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 May 31, 2016

[X] **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: 47,510,041 shares outstanding as of June 30, 2016.

KUSH BOTTLES, INC.

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KUSH BOTTLES, INC

Condensed Consolidated Balance Sheets

(Unaudited)

	May 31, 2016	August 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 354,247	$ 201,259
Accounts receivable, net of allowance	212,355	146,392
Prepaids	520,574	153,389
Inventory	1,063,657	662,368
Total Current Assets	2,150,833	1,163,408
Goodwill	2,376,589	2,376,589
Deposits	12,220	-
Property and equipment, net	225,962	205,271
TOTAL ASSETS	$ 4,765,604	$ 3,745,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 267,087	$ 377,199
Accrued expenses and other current liabilities	371,760	391,334
Line of credit	240,000	85,000
Notes payable - related parties	-	75,000
Notes payable - current portion	19,554	27,394
Total Current Liabilities	898,401	955,927
LONG-TERM DEBT		
Notes payable	44,885	54,585
TOTAL LIABILITIES	943,286	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, 47,407,541 and 46,132,779 shares issued and outstanding, respectively	47,408	46,133
Additional paid-in capital	4,483,376	3,437,070
Accumulated deficit	(708,466)	(748,447)
Total Stockholders' Equity	3,822,318	2,734,756
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,765,604	$ 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 May 31,		For the Nine Months Ended May 31,	
	2016	2015	2016	2015
REVENUE	$ 2,322,638	$ 1,198,083	$ 5,841,168	$ 2,477,702
COST OF GOODS SOLD	1,588,302	779,652	3,941,189	1,585,170
GROSS PROFIT	734,336	418,431	1,899,979	892,532
OPERATING EXPENSES				
Depreciation	6,542	8,514	18,489	16,297
Stock compensation expense	42,723	-	60,100	-
Selling, general and administrative	656,642	484,778	1,763,948	1,125,881
Total Operating Expenses	705,907	493,292	1,842,537	1,142,178
INCOME (LOSS) FROM OPERATIONS	28,429	(74,861)	57,442	(249,646)
OTHER INCOME (EXPENSES)				
Other income	-	-		12,980
Interest expense	(5,145)	(1,532)	(17,461)	(4,305)
Total Other Income (Expenses)	(5,145)	(1,532)	(17,461)	8,675
INCOME (LOSS) BEFORE INCOME TAXES	23,284	(76,393)	39,981	(240,971)
PROVISION FOR INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	$ 23,284	$ (76,393)	$ 39,981	$ (240,971)
BASIC INCOME (LOSS) PER SHARE	$ 0.00	$ (0.00)	$ 0.00	$ (0.01)
DILUTED INCOME (LOSS) PER SHARE	$ 0.00	$ (0.00)	$ 0.00	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	46,525,540	42,284,342	46,667,750	41,726,721
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	47,578,327	42,284,342	47,720,537	41,726,721

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	For the Nine Months Ended May 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 39,981	$ (240,971)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	58,278	16,297
Stock compensation expense	60,100	-
Changes in operating assets and liabilities		
Accounts receivable	(65,963)	37,575
Prepaids	(334,935)	(2,256)
Inventory	(401,289)	(83,914)
Deposits	(12,220)	-
Accounts payable	(110,111)	10,507
Accrued expenses and other current liabilities	75,622	9,855
Net cash used in operating activities	(690,537)	(252,907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Dank Bottles, LLC	-	(273,725)
Purchase of property and equipment	(78,969)	(63,226)
Net cash used in investing activities	(78,969)	(336,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of related party loan	(75,000)	(50,000)
Drawdown on line of credit	155,000	-
Proceeds from notes payable	-	56,086
Repayment of notes payable	(17,541)	(8,712)
Proceeds from sale of stock	860,035	702,001
Net cash provided by financing activities	922,494	699,375
NET INCREASE IN CASH	152,988	109,517
CASH AT BEGINNING OF PERIOD	201,259	23,004
CASH AT END OF PERIOD	$ 354,247	$ 132,521
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	$ 17,461	$ 4,305
Income taxes	$ -	$ -

See accompanying notes to the unaudited 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 May 31, 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

On the date of acquisition, 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 has valued the price of the common stock issued in conjunction with these transactions at $0.6199 per share. The Company considers these transactions preceding the acquisition the best evidence of fair value for the common stock.

