

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended November 30, 2015

or

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

Commission File Number: 333-174705

**CLS HOLDINGS USA, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

45-1352286

(I.R.S. Employer Identification No.)

1435 Yarmouth Street, Boulder, Colorado 80304

(Address of principal executive offices) (Zip Code)

(888) 438-9132

Registrant's telephone number, including area code)

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 20,070,003 shares (post reverse-split) of \$0.0001 par value common stock outstanding as of January 12, 2016.

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**CLS HOLDINGS USA, INC.**  
FORM 10-Q  
Quarterly Period Ended November 30, 2015

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## EXPLANATORY NOTE

Unless otherwise noted, references in this registration statement to “CLS Holdings USA, Inc.,” the “Company,” “we,” “our” or “us” means CLS Holdings USA, Inc. and its subsidiaries.

### FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to anticipated future events, future results of operations or future financial performance. These forward-looking statements include, but are not limited to, statements relating to the adequacy of our capital to finance our planned operations, market acceptance of our services and product offerings, our ability to attract and retain key personnel, and our ability to protect our intellectual property. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “will,” “should,” “intends,” “expects,” “plans,” “goals,” “projects,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry’s) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered together with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

### AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC that can be inspected and copied at the public reference facility maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0405. Information regarding the public reference facilities may be obtained from the SEC by telephoning 1-800-SEC-0330. The Company’s filings are also available through the SEC’s Electronic Data Gathering Analysis and Retrieval System, which is publicly available through the SEC’s website ([www.sec.gov](http://www.sec.gov)). Copies of such materials may also be obtained by mail from the public reference section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0405 at prescribed rates.

**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements.****CLS HOLDINGS USA, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>November 30, 2015</u>	<u>May 31, 2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 24,648	\$ 208,821
Prepaid expenses	30,759	31,800
Total current assets	55,407	240,621
Security deposit	50,000	50,000
Property, plant and equipment, net of accumulated depreciation of \$446 and \$0	2,228	-
Note receivable related party, noncurrent, net of allowance of \$500,000 and \$500,000	-	-
Intangible assets, net of accumulated amortization of \$180 and \$0	1,978	2,158
Total assets	<u>\$ 109,613</u>	<u>\$ 292,779</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 267,018	\$ 145,024
Deferred rent liability	46,603	-
Accrued compensation, related party	175,000	106,250
Due to related party	17,930	18,455
Accrued interest	17,671	2,630
Accrued interest, related party	25,289	3,337
Notes payable, related party	945,000	600,000
Total current liabilities	1,494,511	875,696
Noncurrent liabilities		
Convertible notes payable, net of debt discount of \$161,111 and \$194,444	38,889	5,556
Total Liabilities	1,533,400	881,252
Commitments and contingencies	-	-
Stockholder's equity (deficit)		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 20,070,003 and 20,000,003 shares issued and outstanding at November 30, 2015 and May 31, 2015	2,007	2,000
Preferred stock, \$0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	945,246	887,614
Stock payable	150,417	37,500
Accumulated deficit	(2,521,457)	(1,515,587)
Total stockholder's equity (deficit)	(1,423,787)	(588,473)
Total liabilities and stockholders' equity (deficit)	<u>\$ 109,613</u>	<u>\$ 292,779</u>

See accompanying notes to these financial statements.

**CLS HOLDINGS USA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<u>For the Three Months Ended November 30, 2015</u>	<u>For the Three Months Ended November 30, 2014</u>	<u>For the Six Months Ended November 30, 2015</u>	<u>For the Six Months Ended November 30, 2014</u>
Revenue	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-
Gross margin	-	-	-	-
Selling, general and administrative expenses	326,996	116,058	511,403	210,078
Professional fees	<u>165,448</u>	<u>82,495</u>	<u>423,602</u>	<u>110,571</u>
Total operating expenses	492,444	198,553	935,005	320,649
Operating loss	(492,444)	(198,553)	(935,005)	(320,649)
Other (income) expense:				
Interest expense	<u>36,914</u>	<u>180</u>	<u>70,865</u>	<u>180</u>
Total other expense	36,914	180	70,865	180
Income (Loss) before income taxes	(529,358)	(198,733)	(1,005,870)	(320,829)
Income tax expense	-	-	-	-
Net income (loss)	<u>\$ (529,358)</u>	<u>\$ (198,733)</u>	<u>\$ (1,005,870)</u>	<u>\$ (320,829)</u>
Net income (loss) per share - basic	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
Net income (loss) per share - diluted	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding - basic	<u>20,061,981</u>	<u>15,000,000</u>	<u>20,031,806</u>	<u>15,000,000</u>
Weighted average shares outstanding - diluted	<u>20,061,981</u>	<u>15,000,000</u>	<u>20,031,806</u>	<u>15,000,000</u>

See accompanying notes to these financial statements.

