U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **August 31, 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.
(Name of small business issuer 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, including zip code)

Registrant's telephone number, including area code: **(714) 243-4311**
Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **common stock, $.001par value**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **No [X]**

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **No [X]**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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]**

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]**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). No **[X]**

The aggregate market value of the voting and non-voting common equity held by non-affiliates on February 29, 2016 was $27,352,881.

As of November 3, 2016, there were 48,960,447 shares of our common stock were issued and outstanding.

FORM 10-K

KUSH BOTTLES, INC.

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PART I

Item 1. Business

For purposes of this report, unless otherwise indicated or the context otherwise requires, all references herein to “Kush”, “Kush Bottles”, “the Company”, “we,” “us,” and “our,” refer to Kush Bottles, Inc., a Nevada corporation.

CAUTIONARY STATEMENT

Except for historical matters, the matters discussed in this Form 10-K are forward-looking statements that are subject to significant risks and uncertainties. These statements are generally indicated by the use of forward-looking terminology such as the words “estimate”, “could”, “should”, “would”, “likely”, “may”, “will”, “plan”, “intend”, “believes”, “expects”, “anticipates”, “projected”, or other similar words that express an indication of actions or results of actions that may or are expected to occur in the future. These statements appear in a number of places throughout this Form 10-K and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10. Important factors that could cause those differences include, but are not limited to:

- competition from other companies and our ability to retain and increase our market share;
- our ability to generate growth or profitable growth;
- our ability to hire and retain qualified personnel;
- our ability to acquire required equipment and supplies to meet customer demand;
- our ability to raise debt or equity financing as required to meet certain existing obligations;
- general local and global economic, regulatory and financial conditions.

Forward-looking statements include, but are not limited to, statements regarding our strategy and future plans, future business condition and financial results, our capital expenditure plans, future market demand, future regulatory or other developments in our industry. All forward-looking statements in this Form 10 are based on information currently available to us as of the date of this report. We assume no obligation to update any forward-looking statements, except as required by applicable law.

Emerging Growth Company

We are an “emerging growth company” under the federal securities laws (as that term is used in the Jumpstart Our Business Startups Act of 2012) and will be subject to certain reduced public company reporting requirements.

As a company with less than $1.0 billion in revenue during our most recently completed fiscal year, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

- Reduced disclosure about our executive compensation arrangements;

- No non-binding shareholder advisory votes on executive compensation or golden parachute arrangements;

- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting; and

- Reduced disclosure of financial information in this prospectus, including two years of audited financial information and two years of selected financial information.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues as of the end of a fiscal year, if we are deemed to be a large-accelerated filer under the rules of the Securities and Exchange Commission, or if we issue more than $1.0 billion of non-convertible debt over a three-year-period.

Our Corporate History and Background

Kush Bottles, Inc. was incorporated in the state of Nevada on February 26, 2014. The Company specializes in the wholesale distribution of packaging supplies and customized branding solutions 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.

Recapitalization

On March 4, 2014, the stockholders of KIM exchanged all 10,000 of their common shares of KIM for 32,400,000 common shares of Kush. 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.

Recent Developments

During the year ended August 31, 2016, we entered into Purchase Agreements with certain accredited investors pursuant to which we raised $1,578,048 in a private placement financing and issued 1,955,028 shares of common stock. Subsequent to August 31, 2016 and through the date of this filing, the Company sold 660,285 shares of common stock to accredited investors in exchange for cash consideration of $868,999. These securities were issued without registration under the Securities Act in reliance on registration exemptions contained in Sections 4(a)(2) and 4(a)(5) of the Securities Act and Regulation D as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. The sales of these securities were made without general solicitation or advertising.

Company and Product Overview

Kush Bottles, Inc. markets and sells packaging products and solutions to customers operating in the regulated medical and recreational cannabis industries. As an innovator in custom packaging design and implementation, we combine creativity with compliance to provide the right solutions for our customers. The ability to source almost anything a customer needs makes us a one-stop-shop packaging solutions provider. We also provide custom branding on packaging products. This feature allows our customers to turn their packaging into marketing or re-marketing campaigns. Our core products are in accordance with Title 16 of the Code of Federal Regulations Part 1700 of the Poison Prevention Packaging Act. The testing standards for certification meet the stringent requirements as set by the Consumer Product Safety Commission ("CPSC") and ASTM International ("ASTM"). In addition, the materials used for production are FDA-approved food grade and BPA-free. By offering a product mix that is already tested compliant, we give peace of mind to customers and reduce liability on their end. By working with a broad array of manufacturers, we can offer quick solutions to our customers and ensure that their products will be of superior grade and made with environmentally safe materials.

Our packaging business primarily consists of bottles, bags, tubes, and containers. We maintain relationships with a broad range of manufacturers, which enables us to source a plethora of packaging products in a cost effective manner and pass such cost savings to our customers. In addition to a complete product line, we have sophisticated labeling and customization capabilities, which allow us to add significant value to our customers' packaging design processes. Our products are utilized by local urban farmers, green house growers, and medical and recreational cannabis dispensaries.

Bottles. Our pop top bottles meet all of the standards for both CPSC and ASTM. The pop-top bottle is unique to the pharmaceutical packaging world because instead of a traditional push and turn bottle, the pop-top requires a squeeze motion that actually pops the attached top up and open. We carry the bottles in various sizes and colors. We believe, based on management estimates, that we are a leading packaging supplier in the cannabis market.

Bags. We provide an array of packaging solutions in the form of a bag. The selection of bags we provide includes child resistant exit bags, traditional paper exit bags, and a vast selection of food grade safe foil barrier bags. All bags are available in stock designs and are fully customizable.

Tubes. We offer a complete line of tubes in two standard sizes, each available in a wide variety of colors. We believe that we are one of the largest suppliers of tubes to the cannabis industry in the United States. Our focus and investments are made to ensure that we are able to meet the increasing trend towards impermeable casing, substantially extending shelf life for pre-packaging. The tubes have a positive seal for enhanced freshness and are odor tight for secure storage and content privacy. All tubes are medical grade plastic, BPA-free, and molded of natural gas based polypropylene in compliance with FDA regulation. We maintain several unique designs in this market that combine tube and closure that we believe are viewed as very innovative both in appearance and functionality. We believe that our ability to provide creative package designs, combined with a complementary line of closures, makes us a preferred supplier for many customers in our target market.

Containers. We provide a diverse selection of smaller sized containers composed of either polystyrene, silicone-lined polystyrene or glass. Our silicone-lined polystyrene containers offer durability and convenience by combining the ease of a non-stick silicone lined with the rigidity and clarity of a polystyrene outer layer.

Marketing and Sales

We sell primarily into the business-to-business market, which includes legally operating medical and adult-use dispensaries, growers, and MIP producers (Marijuana Infused Products) in states with marijuana programs. We reach our large and diversified customer base through our direct sales force, our user-friendly website, and the strategic use of re-distributors. Our sales, fulfillment and support staff meet with customers to understand their needs and improve our product offerings and services. We are able to dedicate certain sales and marketing efforts to particular products, customers or geographic regions, when applicable, which enables us to develop expertise that is highly valued by our customers. In addition, inside sales representatives, marketing managers, and executives oversee the marketing and sales efforts. Operational personnel work closely with sales personnel and customer service representatives to satisfy customers' needs through the distribution of high-quality products, on-time deliveries, value-added regulatory insight, and customized branding solutions.

Our marketing activities include brand and logo development, advertising, websites, public relations, newsletters, catalogs and brochures, and all other points of contact with customers and prospective customers. We have ongoing campaigns in each of these areas, which are detailed below.

Branding. We believe that we have built one of the strongest and most recognizable brands in the cannabis industry. We recognized early on the importance of creating a strong, identifiable and lasting brand that would separate the Company from the competition, and resonate with customers. Our logo, our name, the style of our ads, and all collateral material reflect our "brand image."

Advertising. We run ads periodically in certain trade publications and on specific websites that reach our target audience. We believe draw people into our brand and help solidify our position as a market leader.

Public Relations. We have an active public relations program, which has helped build the Kush brand and position the Company not only as a leader in the industry, but as the company with expertise in compliance issues and depth of understanding into state and local regulations governing the cannabis industry. This expertise is provided to our business-to-business customers, to help them stay compliant and operate within all applicable rules. We believe that we have enjoyed great success in our public relations campaigns, and have appeared in numerous newspaper articles and television reports.

Email Marketing. We maintain a list of our customers and prospects, and we email to them regularly. These campaigns may be seasonally based (i.e. Holiday Specials), or may be "news" based to act as a vehicle to communicate important information. Staying in touch with our customers and our prospects is another key component in our marketing program.

Collateral. We have designed brochures, sales sheets, and catalogs that we use in our sales and marketing programs. These professionally designed and quality-printed pieces have been created using the Kush brand guidelines, and help promote the Company while serving as useful sales tools.