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 May 31 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 nine months ended May 31, 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 nine months ended May 31, 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 $39,981 for the nine months ended May 31, 2016, however, the Company had incurred a net loss for the fiscal years ended August 31, 2015 and 2014, and has an accumulated deficit of $708,466 as of May 31, 2016. 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.

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 May 31, 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 $1,063,657 and $662,368 as of May 31, 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		Nine months ended	
	May 31, 2016	May 31, 2015	May 31, 2016	May 31, 2015
Net income (loss)	$ 23,384	$ (76,393)	$ 39,981	$ (240,971)
Weighted average common shares outstanding for basic EPS	46,525,540	42,284,342	46,667,750	41,726,721
Net effect of dilutive options	1,052,787	-	1,052,787	-
Weighted average common shares outstanding for diluted EPS	47,578,327	42,284,342	47,720,537	41,726,721
Basic earnings (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.01)
Diluted earnings (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.01)

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 1,052,787 and 0 for the three and nine months ended May 31, 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 nine months ended May 31, 2016 and 2015, the Company had no elements of comprehensive income or loss.

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 bases 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 May 31, 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 to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

Recently Issued Accounting Pronouncements

In May 2016, accounting guidance was issued to clarify the not yet effective revenue recognition guidance issued in May 2014. This additional guidance does not change the core principle of the revenue recognition guidance issued in May 2014, rather, it provides clarification of accounting for collections of sales taxes as well as recognition of revenue (i) associated with contract modifications, (ii) for noncash consideration, and (iii) based on the collectability of the consideration from the customer. The guidance also specifies when a contract should be considered "completed" for purposes of applying the transition guidance. The effective date and transition requirements for this guidance are the same as the effective date and transition requirements for the guidance previously issued in 2014, which is effective for interim and annual periods beginning on or after December 15, 2017. The Company not yet determined the impact that this new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this update change existing guidance related to accounting for employee share-based payments affecting the income tax consequences of awards, classification of awards as equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the potential impact of the adoption of this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the potential impact of the adoption of this standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update revise the accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The amendments are effective for annual reporting periods after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of this standard.

In April 2015, the FASB issued ASU 2015-03 *, Interest- Imputation of Interest (Subtopic 835-30)*. This guidance is to simplify the presentation of debt issuance costs by recognizing a debt liability in the balance sheet as a direct deduction from that debt liability consistent with the presentation of a debt discount. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company has adopted this standard and the adoption did not have a material impact on the Company's financial position.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and to provide related footnote disclosures. The ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The ASU is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, which for the Company is April 1, 2017. Early adoption is permitted. The adoption of this standard will not have a material impact on the Company's financial position or results of operations. The amendments also clarify that the guidance in Topic 275, *Risks and Uncertainties*, is applicable to entities that have not commenced planned principal operations. The central feature of the guidance on disclosure requirements is that required disclosures are limited to matters significant to a particular entity. The disclosures focus primarily on risks and uncertainties that could significantly affect the amounts reported in the financial statements in the near term or the near-term functioning of the reporting entity.

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 nine months ended May 31, 2016 and 2015, two vendors accounted for approximately 32% and 50%, respectively, of total inventory purchases.

Customer Concentrations

For the nine months ended May 31, 2015, Dank represented 20% of the Company's revenues. On April 10, 2015, the Company acquired Dank. During the nine months ended May 31, 2016, there were no customers which represented over 10% 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 $0 and 75,000 as of May 31, 2016 and August 31, 2015, respectively.

The Company leases its California and Colorado facilities from related parties. During the nine months ended May 31, 2016 and 2015, the Company made rent payments of $127,800 and $76,100, respectively, to these related parties.

On May 13, 2016, the Company amended the Board of Directors Services Agreement with Greg Gamet dated May 4, 2015. The Director’s compensation was revised to include a new compensation arrangement that effectively supersedes the original compensation terms. Effective May 13, 2016, the Board approved the issuance of 250,000 stock options to acquire unrestricted common stock at an exercise price of $1.00 per share, with 50% of such stock options vesting on May 13, 2017 and none before this date and the remaining 50% of such stock options vesting ratably in 4 quarterly installments over the following 12 months.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	May 31, 2016	August 31, 2015
Office Equipment	$ 49,987	$ 28,955
Machinery and equipment	114,157	68,173
Leasehold improvements	48,566	32,780
Vehicles	116,592	140,609
	329,302	270,517
Accumulated Depreciation	(103,340)	(65,246)
	$ 225,962	$ 205,271

Depreciation expense was $58,278 and $16,297, for the nine months ended May 31, 2016 and 2015, respectively.

