 605 "Revenue Recognition". Four basic criteria must be met before revenue can be recognized; (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management’s judgments regarding fixed nature in selling prices of the products delivered and the collectability of those amounts. The Company has not implemented any specific rebate programs. Provisions for discounts to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company has not established a formal customer incentive program, but considers and accommodates discounts to certain customers on a case by case basis, including by way of example, for volume shipping or for certain new customers with orders over a specific discretionary dollar threshold.

Consistent with ASC 605-15-25-1, the Company considers factors such as historical return of products, estimated remaining shelf life, price changes from competitors, and introductions of competing products in establishing a refund allowance. The Company recognizes revenues as risk and title to products transfers to the customer (which generally occurs at the time shipment is made), the sales price is fixed or determinable, and collectability is reasonably assured. The Company defers any revenue for which the product was not delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required.

Business Combinations

Accounting for our acquisitions requires the Company to recognize, separately from goodwill, the assets acquired and the liabilities assumed at their acquisition-date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition-date fair values of the assets acquired and the liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, this may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations and comprehensive income (loss).

Accounting for business combinations requires the Company's management to make significant estimates and assumptions, especially at the acquisition date including its estimates for intangible assets, contractual obligations assumed, pre-acquisition contingencies and contingent consideration, where applicable. If management cannot reasonably determine the fair value of a pre-acquisition contingency (non-income tax related) by the end of the measurement period, the Company will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Although the Company believes the assumptions and estimates it has made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Subsequent to the measurement period, changes in the estimates of such contingencies will affect earnings and could have a material effect on the Company's results of operations and financial position.

Examples of critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to: (i) future expected cash flows from product sales; (ii) the acquired company's brand and competitive position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company's product portfolio. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

In addition, any uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. If applicable, the Company would reevaluate these items quarterly based upon facts and circumstances that existed as of the acquisition date with any adjustments to its preliminary estimates being recorded to goodwill provided that we are within the measurement period. Subsequent to the measurement period or the final determination of the tax allowance's or contingency's estimated value, whichever comes first, changes to these uncertain tax positions and tax related valuation allowances will affect the Company's provision for income taxes in our consolidated statements of income and comprehensive income and could have a material impact on our results of operations and financial position.

Share-based Compensation

The Company accounts for its stock based awards in accordance with Accounting Standards Codification subtopic 718-10, "Compensation", which requires fair value measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted stock awards. The Company estimates the fair value of stock using the stock price on the grant date of the award. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period and the related amount is recognized in the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC 740, "Income Taxes," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

The Company applies the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes". The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company did not identify any material uncertain tax positions on returns that have been filed or that will be filed.

Foreign Currency Transactions

None.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting for the fiscal quarter ended February 29, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

To the best of the Company's knowledge and belief, no legal proceedings are currently pending or threatened.

Item 1A. Risk Factors.

We are not required to provide this information as we are a Smaller Reporting Company.

Item 2. Unregistered Sales of Equity Securities.

The authorized common stock is 265,000,000 shares with a par value of $0.001. As of February 29, 2016 and August 31, 2015, 47,206,062 and 46,132,779 shares were issued and outstanding, respectively.

During the six months ended February 29, 2016, the Company sold 903,033 restricted shares of its common stock to accredited investors in exchange for cash of $736,010.

Subsequent to February 29, 2016 and through the date of this filing, the Company sold 23,350 restricted shares of its common stock to accredited investors in exchange for cash consideration of $20,013.

Item 3. Default Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable to our Company.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Nicholas Kovacevich.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chris Martin
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Nicholas Kovacevich.
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chris Martin.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Schema

101.CAL* XBRL Taxonomy Calculation Linkbase

101.DEF* XBRL Taxonomy Definition Linkbase

101.LAB* XBRL Taxonomy Label Linkbase

101.PRE* XBRL Taxonomy Presentation Linkbase

* Furnished herewith. XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

KUSH BOTTLES, INC.

Date: April 12, 2016	By:	/s/ Nicholas Kovacevich Chief Executive Officer and Secretary
Date: April 12, 2016	By:	/s/ Chris Martin Chief Financial Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Martin, certify that:

1) I have reviewed this Quarterly report of Kush Bottles, Inc. on Form 10-Q;

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) I am 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 the 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.

(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 Quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: April 12, 2016

/s/ Chris Martin
Chris Martin
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT 0F 2002

In connection with the Quarterly Report of Kush Bottles, Inc. (the Company") on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the "Report"), I. Nicholas Kovacevich, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.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 fully presents, in all material respects, the financial condition and results of operations or the Company.

Kush Bottles, Inc.

Date: April 12, 2016

By: /s/ Nicholas Kovacevich
Nicholas Kovacevich
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT 0F 2002

In connection with the Quarterly Report of Kush Bottles, Inc. (the Company") on Form 10-Q for the period ended herein as filed with the Securities and Exchange Commission (the "Report"), I. Chris Martin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.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 fully presents, in all material respects, the financial condition and results of operations or the Company.

Kush Bottles, Inc.

Date: April 12, 2016

By: /s/ Chris Martin
Chris Martin
Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas Kovacevich, certify that:

1) I have reviewed this Quarterly report of Kush Bottles, Inc. on Form 10-Q;

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) I am 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 the 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.

(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 a Quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: April 12, 2016

/s/ Nicholas Kovacevich
Nicholas Kovacevich
Chief Executive Officer