**CLS HOLDINGS USA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Six Months Ended November 30, 2015</b>	<b>For the Six Months Ended November 30, 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,005,870)	\$ (320,829)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	539	180
Issuance of stock for services	60,850	-
Stock-based compensation – related party	109,167	-
Amortization of debt discount	33,333	-
Depreciation and amortization	626	-
Changes in assets and liabilities:		
Due from related parties	-	(162)
Prepaid expenses	1,041	(108,898)
Accounts payable and accrued expenses	121,994	24,290
Deferred liabilities	46,603	-
Accrued compensation, related party	68,750	25,000
Due to related parties	(525)	17,930
Accrued interest, related party	21,952	-
Accrued interest	15,041	-
Net cash used in operating activities	(526,499)	(362,489)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments to acquire equipment	(2,674)	-
Payments to acquire intangible assets	-	(2,158)
Payments for investment in shell company	-	(295,250)
Net cash used in investing activities	(2,674)	(297,408)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sale of common stock	-	1,000,000
Proceeds from related party note	345,000	-
Net cash provided by financing activities	345,000	1,000,000
Net increase in cash and cash equivalents	(184,173)	340,103
Cash and cash equivalents at beginning of period	208,821	-
Cash and cash equivalents at end of period	\$ 24,648	\$ 425,302
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Stock issued to founder for intellectual property	\$ -	\$ 500

See accompanying notes to these financial statements.

**CLS HOLDINGS USA, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**November 30, 2015**  
**(Unaudited)**

**Note 1 – Nature of Business and Significant Accounting Policies**

Nature of Business

CLS Holdings USA, Inc. (the “Company”) was originally incorporated as Adelt Design, Inc. (“Adelt”) on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced operations.

On November 12, 2014, CLS Labs, Inc. (“CLS Labs”) acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the “Reverse Split”), wherein 0.625 shares of the Company’s common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 shares of the Company’s common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings, entered into an Agreement and Plan of Merger (the “Merger Agreement”) and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the “Merger”). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

The Company has a patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes (“e-cigarettes”), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its patent pending proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

The Company has adopted a fiscal year end of May 31st.

Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Labs, Inc. and CLS Labs Colorado, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of Estimates

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

### Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of \$24,648 and \$208,821 as of November 30, 2015 and May 31, 2015, respectively.

### Property, Plant and Equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over the estimated useful lives. Computer equipment is being depreciated over a three year period.

### Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

### Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred no advertising and marketing costs for the three and six months ended November 30, 2015 and 2014.

### Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred \$0 and \$32,769 of research and development costs for the six months ended November 30, 2015 and 2014, respectively.

### Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the establishment of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to the extent deferred tax assets may not be recoverable after consideration of the future reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income.

### Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had no items that required fair value measurement on a recurring basis.

### Revenue Recognition

For revenue from product sales, the Company recognizes revenue using four basic criteria that 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 judgment regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been 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.

The Company has not generated revenue to date.



### Basic and Diluted Loss Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the three and six months ended November 30, 2015 and 2014.

### Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingency liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

### Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("this Update") as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The FASB received feedback that having different balance sheet presentation requirements for debt issuance costs and debt discount and premium creates unnecessary complexity. Recognizing debt issuance costs as a deferred charge (that is, an asset) also is different from the guidance in International Financial Reporting Standards (IFRS), which requires that transaction costs be deducted from the carrying value of the financial liability and not recorded as separate assets. Additionally, the requirement to recognize debt issuance costs as deferred charges conflicts with the guidance in FASB Concepts Statement No. 6, Elements of Financial Statements, which states that debt issuance costs are similar to debt discounts and in effect reduce the proceeds of borrowing, thereby increasing the effective interest rate. Concepts Statement 6 further states that debt issuance costs cannot be an asset because they provide no future economic benefit. To simplify presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. For public business entities, 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. For all other entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company is currently evaluating the effects of adopting this ASU, if it is deemed to be applicable.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying unaudited condensed consolidated financial statements.

**Note 2 – Going Concern**

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of \$2,521,457 as of November 30, 2015. Further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with loans and/or the proceeds from the sale of securities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

**Note 3 – Merger with CLS Labs**

On April 29, 2015, the Company, CLS Labs and CLS Merger, Inc., a Nevada corporation and wholly owned subsidiary of the Company, entered into an Agreement and Plan of Merger (the "Merger Agreement") and completed a merger, whereby CLS Merger, Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the "Merger"). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in the Company in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

For financial reporting purposes, the Merger represents a capital transaction of CLS Labs or a "reverse merger" rather than a business combination, because the sellers of CLS Labs controlled the Company immediately following the completion of the Merger. As such, CLS Labs is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is being treated as a recapitalization of CLS Labs. Accordingly, the assets and liabilities and the historical operations reflected in the Company's ongoing financial statements are those of CLS Labs and are recorded at the historical cost basis of CLS Labs. The Company's assets, liabilities and results of operations have been consolidated with the assets, liabilities and results of operations of CLS Labs after consummation of the Merger. The Company's historical capital accounts have been retroactively adjusted to reflect the equivalent number of shares issued by the Company in the Merger while CLS Labs' historical retained earnings have been carried forward. The historical financial statements of the Company before the Merger will be replaced with the historical financial statements of CLS Labs before the Merger in all future filings with the Securities and Exchange Commission, or "SEC". The Merger is intended to be treated as a tax-free exchange under Section 368(b) of the Internal Revenue Code of 1986, as amended.