Sales. We have a team of sales professionals that drive our revenues. These dedicated individuals maintain contact with existing clients and secure on-going orders, as well as have frequent communications with prospective customers. Our sales team works both inside and outside the office, working the telephones and meeting with clients and prospects as often as possible.

Competition. We believe that we have differentiated ourselves from competitors due to several factors: We have built what we consider to be one of the strongest brands in the industry. We have a physical presence in key states such as California, Washington, and Colorado, which enable us to meet our customers' demands at a speed that supersedes the competition. We have the highest quality and largest variety of products that meet the certification standards for child-resistance. We believe we offer the best customized branded packaging solutions in the market. Additionally, we have a knowledge base and expertise that is unmatched in our industry. As a result, we have become more than just a supplier to our customers – we have become a trusted partner, with insight and recommendations that help our customers' businesses grow and thrive.

Dependence on Major Customers

We have no customers that represented over 10% of revenues during fiscal year ended August 31, 2016.

Sources and Availability of Products

We purchase products and raw materials from different suppliers from time to time on a non-exclusive basis. Except as described below in "Royalty Agreements," we purchase all products and raw materials from suppliers by purchase order. Our purchase orders are executed on a "spot" basis and contain market pricing, shipment and delivery terms and conditions only. With the exception of the royalty agreement described below, we do not have any agreement or arrangement with any supplier other than purchase orders. For example, we have no agreements or arrangements regarding supplier commitments to medium term or long term products or raw materials supply, to provide products or raw materials in quantities sufficient for our requirements or to maintain particular levels of supply capacity. We believe that we have maintained strong relationships with our suppliers. We expect that such relationships will continue into the foreseeable future, but we can provide no assurances that these relationships will continue. Based on our experience, we believe that adequate quantities of the raw materials which are used to manufacture our products (i.e. plastic resins) will be available at market prices, but we can provide no assurances as to such availability or the prices thereof.

Research and Development Activities

Since inception of the business and through the date of this filing, we have incurred $21,475 of expenses towards the research and development of a new child-resistant tube. We have filed a patent on this product. The patent is pending approval. Our costs to develop this product have been financed by internal cash flows and not been borne directly by our customers.

Royalty Agreements

On September 11, 2014, the Company entered into a royalty agreement with KB Mold Company ("KB Mold"), a related party. KB Mold owned the mold that produces the child-resistant tube that is the subject of the Company’s pending patent. Per the terms of the agreement, the Company was obligated to pay KB Mold a royalty of $0.015 for every tube delivered to Kush from this mold. Kush was obligated to purchase 325,000 tubes every three months, beginning on April 29, 2015, the day the first order was received, through December 31, 2019. After ordering and having paid royalties to KB Mold on a minimum of 2,250,000 products, Kush had the option to purchase the mold from KB Mold for the amount of all direct costs invested by Kush into the mold. On October 10, 2016, the Company purchased the mold for $132,487. The Company is no longer required to pay any royalties to, or purchase any products from KB Mold.

Employees

As of the date of this filing, we have 40 full-time employees. Our employees work at our three facilities located in Santa Ana, California, Denver, Colorado, and Auburn, Washington. Our relations with employees remain satisfactory and there have been no significant work stoppages or other labor disputes.

Environmental Matters and Government Regulation

The Food and Drug Administration (“FDA”) regulates the material content of direct-contact food and drug packages, including certain packages we manufacture pursuant to the Federal Food, Drug and Cosmetics Act. Certain of our products are also regulated by the Consumer Product Safety Commission (“CPSC”) pursuant to various federal laws, including the Consumer Product Safety Act and the Poison Prevention Packaging Act. Both the FDA and the CPSC can require the manufacturer of defective products to repurchase or recall such products and may also impose fines or penalties on the manufacturer. Similar laws exist in some states, cities and other countries in which we sell our products. We use FDA approved resins and pigments in our products that directly contact food and drug products, and our products are in material compliance with all applicable requirements.

The plastics industry, including us, is subject to existing and potential federal, state, local and foreign legislation designed to reduce solid waste by requiring, among other things, plastics to be degradable in landfills, minimum levels of recycled content, various recycling requirements, disposal fees, and limits on the use of plastic products. In particular, certain states have enacted legislation requiring products packaged in plastic containers to comply with standards intended to encourage recycling and increased use of recycled materials. In addition, various consumer and special interest groups have lobbied from time to time for the implementation of these and other similar measures. We believe that the legislation promulgated to date and such initiatives to date have not had a material adverse effect on us. There can be no assurance that any such future legislative or regulatory efforts or future initiatives would not have a material adverse effect on us.

Twenty-five states currently have laws legalizing marijuana in some form. We do not believe that federal or any state laws prohibit us from selling our packaging products to cannabis growers and dispensers.

Emerging Growth Company

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards. As a result we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Circumstances could cause us to lose emerging growth company status. We will qualify as an emerging growth company until the earliest of:

-- The last day of our first fiscal year during which we have total annual gross revenues of $1 billion or more;

-- The last day of our fiscal year following the fifth anniversary of the date of our initial public offering;

-- The date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period; or

-- The date on which we qualify as a "large accelerated filer" under the Exchange Act (qualifying as a large accelerated filer means, among other things, having a public float in excess of $700 million).

How to Obtain our SEC Filings

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports, are available on our website at www.kushbottles.com, as soon as reasonably practicable after we file these reports electronically with, or furnish them to, the Securities and Exchange Commission ("SEC"). Except as otherwise stated in these reports, the information contained on our website or available by hyperlink from our website is not incorporated into this Annual Report on Form 10-K or other documents we file with, or furnish to, the SEC.

Item 1A. Risk Factors

As a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information called for by Item 304 of Regulation S-K.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties

At present, we do not hold title to any real estate property. All of our properties are sub-leased. We do not have any mortgages, liens or encumbrances against any such properties. Our corporate head-quarters and primary distribution center is located in a sub-leased facility at 1800 Newport Circle, Santa Ana, CA 92705, and consists of approximately 15,000 square feet of administrative, sales and distribution offices. The current sub-lease runs until August 31, 2018. We sub-lease a 13,500 square foot facility in Woodinville, Washington which is utilized as a fulfillment and distribution center for the Pacific Northwest region. The sub-lease runs until January 31, 2020. We also sub-lease a facility in Denver, Colorado, which is the headquarters of operations for our wholly-owned subsidiary, Dank Bottles, LLC. The sub-lease runs through March 31, 2020. We believe that our property and equipment is well-maintained, in good operating condition and adequate for our present needs.

Item 3. Legal Proceedings

We are not a party to any legal proceedings responsive to this Item number.

Item 4. Mining Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is quoted on the OTCQB, under the symbol "KSHB". Our common stock was initially listed on the OTCQB on December 1, 2015.

The following table sets forth the range of high and low bid prices of our common stock as reported and summarized on the OTCQB, as applicable, for the periods indicated. These prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

Fiscal Quarter	High		Low	
2014 First Quarter	$	N/A	$	N/A
2014 Second Quarter	$	N/A	$	N/A
2014 Third Quarter	$	N/A	$	N/A
2014 Fourth Quarter	$	N/A	$	N/A
2015 First Quarter	$	N/A	$	N/A
2015 Second Quarter	$	N/A	$	N/A
2015 Third Quarter	$	N/A	$	N/A
2015 Fourth Quarter	$	N/A	$	N/A
2016 First Quarter	$	N/A	$	N/A
2016 Second Quarter	$	10.00	$	0.02
2016 Third Quarter	$	1.80	$	0.90
2016 Fourth Quarter	$	2.94	$	1.05

Holders

At of the date of this report, we have approximately 228 holders of record of our common stock.

As of November 3, 2016, there are options exercisable for 1,130,000 shares of our common stock.

As of November 3, 2016, there are 48,960,447 shares of the Company's common stock issued and outstanding. Of this total, 26,234,889 shares of the Company's common stock, representing 54% of our issued and outstanding shares, are held by affiliates.

Dividends

We have not declared any cash dividends on any class of our securities and we do not have any restrictions that currently limit, or are likely to limit, our ability to pay dividends now or in the future.

Equity Compensation Plan Information

On February 9, 2016, we approved the Kush Bottles, Inc. 2016 Stock Incentive Plan ("the Plan"). The Plan provides for the granting of incentive stock options, options that do not qualify as incentive stock options (such as nonstatutory options), restricted stock awards, performance awards, stock appreciation rights, phantom stock awards, stock awards, restricted stock purchase offers, or any combination of such awards. The Plan allows for a maximum of 5,000,000 shares to be issued. As of the date of this report, 1,039,000 options have been issued.

The Securities Enforcement and Penny Stock Reform Act of 1990

The Securities and Exchange Commission has also adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system).

A purchaser is purchasing penny stock which limits the ability to sell the stock. The shares offered by this prospectus constitute penny stock under the Securities and Exchange Act. The shares will remain penny stocks for the foreseeable future. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the Commission, which:

- contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of the Securities Act of 1934, as amended;
- contains a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation;

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

Item 6. Selected Financial Data.