NOTE 5 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	May 31, 2016	August 31, 2015
Customer deposits	$ 121,431	$ 177,493
Accrued compensation	150,005	144,428
Credit card liabilities	78,260	56,748
Sales tax payable	22,064	12,665
	$ 371,760	$ 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 May 31, 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 May 31, 2016 and August 31, 2015, 47,407,541 and 46,132,779 shares were issued and outstanding, respectively.

During the nine months ended May 31, 2016, the Company sold 1,074,512 restricted shares of common stock to accredited investors in exchange for cash of $860,035.

During the nine months ended May 31, 2016, the Company issued 172,500 restricted shares of common stock and 2,750 unrestricted shares of common stock in exchange for $118,123 of services rendered, of which $95,197 was included in accrued expenses as of August 31, 2015.

On March 17, 2016, the Company issued 25,000 restricted shares of common stock, valued at $32,250, as partial payment for the development of specific machinery and equipment. This amount is included in prepaids on the condensed consolidated balance sheet as of May 31, 2016.

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.

During the nine months ended May 31, 2016, the Company issued 520,000 stock options pursuant to the Company's 2016 Stock Incentive Plan, which was adopted on February 9, 2016. A summary of the Company's stock option activity during the period ended May 31, 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	520,000	1.00	9.99 years	114,400
Exercised	-	-	-	-
Balance Outstanding, May 31, 2016	1,520,000	$ 0.38	5.25 years	$ 1,284,400
Exercisable, May 31, 2016	1,080,000	$ 0.12	3.32 years	$ 1,187,600

As of May 31, 2016, there was $204,450 of unrecognized compensation cost related to non-vested share-based stock options.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease

The Company's corporate head-quarters and primary distribution center is located in Santa Ana, California. 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 $147,000 in lease commitments through the end of term. The Company also leases a facility located in Auburn, Washington, on a month to month basis for $2,074 per month. On April 1, 2016, the Company entered into a new sublease agreement for a facility located in Woodinville, Washington. The lease commences on July 1, 2016 and expires on January 31, 2020, and requires escalating monthly payments that range between $14,985 and $16,022, for a total of $633,836 in future lease commitments through the end of the lease term. 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 $258,600 in future lease commitments through the end of the term. During the nine months ended May 31, 2016 and 2015, the Company recognized $153,625 and $91,564 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 May 31, 2016 and August 31, 2015.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to May 31, 2016 and through the date of this filing, the Company sold 102,500 restricted shares of common stock to accredited investors in exchange for cash consideration of $81,500.

On June 6, 2016, the Company paid $120,000 towards its outstanding line of credit facility and obtained a 90-day extension on the facility, with an amended maturity date on September 1, 2016.

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 May 31, 2016, and the results of operations for the three and nine months ended May 31, 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 May 31, 2016 and 2015

Total revenues increased from $1,198,083 during the three month period ended May 31, 2015 to $2,322,638 during the three month period ended May 31, 2016, which represents an increase of $1,124,555 or 94%. 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 $779,652 during the three month period ended May 31, 2015 to $1,588,302 during the three month period ended May 31, 2016, an increase of $808,650. The two primary components of cost of goods sold include direct purchases and freight. Gross profits for the three month period ended May 31, 2016 amounted to $734,336 for a 32% gross margin. Gross profits for the three month period ended May 31, 2015 amounted to $418,431 for a 35% gross margin. Gross Profits increased by $315,905 or 75% during the three month period ended May 31, 2016 compared to the three month period ended May 31, 2015. The primary source of the increase in sales, cost of goods sold, and gross profits is due to continued growth in customer base in the states of California, Oregon, Washington, and Colorado.

Operating expenses for the three month period ended May 31, 2016 amounted to $656,642 compared to $484,778 for the three month period ended May 31, 2015, an increase of $171,864 or 35%. The increase in operating expenses stems from increases in insurance and payroll. Payroll and payroll related costs increased by $155,022 during the three month period ended May 31, 2016 due to the increase in head-count, salary levels, and accrued bonus compensation. Insurance increased $11,971 during the three month period ended May 31, 2016 as a result of expanded coverage to accommodate growth in the business.