**Pro Forma Results**

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of CLS Labs had taken place on the first day of the three and six month periods ended November 30, 2014. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	<b>Three Months Ended November 30, 2014</b>	<b>Six Months Ended November 30, 2014</b>
Total revenue	\$ -	\$ -
Net loss attributable to CLS Holdings USA, Inc.	(192,172)	(320,829)
Basic net income (loss) per common share	(0.01)	(0.02)
Diluted net income (loss) per common share	(0.01)	(0.02)
Weighted average shares - basic	15,000,000	15,000,000
Weighted average shares - diluted	15,000,000	15,000,000

**Note 4 – Prepaid Expenses**

Prepaid expenses consisted of the following as of November 30, 2015 and May 31, 2015:

	November 30, 2015	May 31, 2015
Prepaid rent	\$ 16,399	\$ -
Prepaid legal fees	8,360	3,466
Prepaid consulting fees	1,000	28,334
Other prepaid expenses	5,000	-
Total	<u>\$ 30,759</u>	<u>\$ 31,800</u>

**Note 5 – Security Deposit**

The company had a security deposit in the amount of \$50,000 at November 30, 2015 and May 31, 2015. This amount consists of a deposit to secure office and warehouse space.

**Note 6 – Property, Plant and Equipment**

Property, plant and equipment consisted of the following at November 30, 2015 and May 31, 2015.

	November 30, 2015	May 31, 2015
Computer equipment	\$ 2,674	\$ -
Property and equipment, gross	2,674	-
Less: accumulated depreciation	(446)	-
Property and equipment, net	<u>\$ 2,228</u>	<u>\$ -</u>

Depreciation expense totaled \$223 and \$446 for the three and six months ended November 30, 2015 and \$0 for the three and six months ended November 30, 2014, respectively.

**Note 7 – Intangible Assets**

Intangible assets consisted of the following at November 30, 2015 and May 31, 2015.

	November 30, 2015	May 31, 2015
Domain name	\$ 2,158	\$ 2,158
	2,158	2,158
Less: accumulated amortization	(180)	-
Intangible assets, net	<u>\$ 1,978</u>	<u>\$ 2,158</u>

Total amortization expense charged to operations for the three and six months ended November 30, 2015 was \$72 and \$108 and \$0 for the three and six months ended November 30, 2014, respectively. The domain name is being amortized over a period of 60 months.

**Note 8 – Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities of \$267,018 and \$145,024 at November 30, 2015 and May 31, 2015 consist of legal fees and other trade payables.

## **Note 9 – Notes Payable**

### **Convertible Note Payable**

On April 29, 2015, the Company issued a convertible note to an unaffiliated individual in the amount of \$200,000 (the “Convertible Note”). Interest accrues on the Convertible Note at a rate of 15% per annum. On the first anniversary of the Convertible Note, the Company shall pay all then accrued interest. Thereafter, the Company shall make eight (8) equal payments of principal together with accrued interest, quarterly in arrears, commencing on July 1, 2016 and continuing on the same day of each October, January, April and July thereafter until paid in full. All outstanding principal and any accumulated unpaid interest thereon shall be due and payable on the third anniversary of note.

At the election of the holder of the Convertible Note, at any time prior to payment or prepayment of the Convertible Note in full, all principal and accrued interest under the Convertible Note may be converted in whole, but not in part, into the Company’s securities. For each dollar converted, the holder of the Convertible Note shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares (post Reverse Split) of common stock at \$0.75 per share (post Reverse Split).

During the six months ended November 30, 2015 and 2014, the Company accrued interest in the amount of \$15,041 and \$0, respectively, on this note. As of November 30, 2015 and May 31, 2015 the outstanding principal balance on the Convertible Note was \$200,000 and the Company had accrued interest in the amount of \$17,671 and \$2,630, respectively, on this note.

The Company calculated the fair value of the beneficial conversion features embedded in the Convertible Note via the intrinsic value method. The Company also calculates the fair value of the detachable warrants offered with the Convertible Note via the Black-Scholes valuation method. The value of the conversion feature and the detachable warrants are considered discounts to the Convertible Note, to the extent the aggregate value of the warrants and conversion features do not exceed the face value thereof. These discounts were amortized to interest expense over the term of the Convertible Note.

The Company recorded a discount to the Convertible Note in the amount of \$200,000 during the year ended May 31, 2015. The discount was comprised of \$100,000 related to the beneficial conversion feature embedded in the Convertible Note and \$100,000 for the detachable warrants. During the six months ended November 30, 2015 the Company amortized \$33,333 of this discount to interest expense. As of November 30, 2015 and May 31, 2015, the Company had unamortized discounts on the Convertible Note in the amount of \$161,111 and \$194,444, respectively.