As a smaller reporting company, we are not required to provide the information required by this item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Concerning Forward-Looking Statements

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes included in this report. This report contains “forward-looking statements.” The statements contained in this report that are not historic in nature, particularly those that utilize terminology such as “may,” “will,” “should,” “expects,” “anticipates,” “estimates,” “believes,” or “plans” or comparable terminology are forward-looking statements based on current expectations and assumptions.

Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. The forward-looking events discussed in this report, the documents to which we refer you and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties, and assumptions about us. For these statements, we claim the protection of the “bespeaks caution” doctrine. All forward-looking statements in this document are based on information currently available to us as of the date of this report, and we assume no obligation to update any forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results to differ materially from any future results, performance, or achievements expressed or implied by such forward-looking statements.

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 legalization. These businesses include medical and recreational dispensaries, large and small scale processors, and packaging re-distributors.

We believe that we have created one of the largest product libraries in the cannabis industry, allowing us to be a comprehensive solutions provider to our customers. Our extensive knowledge of the regulatory environment applicable to the cannabis industry allows us to quickly adapt to our customers' packaging requirements. We maintain the flexibility to enter the markets of decriminalized regions by establishing re-distributor partnerships or opening new facilities. We also have the flexibility to introduce new products and services to our vast customer network. We have no supplier purchase commitments and no take or pay arrangements. In addition to these factors, we believe that we offer competitive pricing, prompt deliveries, and excellent customer service. We expect continued growth as we take measures to invest in our own molds and intellectual property.

On April 10, 2015, the Company paid cash consideration of $373,725 and issued 3,500,000 shares of common stock to the sellers of Dank Bottles, LLC ("Dank"), in exchange for all of 100% of the membership interests in Dank. Kush is identified as the acquiring company for US GAAP accounting purposes. Under the acquisition method of accounting, as of the effective time of the business combination, 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 business combination over the net fair value of Dank identified assets and intangible assets acquired and liabilities assumed were recorded as goodwill. The operational results discussed below include the activity for Dank from April 10, 2015 to August 31, 2015.

Discussion of Results of Operations for Fiscal 2016 Compared to Fiscal 2015

Total revenues increased from $4,013,571 in fiscal 2015 to $8,215,452 in fiscal 2016, an increase of $4,201,881 or 105%. This increase is primarily attributed to continued penetration of existing markets in California, Colorado, Washington, and Oregon as well as growth in new markets in other states. In addition, growth in volume of customer orders throughout the fiscal year in these markets contributed to the increase in revenues. Revenues in California increased from $1,149,563 in fiscal 2015 to $2,180,923 in fiscal 2016, an increase of 90%. Revenues in Colorado increased from $1,774,277 in fiscal 2015 to $3,102,730 in fiscal 2016, an increase of 75%. Revenues in Washington increased from $697,336 in fiscal 2015 to $1,742,603 in fiscal 2016, an increase of 150%. Revenues in Oregon increased from $228,641 in fiscal 2015 to $652,632 in fiscal 2016, an increase of 185%. Last, revenues from all other states and regions increased from $163,754 in fiscal 2015 to $536,616 in fiscal 2016, an increase of 228%. Sales growth was not significantly impacted by inflation or changes in pricing.

Cost of goods sold increased from $2,585,397 in fiscal 2015 to $5,536,234 in fiscal 2016, an increase of $2,950,837 or 114%. The three primary components of cost of goods sold include direct purchases, direct labor and freight. Gross profits in fiscal 2016 amounted to $2,679,218 for a 33% gross margin. Gross profits in fiscal 2015 amounted to $1,428,174 for a 36% gross margin. Gross Profits increased by $1,251,044 in fiscal 2016 or 88%. The driving factor behind the increase in sales, cost of goods sold, and gross profits in fiscal 2016 is due to the overall growth in sales volume as revenues increased by 105% in fiscal 2016.

Operating expenses in fiscal 2016 amounted to $2,594,763 compared to $1,773,895 in fiscal 2015, an increase of $820,868 or 46%. The increase stems from increases in payroll, professional fees, insurance, and rent. Payroll and payroll related expenses increased by $583,594 or 61% in fiscal 2016 due to the increase in head-count, notably an increase of 11. Furthermore, fiscal 2015 payroll costs only reflected only the impact of Dank employees for the period from April 10, 2015 to August 31, 2015. Professional fees increased by $55,061 or 55% in fiscal 2016 due to increased costs associated with being a public company. Rent expense increased $90,449 or 66% in fiscal 2016 due to increased rents, a full year of rent in Colorado, and the opening of a new larger facility in Woodinville, Washington in July 2016. Insurance increased by $37,707 or 82% due to expansion of general liability and D&O coverage.

The net result for the fiscal year ended August 31, 2016 was a profit of $71,739 or $0.00 income per share, compared to a loss of $339,303 or $0.01 loss per share for the prior fiscal year.

Liquidity and Capital Resources

At August 31, 2016, we had cash of $1,027,003 and a working capital surplus of $2,026,777 compared to cash of $201,259 and working capital of $207,481 as of August 31, 2015. Working capital increased by $1,819,296 or 877%.

Cash Flows from Operating Activities

Net cash used in operating activities increased from $202,228 in fiscal 2015 to $421,212 in fiscal 2016. The change is primarily attributed to the increase in cash outflow towards inventory and prepaid inventory in fiscal 2016. The Company focused heavily on expanding its inventory levels in fiscal 2016.

Cash Flows from Investing Activities

Net cash used in investing activities decreased from $410,945 in fiscal 2015 to $148,667 in fiscal 2016. The decrease of $262,278 is due to the $273,725 cash outflow required to acquire Dank in fiscal 2015.

Cash Flows from Financing Activities

Net cash provided by financing activities increased from $791,428 in fiscal 2015 to $1,395,623 in fiscal 2016. The increase is primarily due to the sale of shares of the Company's common stock to accredited investors in a private placement offering.

The Company manages its liquidity and financial position in the context of its overall business strategy. The Company continually forecasts and manages its cash, working capital balances, and capital structure to meet the short-term and long-term obligations of its business while seeking to maintain liquidity and financial flexibility.

As of August 31, 2015, the Company has historically funded its operations primarily through the issuance of equity. The Company had a net loss of $339,303 for the fiscal year ended August 31, 2015, and had an accumulated deficit of $748,447 as of August 31, 2015. For the fiscal year ended August 31, 2016, the Company has net income of $71,739, and an accumulated deficit of $676,708 as of August 31, 2016. The Company's net accounts receivables have averaged below 10 days of average sales for the past two fiscal years. The Company expects days sales outstanding to remain in the below 10-day range.

The Company believes that income generated from operations are adequate to fund existing obligations and introduce new products for at least the next twelve months. The Company may elect to raise additional funds, through debt or equity financings, for the purposes of expanding current operations, making capital acquisitions, or consummating strategic transactions. Additional equity or debt financing may not be available when needed, on terms favorable to the Company or at all.

Off-Balance Sheet Transactions

We have no off-balance sheet transactions.

Critical Accounting Policies and Estimates

We believe that the following critical policies affect our more significant judgments and estimates used in preparation of the our financial statements.

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 issue restricted stock to consultants and suppliers for various services for compensation. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is measurable more reliably measurable. The value of the Common Stock is measured at the earlier of: (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

The Company issues options and warrants to consultants, directors, and officers as compensation for services. These options and warrants are valued using the Black-Scholes model, which focuses on the current stock price and the volatility of moves to predict the likelihood of future stock moves. This method of valuation is typically used to price stock options and warrants based on the price of the underlying stock.

Intangibles, specifically goodwill, are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on generally on estimates of future cash flows or independent appraisals, if required. If the carrying amount of the intangible asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. We estimate fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

Fair value estimates used in preparation of the financial statements are based upon certain market assumptions and pertinent information available to our management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts payable, accrued liabilities. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

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. Significant estimates and assumptions made by management include, but are not limited to, the determination of the provision for income taxes, the fair value of stock-based compensation, and valuation of intangible assets. The Company bases the estimates on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Bad Debts

Trade accounts receivable are stated at the amount the Company expects to collect, and are derived from sales to customers. Management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. A reserve for uncollectible trade receivables is established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, client cash flow difficulties, or ongoing service or billing disputes. Historically, the Company has experienced a de minimis amount of bad debts. Trade credit is generally extended on a short-term basis, thus trade receivables do not bear interest.

Inventory

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

Revenue Recognition

It is the Company's policy that revenues from product sales is 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 accomodates 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.

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 measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair value on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Statement of Operations.

The Company estimates the fair value of share-based payment awards on the date of grant using the Black-Scholes model.

The Company's determination of fair value of share-based payment awards on the date of grant is affected by a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, stock price, exercise price, dividends paid, expected term and risk free discount rate. Although the fair value of stock options is determined in accordance with an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

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 7A. Quantitative and Qualitative Disclosures About Market Risk

We currently do not utilize sensitive instruments subject to market risk in our operations.

Item 8. Financial Statements and Supplementary Data.