The net result for the three month period ended May 31, 2016 was a profit of $23,284 or $0.00 income per share compared to a net loss of $76,393 or $(0.00) loss per share for the three month period ended May 31, 2015.

Results of Operations – Comparison for the nine month periods ended May 31, 2016 and 2015

Total revenues increased from $2,477,702 during the nine month period ended May 31, 2015 to $5,841,168 during the nine month period ended May 31, 2016, which represents an increase of $3,363,466 or 136%. 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 $1,585,170 during the nine month period ended May 31, 2015 to $3,941,189 during the nine month period ended May 31, 2016, an increase of $2,356,019. The two primary components of cost of goods sold include direct purchases and freight. Gross profits for the nine month period ended May 31, 2016 amounted to $1,899,979 for a 33% gross margin. Gross profits for the nine month period ended May 31, 2015 amounted to $892,532 for a 36% gross margin. Gross Profits increased by $1,007,447 or 113% during the nine month period ended May 31, 2016 compared to the nine month period ended May 31, 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 nine month period ended May 31, 2016 amounted to $1,763,948 compared to $1,125,881 for the nine month period ended May 31, 2015, an increase of $638,067 or 57%. The increase in operating expenses stems from increases in insurance, rent, and payroll. Payroll and payroll related costs increased by $385,398 during the nine month period ended May 31, 2016 due to the increase in head-count, salary levels, and accrued bonus compensation. Insurance increased $23,148 during the nine month period ended May 31, 2016 as a result of expanded coverage to accommodate growth in the business. Rent expense increased by $61,131 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 nine month period ended May 31, 2016 was a profit of $39,981 or $0.00 income per share compared to a net loss of $240,971 or $(0.01) loss per share for the nine month period ended May 31, 2015.

Liquidity and Capital Resources

At May 31, 2016, we had cash of $354,247 and a working capital surplus of $1,252,432.

Cash Flows from Operating Activities

For the nine month period ended May 31, 2016, net cash used in operating activities was $690,537 compared to $252,907 in net cash used in operating activities for the nine month period ended May 31, 2015. The change is primarily attributed to increases in accounts receivable, prepaid expenses, inventory and accounts payable during the nine month period ended May 31, 2016.

Cash Flows from Investing Activities

Net cash used in investing activities decreased from $336,951 to $78,969 for the nine month period ended May 31, 2016 due to the fact that the Company acquired Dank on April 10, 2015 for a net cash outflow of $273,725.

Cash Flows from Financing Activities

Net cash provided by financing activities increased from $699,375 to $922,494 for the nine month period ended May 31, 2016. 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 $860,035 during the nine month period ended May 31, 2016 compared to $702,001 in offerings during the nine month period ended May 31, 2015.

The Company has net income of $39,981 for the nine months ended May 31, 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 $708,466 as of May 31, 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 May 31, 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 May 31, 2016 and August 31, 2015, 47,407,541 and 46,132,779 shares were issued and outstanding, respectively.

During the nine months ended May 31, 2016, the Company sold 1,074,512 restricted shares of common stock to accredited investors in exchange for cash of $860,035.

During the nine months ended May 31, 2016, the Company issued 172,500 restricted shares of common stock and 2,750 unrestricted shares of common stock in exchange for $118,123 of services rendered, of which $95,197 was included in accrued expenses as of August 31, 2015.

On March 17, 2016, the Company issued 25,000 restricted shares of common stock, valued at $32,250, as partial payment for the development of specific machinery and equipment.

During the nine months ended May 31, 2016, the Company issued 520,000 stock options pursuant to the Company's 2016 Stock Incentive Plan, which was adopted on February 9, 2016.

Subsequent to May 31, 2016 and through the date of this filing, the Company sold 102,500 restricted shares of common stock to accredited investors in exchange for cash consideration of $81,500.

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: July 6, 2016	By:	/s/ Nicholas Kovacevich Chief Executive Officer and Secretary
Date: July 6, 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: July 6, 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: July 6, 2016 By: /s/ Nicholas Kovacevich
Nicholas Kovacevich
Chief Executive Officer

Exhibit 31.1

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: July 6, 2016

/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: July 6, 2016

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