### **Koretsky and Binder Notes**

During the year ended May 31, 2015, the Company borrowed \$600,000 from Frank Koretsky, a director of the Company, to fund operations. During the six months ended November 30, 2015, the Company borrowed an additional \$295,000 from Mr. Koretsky to fund operations. As evidenced by a promissory note dated January 12, 2016 in favor of Mr. Koretsky, these loans are unsecured and bear interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At Mr. Koretsky’s election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company’s securities. Upon such an election, Mr. Koretsky will receive one “Unit” for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share. As of November 30, 2015 and May 31, 2015, the outstanding principal balance was \$895,000 and \$600,000 and the Company had accrued interest in the amount of \$24,681 and \$3,337.

During the six months ended November 30, 2015, the Company borrowed \$50,000 from Jeffrey Binder, a director and officer of the Company, to fund operations. As evidenced by a promissory note dated January 12, 2016 in favor of Mr. Binder, this loan is unsecured and bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, Mr. Binder will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share. As of November 30, 2015 and May 31, 2015, the outstanding principal balance was \$50,000 and \$0 and the Company had accrued interest in the amount of \$608 and \$0.

#### **Note 10 – Stockholders' Equity**

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.0001 per share and 20,000,000 shares of preferred stock, par value \$0.001 per share. The Company had 20,070,003 and 20,000,003 shares (post Reverse Split) of common stock issued and outstanding as of November 30, 2015 and May 31, 2015, respectively.

On December 10, 2014, the Company effected a reverse stock split of the Company's issued and outstanding common stock at a ratio of 1-for-0.625, wherein 0.625 shares of common stock were issued in exchange for each share of the Company's common stock owned by the Company's stockholders on December 1, 2014, the record date for the reverse stock split. As a result of the reverse stock split, 11,250,000 shares (post Reverse-Split) of common stock were outstanding as of December 10, 2014. The reverse stock split did not affect the number of authorized shares of the Company's common stock. All share and per share information contained in the financial statements has been retroactively adjusted to reflect the reverse stock split.

The Company recorded imputed interest of \$539 and \$0 during the six months ended November 30, 2015 and 2014 on related party payables due to a director and officer of the Company.

On August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement. As of November 30, 2015, no shares have been issued. The Company valued the shares at \$327,500 based on the stock price at August 3, 2015 and is amortizing them over the term of the employment agreement. During the six months ended November 30, 2015, the Company recognized \$109,167 in share based compensation, which is included in stock payable on the accompanying balance sheet.

#### **Stock Issued for Services**

On August 28, 2015, the Company issued 60,000 shares of common stock, valued at \$45,000, to a consultant for services. Of these shares, 50,000, valued at \$37,500, were included in stock payable as of May 31, 2015. The shares were valued based on the closing market price on the grant date.

During the six months ended November 30, 2015, pursuant to a consulting agreement, the Company issued 5,000 shares of common stock, valued at \$5,750, to a consulting firm in exchange for investor relations consulting services. The consulting agreement was subsequently amended, whereby the Company issued 5,000 additional shares of common stock, valued at \$6,350, and agreed to issue the consultant an additional 15,000 shares of common stock, valued at \$18,050, for future consulting services. The parties are in discussions regarding whether such additional shares have been earned and it is uncertain whether these additional shares will be issued. As of November 30, 2015, we have included 15,000 shares of common stock, valued at \$18,050 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

During the six months ended November 30, 2015, pursuant to a consulting agreement, the Company agreed to issue 10,000 shares of common stock per month, valued at \$11,600, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued. As of November 30, 2015, we have included 20,000 shares of common stock, valued at \$23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

#### **Note 11 – Related Party Transactions**

During the six months ended November 30, 2015 and 2014, the Company accrued related party payables in the amount of \$0 and \$0, respectively, for amounts due to officers and directors related to expenses paid on behalf of the Company. As of November 30, 2015 and May 31, 2015 the Company had related party payables in the amount of \$17,930 and \$18,455.

During the six months ended November 30, 2015 and 2014, the Company recorded imputed interest of \$539 and \$0, respectively, on related party payables due to directors and an officer of the Company.

During the six months ended November 30, 2015 and 2014, the Company accrued compensation in the amount \$75,000 and \$25,000, respectively, to Jeffrey Binder pursuant to his employment agreement. Mr. Binder has deferred all salary since the commencement of the agreement. At November 30, 2015 and May 31, 2015, total accrued compensation to Mr. Binder was \$175,000 and \$106,250, respectively.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, valued at \$327,500, which will become fully vested one year from the effective date of the agreement. The shares were valued based on the closing market price on the grant date. During the six months ended November 30, 2015, the Company recognized share based compensation of \$109,167.