Our financial statements and related explanatory notes can be found on the “F” Pages at the end of this Report.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our 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's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer (who is also the Company’s secretary and principal executive officer), and our chief financial officer (who is also the Company’s principal financial officer) to allow for timely decisions regarding required disclosure. Thus, in accordance with Rules 13a-15(b) under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (principal financial officer and principal accounting officer), of the effectiveness of our disclosure controls and procedures as of August 31, 2016 which is the end of the period covered by this Form 10-K. Based on the evaluation of these disclosure controls and procedures, and in light of the material weaknesses found in our internal controls over financial reporting, our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective. The ineffectiveness of our disclosure controls and procedures was due to material weaknesses identified in our internal control over financial reporting, described below.

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Our management, with the participation of our principal executive officer and principal financial officer have conducted an assessment, including testing, using the criteria in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("*COSO*") (2013). Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. This assessment included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of August 31, 2016. The ineffectiveness of the Company's internal control over financial reporting was due to the following material weaknesses, which are indicative of many small companies with small staff:

(i) inadequate segregation of duties consistent with control objectives;

(ii) lack of a code of ethics;

(iii) lack of a whistleblower policy;

(iv) lack of an independent board of directors or board committees related to financial reporting; and

(iv) lack of multiple levels of supervision and review.

We believe that the weaknesses identified above have not had any material effect on our financial results. While not being legally obligated to have an audit committee, it is our management's view that such a committee, including an independent financial expert member, is an utmost important entity level control over the Company's financial statements. Currently, the board of directors acts in the capacity of the audit committee. However, we are currently reviewing our disclosure controls and procedures related to these material weaknesses and expect to implement changes in the next fiscal year, including identifying specific areas within our governance, accounting and financial reporting processes to add adequate resources to potentially mitigate these material weaknesses.

Our management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Management's Remediation Plan

The weaknesses and their related risks are not uncommon in a company of our size because of the limitations in the size and number of staff. Due to our size and nature, segregation of all conflicting duties has not always been possible and may not be economically feasible.

However, we plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes in the next fiscal year as resources allow:

(i) appoint additional qualified personnel to address inadequate segregation of duties and implement modifications to our financial controls to address such inadequacies; and

(ii) adopt a written whistleblower policy and code of ethics; and

(iii) appoint an independent board of directors, including board committees related to financial controls and reporting.

The remediation efforts set out herein will be implemented in our 2017 fiscal year. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Management believes that despite our material weaknesses set forth above, our financial statements for the year ended August 31, 2016 are fairly stated, in all material respects, in accordance with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended August 31, 2016 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Subsequent to the fiscal quarter ended August 31, 2016, we implemented a new accounting software system which allows for greater security and restricted access to computer systems. This change had a material effect on our internal control over financial reporting as it establishes another level of formal controls.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth, as of the date of this filing, the name, age and positions of our officers and directors.

NAME	AGE	POSITION
Dallas Imbimbo	30	Chairman
Nicholas Kovacevich	30	Director, Chief Executive Officer and Secretary
Chris Martin	36	Chief Financial Officer
Ben Wu	37	Chief Operating Officer
Greg Gamet	44	Director

The background of our directors and executive officers is as follows:

Dallas Imbimbo - Chairman

Mr. Imbimbo has served as Chairman of the Company since its inception in December 2010. Mr. Imbimbo began his career in 2007 by founding PackMyDorm, a moving and storage solutions company operating at UC Davis, UC Berkeley, UC Santa Cruz and Stanford. In 2010, Dallas and his partners sold PackMyDorm and relocated to Southern California to establish the Company. In addition to his role at Kush Bottles, Mr. Imbimbo founded 3 Kings Ventures, LLC in 2011 and BigRentz Inc. in 2012. 3 Kings invests in and develops distressed residential real estate. BigRentz is one of the nation’s largest online network of equipment rentals and under his leadership as President and Chief Executive Officer, BigRentz has become one of the fastest growing companies in Southern California. Mr. Imbimbo devotes approximately 1-2 hours per day to Kush and its business. Mr. Imbimbo's background in developing small businesses combined with visionary outlook and managerial skills led to his appointment as our Chairman.

Nicholas Kovacevich - Director, Chief Executive Officer and Secretary

Mr. Kovacevich has served as Director and Secretary of the Company since its inception in December 2010. Mr. Kovacevich served as Chief Operating Officer from December 2010 up until August 29, 2014, at which time he was appointed to Chief Executive Officer. Mr. Kovacevich graduated Summa Cum Laude in 2009 from Southwest Baptist University with a B.S. in Sports Management. From 2009 to 2010, Mr. Kovacevich ran operations for a large-scale traveling basketball camp called Basketball Jones in which he honed his entrepreneurial and leadership skills. In addition to being a founder of Kush, Mr. Kovacevich partnered with Mr. Imbimbo and established 3 Kings Ventures, LLC in 2011 and BigRentz Inc. in 2012. Mr. Kovacevich devotes all of his time to Kush and its business, except for approximately 3 hours per week that Mr. Kovacevich devotes to BigRentz and its business. Mr. Kovacevich possesses excellent leadership and managerial skills and his background in developing small businesses led to his appointment as Director, Chief Executive Officer and Secretary of the Company.

Chris Martin - Chief Financial Officer

Mr. Martin has served as our Chief Financial Officer since July 29, 2014. Prior to joining Kush, Mr. Martin served as the Director of Accounting for Burleigh Point LTD (dba Billabong North America) from November 2013 to July 2014, overseeing all financial reporting for the North America region. From July 2004 to November 2013, Mr. Martin worked at Haskell and White LLP, a public accounting firm, where he obtained his California state CPA license and specialized in assurance and business advisory services for manufacturing and wholesale distribution clients. Mr. Martin has a B.S. in Business Economics from the University of California, Los Angeles. Mr. Martin's extensive technical and managerial experience led to his appointment as Chief Financial Officer of the Company. Mr. Martin's term of employment automatically extends for periods of one year on August 31 unless Mr. Martin or the Company provides non-renewal notice.

Ben Wu - Chief Operating Officer

Ben Wu initially served as interim Chief Executive Officer from February 18, 2014 up until August 29, 2014, at which point he transitioned to Chief Operating Officer. From April 2005 to December 2012, Mr. Wu worked for WedBush Capital Partners, a private equity fund focused on acquiring, professionalizing, and accelerating the growth of small entrepreneur owned companies. He was promoted Vice President in 2009. In 2000, Mr. Wu began his career at Bear, Stearns & Co., where he was an investment banking analyst. Mr. Wu's extensive experience in analyzing and bolstering the growth of small companies led to his appointment as Chief Operating Officer. Mr. Wu's term of employment automatically extends for periods of one year on December 31 unless Mr. Wu or the Company provides non-renewal notice.

Greg Gamet - Director

On May 4, 2015, the Board appointed Mr. Gamet as a Director and the Company entered into a Board of Director Services Agreement with Mr. Gamet. The term of the agreement is for three years. Mr. Gamet has more than fifteen years of business development, investor relations, and cannabis regulatory experience. From 2003 to 2013, Mr. Gamet owned and operated Vista Contractors, LLC, a Denver based landscape and concrete installation business with over 100 employees. Since 2009, Mr. Gamet has co-founded several companies, which include Dank Bottles, LLC, the Colorado market leader in child resistant packaging for the cannabis industry, which the Company acquired on April 10, 2015 and now operates under the business name Kush Bottles Colorado; Denver Consulting Group (DCG) a firm that provides training and support documents to the national growing cannabis industry; and, CannaScore, a compliance audit application for licensed cannabis businesses. Mr. Gamet devotes approximately 4 to 8 hours per day to Kush and its business. Mr. Gamet's background as a businessman and an innovative leader in the industry led to his appointment as our Director**.**

Director Qualifications

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business or banking. They should be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties for us. Each director must represent the interests of all stockholders. When considering potential director candidates, the Board also considers the candidate's character, judgment, diversity, and skills, including financial literacy and experience in the context of our needs and the needs of the Board.

Code of Ethics

We have not adopted a Code of Ethics, but we expect to adopt a Code of Ethics in fiscal 2017. The Company did not adopt a Code of Ethics in fiscal 2016 due to a lack of adequate time to review this process.

Involvement in Certain Legal Proceedings

To our knowledge, our directors and executive officers have not been involved in any of the following events during the past ten years:

- Any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
- Being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- Being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- Being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Information about our Board and its Committees.

We do not have an audit, compensation, advisory, or nominating committee comprised of independent directors, and accordingly, the functions that would have been performed by such committees are performed by our directors. Thus, there is a potential conflict of interest in that our directors and officers have the authority to determine issues concerning management compensation, nominations, and audit issues that may affect management decisions.

Conflicts of Interest

One of our directors devotes time to projects that do not involve us. Mr. Imbimbo, our Chairman, devotes a portion of his working time to one other private business activity. This could present a potential conflict of interest with respect to either, or both, of these individuals. However, management believes this does not constitute a significant risk to us to date, because the time allocated by these individuals to these other activities does not significantly affect their performance of services on behalf of, and for the benefit of, the Company.