On April 17, 2015, CLS Labs Colorado, Inc. ("CLS Labs Colorado"), a wholly owned subsidiary of CLS Labs, loaned \$500,000 (the "Note") to Picture Rock Holdings, LLC, a Colorado limited liability company ("PRH"), to be used by PRH in connection with the financing of the building out, equipping, and development of a grow facility by PRH that will be operated by a licensed third-party marijuana grower. Pursuant to the Note, as amended by the parties effective June 30, 2015 and October 31, 2015, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars (\$25,000) commencing one (1) month after the first harvest of marijuana plants at the grow facility (the "Harvest Date") and continuing until paid in full. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing on the Harvest Date and continuing until paid in full. All remaining outstanding principal and any accumulated unpaid interest due under the Note will be due and payable on the five-year anniversary of the Harvest Date. In the event of default as defined in the agreements related to the Note, all amounts under the Note shall become at once due and payable. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of \$500,000. This receivable is recorded on the balance sheet as of November 30, 2015 and May 31, 2015 in the amount of \$0 and \$0, net of allowance in the amount of \$500,000.

On April 17, 2015, prior to Alan Bonsett's appointment as Chief Operating Officer, the Company, through CLS Labs Colorado, entered into an arrangement with PRH (the "Colorado Arrangement") to, among other things, (i) license its proprietary technology, methods and processes to PRH in Colorado in exchange for a fee; (ii) sub-lease warehouse and office space in Denver, Colorado to PRH where PRH can grow, extract and process cannabis and other plant products in exchange for lease payments totaling an aggregate of \$1,067,067 over a seventy-two (72) month term; (iii) build a processing facility and lease such facility, including equipment, to PRH in exchange for a monthly fee; and (iv) loan \$500,000 to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of a marijuana grow facility. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement. Because construction of the Grow Facility was only completed in December 2015, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

#### **Related Party Notes Payable**

The Company has notes payable outstanding to Jeffrey Binder, and officer and director, and to Frank Koretsky, a director; see note 9.

#### **Note 12 – Commitment and Contingencies**

The Company, through CLS Labs Colorado, leases 42,392 square feet of warehouse and office space (the "Leased Space") in a building located on 1.92 acres in Denver Colorado. CLS Labs Colorado subleases the Leased Space to Picture Rock Holdings, LLC as part of an arrangement whereby Picture Rock Holdings, LLC and its affiliate will conduct certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, as permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. Total expense for the lease was \$118,536 and \$0 for the six months ended November 30, 2015 and 2014.

## **Employment Agreements**

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of \$150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. My Binder has deferred all salary since the commencement of the agreement.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of \$150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of \$1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to \$42.5 million and 4% of its annual EBITDA in excess of \$42.5 million. Additionally, Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement, as discussed in Note 11. Because construction of the grow facility was only completed in December 2016, the business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues.

## **Note 13 – Subsequent Events**

As discussed in Note 9, on January 12, 2016, Promissory Notes in favor of Mr. Koretsky and Mr. Binder were finalized. These loans are unsecured and bear interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At Mr. Koretsky's and Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into the Company's securities. Upon such an election, Mr. Koretsky or Mr. Binder, as the case may be, will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share.

We evaluated subsequent events after the balance sheet date through the date the financial statements were issued. We did not identify any additional material events or transactions occurring during this subsequent event reporting period that required further recognition or disclosure in these financial statements.

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

### **OVERVIEW AND OUTLOOK**

The Company was incorporated on March 31, 2011 as Adelt Design, Inc. to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. On November 20, 2014, the Company changed its name to CLS Holdings USA, Inc.

On April 29, 2015 (the "Closing Date"), the Company, CLS Labs and the Merger Sub consummated the Merger, whereby the Merger Sub merged with and into CLS Labs, with CLS Labs remaining as the surviving entity. As a result of the Merger, we acquired the business of CLS Labs and abandoned our previous business. As such, only the financial statements of CLS Labs are included in this current report.

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. before changing its name to CLS Labs, Inc. on October 24, 2014. It was formed to commercialize a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Testing in conjunction with two Colorado growers of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into the Colorado Arrangement through its wholly owned subsidiary, CLS Labs Colorado, with certain Colorado entities, including Picture Rock Holdings, LLC. CLS Labs had not otherwise commercialized its proprietary process prior to the Merger and has not earned any revenues.

We intend to generate revenue through (i) the licensing of our patent pending proprietary methods and processes to others, as in the Colorado Arrangement, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through a consulting subsidiary, Cannabis Life Sciences Consulting, LLC ("CLS Consulting"), which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

The Company had a net loss of \$1,005,870 for the six months ended November 30, 2015, resulting in an accumulated deficit as of November 30, 2015 of \$2,521,457. These conditions raise substantial doubt about our ability to continue as a going concern.

### **Results of Operations for the Three Months Ended November 30, 2015 and 2014**

#### **Revenues**

The Company had no revenues during the three month periods ended November 30, 2015 and 2014.

#### **General and administrative expenses**

General and administrative expenses increased \$210,938, or approximately 182%, to \$326,996 during the three months ended November 30, 2015, compared to \$116,058 for the three month ended November 30, 2014. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, bank charges and payroll expenses. We expect general and administrative expenses to increase in future periods as we implement our business plan and operations expand.