SECTION 16(A) BENEFICIAL OWNER REPORTING COMPLIANCE.

Section 16(a) of the Securities and Exchange Act of 1934 requires that the Company's directors, executive officers, and persons who own more than 10% of registered class of the Company's equity securities, file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors, and greater than 10% beneficial owners are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

Item 11. Executive Compensation

Summary Compensation Table

As a smaller reporting company, we are required to disclose the executive compensation of our "Named Executive Officers" which consist of the following individuals: (i) any individual serving as our principal executive officer or acting in a similar capacity (the "CEO"); (ii) the two other most highly compensated executive officers of the Company serving as executive officers at the most recently completed fiscal year; and (iii) any additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at the end of the most recently completed fiscal year. The following table sets forth for fiscal 2015 and 2016, the compensation, awarded to, paid to, or earned by our named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compen -sation ($)	Total ($)
Nicholas Kovacevich	2016	75,400	13,500	0	0	0	0	0	88,900
Chief Executive Officer, Director and Secretary	2015	68,000	0	0	0	0	0	0	68,000
Chris Martin	2016	86,400	15,000	32,270	0	0	0	0	133,670
Chief Financial Officer	2015	84,000	0	0	0	0	0	0	84,000
Ben Wu	2016	132,400	15,000	0	0	0	0	0	147,400
Chief Operating Officer	2015	96,000	0	0	0	0	0	0	96,000

(1) Amounts reflect bonus awards that have been approved by the Board and accrued for as of August 31, 2016.

(2) Amounts reflect the aggregate grant date fair value of restricted shares granted in the year computed in accordance with FASB ASC Topic 718. These amounts are not necessarily paid to or realized by the officer.

(3) Amounts reflect the aggregate grant date fair value of stock options granted in the year computed in accordance with FASB ASC Topic 718. These amounts are not necessarily paid to or realized by the officer. Assumptions used in the calculation of these values are included in footnote 8 of the notes to the consolidated financial statements.

Employment Agreements

On February 18, 2014, we entered into an employment agreement with Ben Wu to serve as our Chief Executive Officer and President until December 31, 2014. Thereafter, the agreement automatically renews for additional 12-month terms unless a notice of non-renewal is provided by either party. On August 29, 2014, Ben Wu was appointed by the Board to serve as Chief Operating Officer and Nicholas Kovacevich was appointed to serve as Chief Executive Officer. Under Mr. Wu's employment agreement, he is entitled to receive compensation of $96,000 per year as a base salary and a discretionary annual cash bonus not to exceed his base salary, with the amount of such bonus, if any, determined by the Board. Mr. Wu also received 1,000,000 restricted shares of Company common stock pursuant to the terms of his employment agreement, which vested immediately upon execution of his agreement, as well as an option to purchase 1,000,000 shares of Company common stock at an exercise price of $0.05 per share. The fair value per share did not exceed the exercise price on the date of grant. The exercise price of the option was not adjusted or amended during fiscal 2015 and 2016. The option fully vested upon execution of Mr. Wu's employment agreement and is exercisable immediately. Effective September 1, 2015, Mr. Wu's salary increased to $130,000 per annum.

On July 28, 2014, we entered into an employment agreement with Chris Martin to serve as our Chief Financial Officer until August 31, 2015. Thereafter, the agreement automatically renews for additional 12-month terms unless a notice of non-renewal is provided by either party. Under his employment agreement, Mr. Martin is entitled to receive compensation of $84,000 per year as a base salary and a discretionary annual cash bonus not to exceed his base salary, with the amount of such bonus, if any, determined by the Board. Mr. Martin also received 100,000 restricted shares of Company common stock pursuant to the terms of his employment agreement, which vested immediately upon execution of his agreement. On January 15, 2016, we awarded 50,000 restricted shares of Company common stock to Mr. Martin.

All stock options and restricted stock awards were not modified during fiscal 2015 and 2016.

Outstanding Equity Awards

The following table provides information regarding outstanding stock options and unvested stock awards held by each of our named executive officers.

Option Awards						Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
Nicholas Kovacevich	-0-	-0-	-0-	-0-	**-0-**	**-0-**	-0-	-0-	-0-
Chris Martin	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ben Wu	1,000,000	--	-0-	$0.05	-0-	-0-	-0-	-0-	-0-

Equity Compensation Plan Information

On February 9, 2016, we approved the Kush Bottles, Inc. 2016 Stock Incentive Plan (“the Plan”). The Plan provides for the granting of incentive stock options, options that do not qualify as incentive stock options (such as nonstatutory options), restricted stock awards, performance awards, stock appreciation rights, phantom stock awards, stock awards, restricted stock purchase offers, or any combination of such awards. The Plan allows for a maximum of 5,000,000 shares to be issued. As of the date of this report, 1,039,000 options have been issued.

Potential Payments upon Termination or Change in Control

The employment agreements entered into by the Company with Ben Wu, Chief Operating Officer, and Chris Martin, Chief Financial Officer contain severance provisions. In the event of any of the following conditions triggering severance payment is effected as of or after six months of the employment commencement date, an amount equal to three months of base salary ($32,500) for Mr. Wu and one month of base salary ($7,000) for Mr. Martin:

Payments upon Termination. If (i) employment is terminated by the Company (A) without Cause, (B) by delivery of a Non-Renewal Notice by the Company, (C) by reason of death or disability, or (D) title or duties are materially modified, the Company changes its primary place of business or the location at which officer is expected to be by more than 50 miles, the Company materially breaches a material provision of the employment agreement or the Company otherwise materially and adversely changes the conditions of employment; or (ii) (A) a Change of Control is consummated (“Change of Control” means any of the following: any consolidation, merger, or recapitalization of the Company with, or any sale of Company equity to, any other non-affiliated entity as a result of which, in any such case, the beneficial holders of the issued and outstanding equity securities of the Company immediately prior to such transaction possess less than 50% of the voting power of the surviving entity immediately after such transaction; or any sale or transfer of all or substantially all of the assets of the Company), (B) office is not offered substantially equivalent employment with the surviving company (provided that any failure to offer a position with the identical title shall not be considered for purposes of determining such substantial equivalence) following the Change of Control and (C) officer resigns or otherwise voluntarily fails to continue employment with the Company or the surviving company following such Change of Control, as officer's sole and exclusive right and remedy.

Other than the employment agreements with Ben Wu and with Chris Martin described in the preceding paragraphs, the Company is not a party to any contract, agreement, plan, or arrangement, whether written or unwritten, that provides for a payment or payments to a named executive officer at, following, or in connection with the resignation, retirement, or other termination of employment of the named executive officer, or a change in control of the Company, or a change in the officer’s responsibilities following a change in control.

Compensation of Directors

On May 4, 2015, the Company entered into a Board of Director Services Agreement with Greg Gamet. In exchange for three years of service as Director, Mr. Gamet will receive an additional 200,000 shares of the Company's common stock, which vest over the three year term as follows: (a) 100,000 shares shall vest on May 30, 2016; and (b) from and after May 30, 2016, 100,000 shares shall vest ratably in 8 quarterly installment over the next 24 months, with each quarterly installment vesting on the last day of the fiscal quarter.

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.

We do not compensate our other two directors for their services in their capacity as directors. Directors are not paid for meetings attended. All travel and lodging expenses associated with corporate matters are reimbursed by us, if and when incurred.

Compensation Committee Interlocks and Insider Participation

We currently do not have a compensation committee although we intend to create one as the need arises. Currently, our Board of Directors serves as our Compensation Committee. Nicholas Kovacevich is a named executive officer who also serves on our Board of Directors and therefore makes decisions regarding compensation. Nicholas Kovacevich also serves as a director of BigRentz, Inc., and his responsibilities include matters of compensation. Dallas Imbimbo, Chairman, serves as Chairman and Chief Executive Officer of BigRentz, Inc.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following sets forth the number of shares of our $0.001 par value common stock beneficially owned by (i) each person who, as of November 3, 2016, was known by us to own beneficially more than five percent (5%) of our common stock; (ii) our individual Directors and (iii) our Officers and Directors as a group.

This information as to beneficial ownership was furnished to the Company by or on behalf of each person named. As of November 3, 2016, there were 48,960,447 shares of our common stock issued and outstanding.

Title Of Class	Name And Address Of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percentage Of Class
Common Stock	Dallas Imbimbo(2)	12,000,000	25%
Common Stock	Nicholas Kovacevich(2)	12,000,000	25%
Common Stock	Chris Martin(2)	150,000	(1)
Common Stock	Ben Wu(2)	2,000,000(3)	4%
Common Stock	Greg Gamet(4)	1,084,889	2%
Common Stock	John Kovacevich(2)	2,785,972	6%
Common Stock	Jeffrey Meng(5)	3,814,200	8%
Common Stock	All Directors and Officers as a Group	27,234,889	56%

(1) Less than 1%.

(2) The address is 1800 Newport Circle, Santa Ana, CA 92705.

(3) Includes 1,000,000 options to purchase common stock. Information regarding "Percentage of Class" in the table above is presented on a fully-diluted, as-if-exercised basis.

(4) The address is 3539 Gaylord St., Denver, CO 80205.

(5) The address is 17595 Harvard Ave, Suite C552, Irvine, CA 92614.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. The number of shares and the percentage beneficially owned by each individual listed above include shares that are subject to options held by that individual that are immediately exercisable or exercisable within 60 days from the date of this filing and the number of shares and the percentage beneficially owned by all officers and directors as a group includes shares subject to options held by all officers and directors as a group that are immediately exercisable or exercisable within 60 days from the date of this filing.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Transactions with Related Persons

Except as set out below, as of August 31, 2016, there have been no transactions, or currently proposed transactions, in which we were or are to be a participant and the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any of the following persons had or will have a direct or indirect material interest:

- any director or executive officer of our company;
- any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our outstanding shares of common stock;
- any promoters and control persons; and
- any member of the immediate family (including spouse, parents, children, siblings and in laws) of any of the foregoing persons.

Relationships

Nicholas Kovacevich, our Chief Executive Officer, Director, and Secretary, is the brother of John Kovacevich, our Product Manager and a greater than 5% stockholder. George and Rita Kovacevich together are a less than 1% stockholder, and are the parents of John and Nicholas Kovacevich. There are no other family relationships between any of our directors or executive officers.

As a result of the Dank acquisition on April 10, 2015, the Company owed $100,000 to the sellers of Dank. These loans are non-interest bearing, unsecured and due upon demand. As of August 31, 2016 and 2015, $0 and $75,000 were outstanding, respectively.

The Company sub-leases its corporate headquarters from 3 Kings Ventures, LLC, a related party owned by Dallas Imbimbo, Chairman, Nicholas Kovacevich, Chief Executive Officer, and Jeffrey Meng, a greater than 5% stockholder. During the fiscal years ended August 31, 2016 and 2015, the Company made rent payments to 3 Kings Ventures, LLC of $108,000 and $95,000, respectively. The Company sub-leases its Colorado facility from Elm Properties LLC, a related party in which Greg Gamet, Director, has majority ownership. During the fiscal year ended August 31, 2016, and during the period from April 10, 2015 to August 31, 2015, the Company made rent payments to Elm Properties, LLC of $66,750 and $20,400, respectively.

The Company entered into a royalty agreement on December 8, 2014 with KB Mold Company, Inc., a related party owned by Ben Wu, Chief Operating Officer, Chris Martin, Chief Financial Officer, and John Kovacevich, a greater than 5% stockholder. On October 10, 2016, the Company exercised its right under the royalty agreement and purchased the mold from KB Mold Company for $132,487. Since inception of the agreement through October 10, 2016, the Company has incurred a total of $126,603 of royalty fees from KB Mold Company. The Company is no longer required to pay any royalties to, or purchase any products from KB Mold

Director Independence

Our Board is currently composed of three members who are not independent. Our Common Stock is not currently listed for trading on a national securities exchange and, as such, we are not subject to any director independence standards. We evaluated independence in accordance with the rules of The New York Stock Exchange, Inc., which generally provides that a director is not independent if: (i) the director is, or in the past three years has been, an employee of ours; (ii) a member of the director's immediate family is, or in the past three years has been, an executive officer of ours; (iii) the director or a member of the director's immediate family has received more than $120,000 per year in direct compensation from us other than for service as a director (or for a family member, as a non-executive employee); (iv) the director or a member of the director's immediate family is, or in the past three years has been, employed in a professional capacity by our independent public accountants, or has worked for such firm in any capacity on our audit; (v) the director or a member of the director's immediate family is, or in the past three years has been, employed as an executive officer of a company where one of our executive officers serves on the compensation committee; or (vi) the director or a member of the director's immediate family is an executive officer of a company that makes payments to, or receives payments from, us in an amount which, in any twelve-month period during the past three years, exceeds the greater of $1,000,000 or 2% of that other company's consolidated gross revenues.

Founders

Our founders are Dallas Imbimbo, Nicholas Kovacevich, John Kovacevich and Jeffrey Meng.

The following table lists the money, property, contracts, options or rights of any kind received and to be received by each of our founders from us, and the nature and amount of any assets, services or other consideration therefore received or to be received by us from our founders:

Founder	Money, property, contracts, options and rights received or to be received by Founders from the Company	Assets, services or other consideration received or to be received by the Company from Founders
Dallas Imbimbo	12,000,000 shares of common stock Wages of $116,868	Capital of $19,505
Nicholas Kovacevich	12,000,000 shares of common stock Wages of $286,714	Capital of $19,505 Loans of $40,000
Jeffrey Meng	4,700,000 shares of common stock Wages of $40,000	Capital of $19,505 Loans of $50,000
John Kovacevich	3,700,000 shares of common stock Wages of $171,595	Capital of $19,505

We have not utilized the services of a promoter at any point in time from inception of the business in December 2010 to the current date of this filing, other than services provided by our founders described in the table above.

Item 14. Principal Accounting Fees and Services.

Appointment of Auditors

Our Board of Directors selected RBSM LLP ("RBSM") as our auditors for the years ended August 31, 2016 and 2015.

Audit Fees

RBSM billed us $56,000 in audit fees during the year ended August 31, 2016.

RBSM billed us $52,000 in audit fees during the year ended August 31, 2015.

Audit-Related Fees

We did not pay any fees to RBSM for assurance and related services that are not reported under Audit Fees above, during our fiscal years ending August 31, 2016 and 2015.

Tax and All Other Fees

We paid RBSM $13,000 in fee for tax advice, tax planning and other work during our fiscal year ending August 31, 2016.

Pre-Approval Policies and Procedures

We have implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, our board of directors pre-approves all services to be provided by RBSM and the estimated fees related to these services.

With respect to the audit of our financial statements as of August 31, 2016 and August 31, 2015, and for the year then ended, none of the hours expended on RBSM's engagement to audit those financial statements were attributed to work by persons other than RBSM full-time, permanent employees.

Item 15. Exhibits, Financial Statement Schedules.

Exhibits	**Exhibit #**	**Filed with This Report**
Certification of Nicholas Kovacevich and Chris Martin pursuant to Rule 13a-14(a)	31.1, 31.2	X
Certification of Nicholas Kovacevich and Chris Martin pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	32.1, 32.2	X
Kush Bottles, Inc. 2016 Incentive Plan (incorporated by reference to Exhibit 4.1 of our Form S-8 (File No. 333-209439) filed with the Securities and Exchange Commission on February 9, 2016)	10.1	
XBRL Instance Document	101.INS	X
XBRL Taxonomy Extension Schema Document	101.SCH	X
XBRL Taxonomy Extension Calculation Linkbase Document	101.CAL	X
XBRL Taxonomy Extension Definition Linkbase Document	101.DEF	X
XBRL Taxonomy Extension Label Linkbase Document	101.LAB	X
XBRL Taxonomy Extension Presentation Linkbase Document	101.PRE	X

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: November 3, 2016	By:	/s/ Nicholas Kovacevich Chief Executive Officer and Secretary
Date: November 3, 2016	By:	/s/ Chris Martin Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant on the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Dallas Imbimbo Dallas Imbimbo	Chairman	November 3, 2016
/s/ Nicholas Kovacevich Nicholas Kovacevich	Director	November 3, 2016
/s/ Greg Gamet Greg Gamet	Director	November 3, 2016

KUSH BOTTLES, Inc.

Consolidated Financial Statements

August 31, 2016 and 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Kush Bottles, Inc.