### **Professional fees**

Professional fees increased \$82,953, or approximately 101%, to \$165,448 during the three months ended November 30, 2015 compared to \$82,495 for the three months ended November 30, 2014. This increase was due primarily to the payment of fees for consulting and investor relations services pursuant to consulting agreements and legal fees. We expect professional fees to increase in future periods as our business grows.

### **Interest expense**

Interest expense for the three months ended November 30, 2015 was \$36,914, an increase of \$36,734 compared to \$180 for the three months ended November 30, 2014. Interest expense consists of \$268 of imputed interest, \$12,500 of interest on related party debt, \$7,479 of interest on debt and \$16,667 of amortization of debt discounts on notes payable.

### **Net loss**

For the reasons above, the Company had a net loss for the three months ended November 30, 2015 of \$529,358 which is an increase in loss of \$330,625, or approximately 166%, compared to a net loss of \$198,733 during the three months ended November 30, 2014.

## **Results of Operations for the Six Months Ended November 30, 2015 and 2014**

### **Revenues**

The Company had no revenues during the six month periods ended November 30, 2015 and 2014.

### **General and administrative expenses**

General and administrative expenses increased \$301,325, or approximately 143%, to \$511,403 during the six months ended November 30, 2015, compared to \$210,078 for the six month ended November 30, 2014. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, bank charges and payroll expenses. We expect general and administrative expenses to increase in future periods as we implement our business plan and operations expand.

### **Professional fees**

Professional fees increased \$313,031, or approximately 283%, to \$423,602 during the six months ended November 30, 2015, compared to \$110,571 for the six months ended November 30, 2014. This increase was due primarily to the payment of fees for consulting and investor relations services pursuant to consulting agreements and legal fees. We expect professional fees to increase in future periods as our business grows.

### **Interest expense**

Interest expense for the six months ended November 30, 2015 was \$70,865 compared to \$180 for the six months ended November 30, 2014. Interest expense consists of \$539 of imputed interest, \$21,952 of interest on related party debt, \$15,041 of interest on debt and \$33,333 of amortization of debt discounts on notes payable.

### **Net loss**

For the reasons above, the Company had a net loss for the six months ended November 30, 2015 of \$1,005,870, which is an increase in loss of \$685,041, or approximately 214%, compared to a net loss of \$320,829 during the six months ended November 30, 2014.

## Liquidity and Capital Resources

The following table summarizes total current assets, liabilities and working capital at November 30, 2015 compared to May 31, 2015.

	November 30, 2015	May 31, 2015
Current Assets	\$ 55,407	\$ 240,621
Current Liabilities	\$ 1,494,511	\$ 875,696
Working Capital (Deficit)	\$ (1,439,104)	\$ (635,075)

At November 30, 2015 and May 31, 2015, the Company had a working capital deficit of \$1,439,104 and \$635,075, respectively. This working capital deficit occurred primarily because we have not yet commenced earning revenues. We anticipate that we will commence earning revenues by the second quarter of 2016. During the six months ended November 30, 2015, we obtained loans from our officers and directors to cover operating expenses and expenses related to the Merger and the Colorado Arrangement. This deficit will likely continue to increase until we begin earning revenues but should not be viewed as an indicator of our future performance once we commence earning revenues. We have operated at a loss since inception.

On April 29, 2015, the Company issued the Convertible Note to an unaffiliated individual in the amount of \$200,000. Interest accrues on the Convertible Note at a rate of 15% per annum. On the first anniversary of the Convertible Note, the Company shall pay all then accrued interest. Thereafter, the Company shall make eight (8) equal quarterly payments of principal together with accrued interest, in arrears, commencing on July 1, 2016. All outstanding principal and any accumulated unpaid interest thereon shall be due and payable on the third anniversary of note. At the holder's election, at any time prior to payment or prepayment of the Convertible Note in full, all principal and accrued interest under the Convertible Note may be converted in whole, but not in part, into the Company's securities. For each dollar converted, the Holder shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares of common stock at \$0.75 per share.

Cash flows from operations used \$526,499 during the six months ended November 30, 2015 compared to \$362,489 during the six months ended November 30, 2014. This increase is primarily due to the Company having entered into the Colorado Arrangement and having commenced active trading in its common stock on the OTCQB during 2015. As a result, during the six months ended November 30, 2015, the Company issued its stock to pay for investor relations services, issued stock to its new COO, and incurred deferred compensation owed to its CEO for the entire six-month period versus only two months during the comparable period in 2014. The increase was also due to the amortization of the debt discount associated with the Company's 2015 Convertible Loan, deferred liabilities associated with the Colorado Arrangement and an increase in accounts payable because the Company was incurring expenses associated with the Colorado Arrangement but has not yet commenced earning revenue.

Cash flows from investing activities used \$2,674 during the six months ended November 30, 2015 compared to \$297,408 during the six months ended November 30, 2014. During 2015, the Company invested in equipment. During 2014, the Company paid a fee to acquire the "public shell."