We have audited the accompanying consolidated balance sheets of Kush Bottles, Inc. (the "Company") as of August 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kush Bottles, Inc. at August 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ RBSM LLP

November 3, 2016

Larkspur, CA

KUSH BOTTLES, INC
Consolidated Balance Sheets

	August 31, 2016	August 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,027,003	$ 201,259
Accounts receivable, net of allowance	199,844	146,392
Prepaids	596,456	153,389
Inventory	1,142,458	662,368
Total Current Assets	2,965,761	1,163,408
Goodwill	2,376,589	2,376,589
Deposits	12,220	-
Property and equipment, net	273,597	205,271
TOTAL ASSETS	$ 5,628,167	$ 3,745,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 369,636	$ 377,199
Accrued expenses and other current liabilities	549,101	391,334
Line of credit	-	85,000
Notes payable - related parties	-	75,000
Notes payable - current portion	20,247	27,394
Total Current Liabilities	938,984	955,927
LONG-TERM DEBT		
Notes payable	39,307	54,585
TOTAL LIABILITIES	978,291	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, 48,300,162 and 46,132,779 shares issued and outstanding, respectively	48,300	46,133
Additional paid-in capital	5,278,284	3,437,070
Accumulated deficit	(676,708)	(748,447)
Total Stockholders' Equity	4,649,876	2,734,756
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,628,167	$ 3,745,268

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

KUSH BOTTLES, INC
Consolidated Statements of Operations

	For the Years Ended August 31, 2016	2015
REVENUE	$ 8,215,452	$ 4,013,571
COST OF GOODS SOLD	5,536,234	2,585,397
GROSS PROFIT	2,679,218	1,428,174
OPERATING EXPENSES		
Depreciation	26,253	30,267
Stock compensation expense	137,887	-
Selling, general and administrative	2,430,623	1,743,628
Total Operating Expenses	2,594,763	1,773,895
INCOME (LOSS) FROM OPERATIONS	84,455	(345,721)
OTHER INCOME (EXPENSES)		
Other income	7,582	12,980
Interest expense	(20,298)	(6,562)
Total Other Income (Expenses)	(12,716)	6,418
INCOME (LOSS) BEFORE INCOME TAXES	71,739	(339,303)
PROVISION FOR INCOME TAXES	-	-
NET INCOME (LOSS)	$ 71,739	$ (339,303)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ 0.00	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	46,911,818	42,718,159
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	48,109,866	42,718,159

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

KUSH BOTTLES, INC.
Consolidated Statements of Stockholders' Equity

	Common Stock		Common Stock to be Issued		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, August 31, 2014	40,720,000	$ 40,720	750,000	$ 750	$ 535,082	$ (409,144)	$ 167,408
Stock issued for services	50,000	50	(50,000)	(50)	-	-	-
Stock sold to investors	1,262,779	1,263	(100,000)	(100)	735,838	-	737,001
Stock compensation	600,000	600	(600,000)	(600)	-	-	-
Acquisition of Dank Bottles, LLC	3,500,000	3,500	-	-	2,166,150	-	2,169,650
Net loss for the year ended August 31, 2015	-	-	-	-	-	(339,303)	(339,303)
Balance, August 31, 2015	46,132,779	$ 46,133	-	$ -	$ 3,437,070	$ (748,447)	$ 2,734,756
Stock sold to investors	1,955,028	1,955	-	-	1,576,093	-	1,578,048
Stock option amortization	-	-	-	-	91,960	-	91,960
Accrued compensation paid in stock	147,500	147	-	-	95,049	-	95,196
Stock issued for prepaid machinery	25,000	25	-	-	32,225	-	32,250
Share-based compensation	39,855	40	-	-	45,887	-	45,927
Net income for the year ended August 31, 2016	-	-	-	-	-	71,739	71,739
	48,300,162	$ 48,300	-	$ -	$ 5,278,284	$ (676,708)	$ 4,649,876

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

KUSH BOTTLES, INC.
Consolidated Statements of Cash Flows

	For the Years Ended August 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 71,739	$ (339,303)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	80,341	30,267
Stock compensation expense	137,887	-
Changes in operating assets and liabilities		
Accounts receivable	(53,452)	(24,412)
Prepaids	(410,817)	(15,340)
Inventory	(480,090)	(208,427)
Deposits	(12,220)	-
Accounts payable	(7,563)	94,285
Accrued expenses and other current liabilities	252,963	260,702
Net cash used in operating activities	(421,212)	(202,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Dank Bottles, LLC	-	(273,725)
Purchase of property and equipment	(148,667)	(137,220)
Net cash used in investing activities	(148,667)	(410,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of related party loan	(75,000)	(75,000)
Drawdown on line of credit	155,000	-
Payments on line of credit	(240,000)	-
Proceeds from notes payable	-	173,472
Repayment of notes payable	(22,425)	(44,045)
Proceeds from sale of stock	1,578,048	737,001
Net cash provided by financing activities	1,395,623	791,428
NET INCREASE IN CASH	825,744	178,255
CASH AT BEGINNING OF PERIOD	201,259	23,004
CASH AT END OF PERIOD	$ 1,027,003	$ 201,259
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	$ 20,298	$ 6,562
Income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Prepaid machinery paid in stock	$ 32,250	$ -
Accrued compensation paid in stock	$ 95,196	$ -

The accompanying notes are an integral part of the 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) 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.

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 April 10, 2015, 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. 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 final 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 consolidated financial statements and related notes include the activity of the Company and its wholly owned subsidiaries, KIM and Dank, and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant inter-company transactions and balances have been eliminated in consolidation.

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. Significant estimates and assumptions made by management include, but are not limited to, the determination of the provision for income taxes, the fair value of stock-based compensation, and valuation of intangible assets. The Company bases the estimates on historical experience and on various other assumptions that are believed to be reasonable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to consist of cash on hand and investments having an original maturity of 90 days or less that are readily convertible into cash. As of August 31, 2016 and 2015, the Company had $1,027,003 and $201,259, respectively.

Accounts Receivable

Trade accounts receivable are stated at the amount the Company expects to collect, and are derived from sales to customers. Management reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. A reserve for uncollectible trade receivables is established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, client cash flow difficulties, or ongoing service or billing disputes. Historically, the Company has experienced a de minimis amount of bad debts. Trade credit is generally extended on a short-term basis, thus trade receivables do not bear interest. The Company's allowance for doubtful accounts was $2,000 and $5,080 as of August 31, 2016 and 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 $1,142,458 and $662,368 as of August 31, 2016 and 2015, respectively.

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. 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. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Furniture and Fixtures	5-7 years
Computer Equipment	3 years
Computer Software	3 years
Leasehold Improvements	The shorter of remaining term of the lease or useful life

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate the carrying values of such assets may not be recoverable.

For property and equipment to be held and used, impairment is determined by a comparison of the carrying value of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of then current carrying value or fair value less cost to sell. No events were noted that would cause an impairment of property and equipment in the years ended August 31, 2016 and 2015.

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 conduct 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 2016, the Company began its assessment with the step zero qualitative analysis. The Company's management determined that the fair value of the goodwill 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 2016.

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 earnings or loss per share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average of all potentially dilutive shares of common stock that were outstanding during the periods presented.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period.

EPS for convertible debt is calculated under the "if-converted" method. Under the if converted method, EPS is calculated as the more dilutive of EPS (i) including all interest (both cash interest and non-cash discount amortization) and excluding all shares underlying the Notes or; (ii) excluding all interest and costs directly related to the convertible debt (both cash interest and non-cash discount amortization) and including all shares underlying the convertible debt.

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 years ended August 31, 2016 and 2015, the Company had no elements of comprehensive income or loss.

Revenue Recognition

It is the Company's policy that revenues from product sales is 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. As of August 31, 2016 and 2015, the Company had provisions for sales discounts of $96,591 and $21,183, respectively. The Company has not established a formal customer incentive program, but considers and accomodates 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.

During the year ended August 31, 2016 and 2015, the Company had a refund allowance of $0. 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.

Warranty Costs

The Company has not had any historical warranty related expenditures from the sales of its products, which if incurred would result in the return of any defective products by customers.

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. Thus, during the measurement period, which may be up to one year from the acquisition date, the Company may record 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 the Company has 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 its 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 measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair value on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Statement of Operations.

The Company estimates the fair value of share-based payment awards on the date of grant using the Black-Scholes model.

The Company's determination of fair value of share-based payment awards on the date of grant is affected by a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, stock price, exercise price, dividends paid, expected term and risk free discount rate. Although the fair value of stock options is determined in accordance with an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

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.

Advertising

The Company conducts advertising for the promotion of its services. In accordance with ASC Topic 720-35-25, advertising costs are charged to operations when incurred.

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. The Company did not recognize any interest or penalties for unrecognized tax benefits during the years ended August 31, 2016 and 2015, nor was any interest or penalties accrued as of August 31, 2016 and 2015.

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.

Application of Valuation Hierarchy

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.

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.

The Company had no financial assets or liabilities that are measured at fair value on a recurring basis as of August 31, 2016 and 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 the prior period data to conform 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 fiscal year ended August 31, 2016 and 2015, two vendors accounted for approximately 24% and 34% of total inventory purchases, respectively.

Customer Concentrations

For the fiscal year ended August 31, 2016 and 2015, there were no customers that 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 August 31, 2016 and 2015, respectively.

The Company leases its California and Colorado facilities from related parties. During the fiscal years ended August 31, 2016 and 2015, the Company made rent payments of $174,750 and $115,400, 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 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 August 31:

	August 31, 2016	August 31, 2015
Office Equipment	$ 71,507	$ 28,955
Machinery and equipment	147,577	68,173
Leasehold improvements	63,323	32,780
Vehicles	116,592	140,609
	398,999	270,517
Accumulated Depreciation	(125,402)	(65,246)
	$ 273,597	$ 205,271

Depreciation expense was $80,341 and $30,267 for the fiscal years ended August 31, 2016 and 2015, respectively.

NOTE 5 - GOODWILL

The following table summarizes the changes in the carrying amount of goodwill for the fiscal years ended August 31, 2016 and 2015:

	Total
Goodwill, gross	$ 2,376,589
Accumulated impairment losses	-
Balance as of August 31, 2015	$ 2,376,589
Additions	-
Deductions	-
Impairment loss	-
Goodwill, gross	$ 2,376,589
Accumulated impairment losses	-
Balance as of August 31, 2016	$ 2,376,589

The Company had no impairment to the carrying value of goodwill as of August 31, 2016.