Cash flows from financing activities provided \$345,000 during the six months ended November 30, 2015 compared to \$1,000,000 during the six months ended November 30, 2014. During 2015, the Company borrowed funds from its officers and directors. During the comparable period of 2014, these same officers and directors purchased equity in the Company.

To fund operations during the six months ended November 30, 2015, we borrowed \$50,000 from Jeffrey Binder, an officer and director of the Company, and \$295,000 from Frank Koretsky, a director of the Company. The \$295,000 borrowed from Mr. Koretsky is in addition to a prior \$600,000 loan from Mr. Koretsky to the Company under identical terms. The terms of these loans were memorialized in promissory notes in favor of each of Mr. Binder and Mr. Koretsky. Pursuant to the terms thereof, these loans are unsecured and bear interest at a rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Principal and additional accrued interest will be paid in eight equal quarterly installments beginning on April 1, 2017. At the election of the holder, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under loans may be converted, in whole or in part, into the Company's securities. Upon such an election, the holder will receive one "Unit" for each \$0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of \$1.00 per share.

Over the next twelve months we will require significant additional capital to cover our projected cash flow deficits due to the Colorado Arrangement and related agreements, the repayment of the Convertible Loan and the loans from Jeffrey Binder and Frank Koretsky, the implementation of our business plan, and the development of alternative revenue sources. Additionally, we anticipate that we will devote resources to research and development related to the refinement of our patent pending proprietary methods and processes and development of new products. We estimate research and development costs of between \$50,000 and \$100,000 during the next 12 months. Finally, during the next 18-24 months, we plan to construct and open two to three processing facilities for use either by a licensee or by us directly. We anticipate that the build out and opening of each processing facility will require between \$1,000,000 and \$3,000,000 in capital, with additional capital required for liquidity to cover personnel, equipment, and other operating expenses with respect to each opened facility.

We currently have two employees, Jeffrey Binder, who serves as the Chairman, President and Chief Executive Officer of the Company; and Alan Bonsett, who serves as the Chief Operating Officer of the Company. In an effort to assist us conserve cash, Mr. Binder has deferred all of his salary (approximately \$175,000 as of November 30, 2015) to date. Mr. Bonsett is entitled to a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, which will become fully vested one year from the effective date of his employment agreement. As of November 30, 2015, no shares had been issued. The Company valued the shares at \$327,500 and is amortizing them over the term of the employment agreement. During the six months ended November 30, 2015 we recognized \$109,167 in share based compensation, which is included in stock payable on the accompanying balance sheet.

We also utilized the services of outside investor relations consultants. Pursuant to a consulting agreement, we paid a consultant a monthly fee of \$6,000 at the beginning of each month and awarded the consultant 120,000 shares of restricted common stock that vested at a rate of 10,000 shares per month. During the three months ended May 31, 2015, we paid \$12,000 to the consultant and 10,000 (post Reverse Split) shares vested. We terminated the consulting agreement during the three months ended August 31, 2015 and issued the 60,000 shares common stock that had vested, of which 50,000 shares with a value of \$37,500 were included in stock payable as of May 31, 2015.

Pursuant to a consulting agreement, we paid \$15,000 and issued 5,000 shares of common stock, valued at \$5,750, to a consulting firm in exchange for investor relations consulting services. The consulting agreement was subsequently amended, whereby we paid the consultant an additional \$32,000, issued 5,000 shares of common stock, valued at \$6,350, and agreed to issue the consultant an additional 15,000 shares of common stock, valued at \$18,050, for future consulting services. We are in discussions regarding whether any additional shares have been earned and it is uncertain whether these additional shares will be issued.

Pursuant to a consulting agreement, the Company paid \$7,500 and agreed to issue 10,000 shares of common stock per month, valued at \$11,600, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued.

We plan to hire a Chief Financial Officer, administrative staff, a lab manager and a consultant, for a total of approximately six employees. In addition, each processing facility will require six to eight employees, depending upon the size of the facility. We also intend to use the services of independent consultants and contractors, such as our investor relations consultant, to perform various professional services when appropriate. We believe the use of third-party service providers may enhance our ability to control general and administrative expenses and operate efficiently as we implement our business plan. Currently, there are no organized labor agreements or union agreements and we do not anticipate any in the future. We are unable to estimate the cost of additional personnel at this time, but we expect such costs to be significant.

We do not currently have the capital necessary to meet our liquidity needs, fund our capital requirements or implement our business plan. We intend to fund our cash flow and capital requirements during the next year from the proceeds of the sale of our common stock, by obtaining additional loans and with cash generated through operations in connection with the Colorado Arrangement. There can be no assurance that we will be able to meet our needs, however, as we have not yet received any commitments for the purchase of our equity securities or for additional loans. Further, although we anticipate that we will begin receiving payments pursuant to the Licensing Agreement and Equipment Lease during the second quarter of 2016, the Colorado Arrangement has not generated revenue to date and, as described above, there can be no assurance that it will ever generate sufficient cash to repay the \$500,000 loan from CLS Labs Colorado or to meet PRH's obligations under the Licensing Agreement or Equipment Lease. We anticipate that we will incur operating losses during the next twelve months.