NOTE 6 – LONG TERM DEBT

Automobile Contracts Payable

The Company has entered into purchase contracts for its vehicles. The loans are secured by the vehicles and bear interest at an average interest rate of approximately 12% per annum. The composition of these automobile contracts payable is summarized in the table below:

	Principal Due
2017	$ 20,247
2018	20,981
2019	12,723
2020	5,603
	$ 59,554

NOTE 7 – CURRENT LIABILITIES

Line of Credit

On April 6, 2015, the Company entered into a $240,000 revolving line of credit facility. The loan bears interest at prime plus 2.75%. The maturity date of the loan was extended from April 1, 2016 to September 1, 2016. The Company paid down the loan in full on August 19, 2016. As of August 31, 2016 and 2015, the balance on this loan is $0 and $85,000, respectively.

Accrued Expenses

Accrued expenses and other current liabilities consist of the following as of August 31:

	August 31, 2016	August 31, 2015
Customer deposits	$ 260,409	$ 177,493
Accrued compensation	178,769	144,428
Credit card liabilities	67,813	56,748
Deferred rent	18,810	-
Sales tax payable	23,300	12,665
	$ 549,101	$ 391,334

NOTE 8 – STOCKHOLDERS' EQUITY

Preferred Stock

The authorized preferred stock is 10,000,000 shares with a par value of $0.001. As of August 31, 2016 and 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 August 31, 2016 and 2015, 48,300,162 and 46,132,779 shares were issued and outstanding, respectively.

During the year ended August 31, 2015, the Company sold 1,162,779 shares of its common stock to investors in exchange for cash of $737,001.

During the year ended August 31, 2016, the Company sold 1,955,028 shares of its common stock to investors in exchange for cash of $1,578,048.

On April 10, 2015, the Company concluded an equity purchase agreement to acquire all of the issued and outstanding membership interests in Dank. As a result of the acquisition, the Company issued 3,500,000 shares of common stock to the sellers of Dank at a fair value of $2,169,650.

Share-based Compensation

During the year ended August 31, 2016, the Company issued 187,355 shares of common stock to employees and consultants in exchange for $141,123 of services rendered, of which $95,196 was included in accrued expenses as of August 31, 2015. In addition, on March 17, 2016, the Company issued 25,000 shares of common stock, valued at $32,250, as partial payment for the development of specific machinery and equipment. This amount is included in prepaid expenses as of August 31, 2016. The total amount of stock compensation expense pertaining to shares issued directly to employees and consultants was $45,927 and $0 for the years ended August 31, 2016 and 2015. This amount is included in stock compensation expense on the consolidated statements of operations.

Stock Options

The Company's 2016 Stock Incentive Plan (the Plan) was adopted on February 9, 2016. The Plan permits the grant of share options and shares to its employees and directors for up to 5,000,000 shares of common stock. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on three years of continuous service and have 10-year contractual terms. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

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 following table summarizes the assumptions the Company utilized to record compensation expense for stock options granted during the years ended August 31, 2016 and 2015:

	August 31, 2016	August 31, 2015
Expected term (years)	2-4	N/A
Expected volatility	60%	N/A
Weighted-average volatility	60%	N/A
Risk-free interest rate	0.71%-1.20%	N/A
Dividend yield	0%	N/A
Expected forfeiture rate	33%	N/A

The expected life is computed using the simplified method, which is the average of the vesting term and the contractual term. The expected volatility is based on management's analysis of historical volatility for comparable companies. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected term of the related option at the time of the grant. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

During the year ended August 31, 2016, the Company issued 1,039,000 stock options pursuant to the Company's 2016 Stock Incentive Plan. A summary of the Company's stock option activity during the year ended August 31, 2016 and 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	1,039,000	1.07	10.00 years	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance Outstanding, August 31, 2016	2,039,000	$ 0.57	6.15 years	$ 2,283,680
Exercisable, August 31, 2016	1,130,000	$ 0.17	3.29 years	$ 1,717,600

The weighted-average grant-date fair value of options granted during the years ended August 31, 2016 and 2015, was $0.43 and $0, respectively. There were no options exercised or forfeited during the years ended August 31, 2016 and 2015.

A summary of the status of the Company's non-vested options as of August 31, 2016, and changes during the year ended August 31, 2016, is presented below:

	No. of Options	Weighted Average Grant-Date Fair Value
Nonvested at August 31, 2015	-	$ -
Granted	1,039,000	448,016
Vested	(130,000)	(91,960)
Forfeited	-	-
Nonvested at August 31, 2016	909,000	$ 356,056

As of August 31, 2016, there was $356,056 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of shares vested during the years ended August 31, 2016 and 2015, was $91,960 and $0, respectively. These amounts are included in stock compensation expense on the consolidated statements of operations.

NOTE 9 – INCOME TAXES

For the fiscal years ended August 31, 2016 and 2015, the Company incurred a net profit (loss) of $71,739 and $(339,303), respectively. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is $366,757 as of August 31, 2016 and will expire beginning in the year 2034.

The provision for income tax consists of the following:

	August 31, 2016	August 31, 2015
Federal income (tax) benefit attributable to:		
Current operations	$ 24,391	$ 135,159
Non-deductible entertainment	31,059	
Prior year adjustments	17,810	
State tax, net of Federal benefit	9,516	
Stock compensation	-	37,921
Depreciation	-	10,065
Less: valuation allowance	(82,776)	(183,145)
Net provision for Federal income taxes	$ -	$ -

The cumulative tax effect at the expected rate of 43% of significant items comprising our net deferred tax amount is as follows:

	August 31, 2016	August 31, 2015
Deferred tax asset attributable to:		
Net operating loss carryover	$ 149,622	$ 148,412
Stock compensation	75,133	148,872
Depreciation	2,197	12,443
Valuation allowance	(226,952)	(309,727)
Net deferred tax asset	$ -	$ -

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards of approximately $366,757 for Federal income tax reporting purposes are subject to annual limitations, which expire starting 2034. Net operating loss carry forwards may be limited as to use in future years should a change in majority ownership occur. The Company did not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of August 31, 2016 and 2015, the Company had no accrued interest or penalties related to uncertain tax positions. The tax years that remain subject to examination by major taxing jurisdictions are for the years ended August 31, 2016, 2015 and 2014.

NOTE 10 – EARNINGS (LOSS) PER SHARE

We calculate basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share reflect the effects of potentially diluted securities. Because we incurred a net loss for the fiscal year ended August 31, 2015, common stock equivalents are anti-dilutive, and accordingly basic and diluted loss per share were the same for fiscal 2015. The summary of the basic and diluted earnings per share computations is as follows:

	August 31, 2016	August 31, 2015
Net income (loss)	$ 71,739	$ (339,303)
Weighted average common shares outstanding for basic EPS	46,911,818	42,718,159
Net effect of dilutive options	1,198,048	-
Weighted average common shares outstanding for diluted EPS	48,109,866	42,718,159
Basic earnings (loss) per share	$ 0.00	$ (0.01)
Diluted earnings (loss) per share	$ 0.00	$ (0.01)

NOTE 11 – 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, 2018 and requires monthly payments of $10,000 in fiscal 17 and $11,000 in fiscal 18, for a total of $252,000 in lease commitments through the end of term. On April 1, 2016, the Company entered into a new sublease agreement for a facility located in Woodinville, Washington. The lease commenced on July 15, 2016 and expires on January 31, 2020, and requires escalating monthly payments that range between $14,985 and $16,022, for a total of $622,653 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 $241,800 in future lease commitments through the end of the term. During the years ended August 31, 2016 and 2015, the Company recognized $226,559 and $136,110, respectively, of rental expense, related to its office, retail and warehouse space.

Minimum future commitments under non-cancelable operating leases and other obligations were as follows at August 31, 2016:

2017	$ 354,107
2018	383,332
2019	258,304
2020	120,710
	$ 1,116,453

Other Commitments

In the ordinary course of business, the Company may enter into contractual purchase obligations and other agreements that are legally binding and specify certain minimum payment terms. The Company had no such agreements as of August 31, 2016.

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 August 31, 2016 and 2015.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to August 31, 2016 and through the date of this filing, the Company sold 660,285 restricted shares of common stock to accredited investors in exchange for cash consideration of $868,999.

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

I, Nicholas Kovacevich, certify that:

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

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 annual 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: November 3, 2016

/s/ Nicholas Kovacevich
Nicholas Kovacevich
Chief Executive 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 annual report of Kush Bottles, Inc. on Form 10-K;

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 annual 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: November 3, 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 Annual Report of Kush Bottles, Inc. (the Company") on Form 10-K 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: November 3, 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 Annual Report of Kush Bottles, Inc. (the Company") on Form 10-K 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: November 3, 2016

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