## **Going concern**

Our financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations since inception, have an accumulated deficit of \$2,521,457 and had a working capital deficit of \$1,439,104 at November 30, 2015. In addition, we do not currently have the cash resources to meet our operating commitments during the next twelve months. Our ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by developmental stage companies.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs, to borrow capital and to sell equity to support the opening of processing facilities and to finance ongoing operations. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that cash generated by our future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

## **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that are material to investors.

## **Recently Issued Accounting Standards**

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("this Update") as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The FASB received feedback that having different balance sheet presentation requirements for debt issuance costs and debt discount and premium creates unnecessary complexity. Recognizing debt issuance costs as a deferred charge (that is, an asset) also is different from the guidance in International Financial Reporting Standards (IFRS), which requires that transaction costs be deducted from the carrying value of the financial liability and not recorded as separate assets. Additionally, the requirement to recognize debt issuance costs as deferred charges conflicts with the guidance in FASB Concepts Statement No. 6, Elements of Financial Statements, which states that debt issuance costs are similar to debt discounts and in effect reduce the proceeds of borrowing, thereby increasing the effective interest rate. Concepts Statement 6 further states that debt issuance costs cannot be an asset because they provide no future economic benefit. To simplify presentation of debt issuance costs, the amendments in this Update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. For public business entities, 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. For all other entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company is currently evaluating the effects of adopting this ASU, if it is deemed to be applicable.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying unaudited condensed consolidated financial statements.

## **Item 3. Quantitative and Qualitative Disclosure About Market Risk.**

This item is not applicable as we are currently considered a smaller reporting company.

#### **Item 4. Controls and Procedures.**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit pursuant to the requirements of the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Securities Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

##### ***Evaluation of Disclosure Controls and Procedures***

Jeffrey Binder, our Chief Executive Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on the evaluation, Mr. Binder concluded that our disclosure controls and procedures are not effective in timely alerting him to material information relating to us that is required to be included in our periodic SEC filings and ensuring that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our chief financial officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure, for the following reasons:

- We do not have an independent board of directors or audit committee or adequate segregation of duties; and
- We do not have an independent body to oversee our internal controls over financial reporting and lack segregation of duties due to our limited resources.

We plan to rectify these weaknesses by implementing an independent board of directors and hiring additional accounting personnel once we have additional resources to do so.

##### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

We know of no material pending legal proceedings to which the Company is a party or of which any of its property is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

### Item 1A. Risk Factors.

This item is not applicable as we are currently considered a smaller reporting company.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Pursuant to a consulting agreement, the Company issued 5,000 shares of common stock, valued at \$5,750, to a consulting firm in exchange for investor relations consulting services. The consulting agreement was subsequently amended, whereby the Company issued 5,000 shares of common stock, valued at \$6,350, and agreed to issue the consultant an additional 15,000 shares of common stock, valued at \$18,050, for future consulting services. The parties are in discussions regarding whether such additional shares have been earned and it is uncertain whether these additional shares will be issued.

On August 28, 2015, pursuant to a consulting agreement, the Company issued 60,000 shares of common stock, valued at \$45,000, to a consulting firm in exchange for consulting services.

The foregoing shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended, as a transaction by the Company not involving a public offering.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

None.

### Item 5. Other Information.

None.

### Item 6. Exhibits.

31.1	<a href="#">Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</a>
31.2	<a href="#">Certification by the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act</a>
32.1	<a href="#">Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**SIGNATURES**

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

**CLS HOLDINGS USA, INC.**

Date: January 14, 2016

By: /s/ Jeffrey I. Binder  
Jeffrey I. Binder  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer and Principal Financial Officer)





**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey I. Binder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CLS Holdings USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. As the registrant's certifying officer, 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 for 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 my supervision, to ensure that material information relating to the registrant is made known to me 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. As the registrant's certifying officer, I have disclosed, based on my 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 control over financial reporting.

Date: January 14, 2016

/s/ Jeffrey I. Binder

Jeffrey I. Binder

Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey I. Binder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CLS Holdings USA, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. As the registrant's certifying officer, 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 for 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 my supervision, to ensure that material information relating to the registrant is made known to me 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 my 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. As the registrant certifying officer, I have disclosed, based on my 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 control over financial reporting.

Date: January 14, 2016

/s/ Jeffrey I. Binder

Jeffrey I. Binder

Chairman, President and Chief Executive Officer  
(Principal Financial Officer)

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**Certification by the Principal Executive Officer and Principal Financial Officer Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Jeffrey I. Binder, certify pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the Quarterly Report on Form 10-Q of CLS Holdings USA, Inc. (the "Company") for the quarter ended November 30, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 14, 2016

/s/ Jeffrey I. Binder

Jeffrey I. Binder

Chairman, President and Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

A signed original copy of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.