CELLSTOP

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Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Six Month Period Ended

February 29, 2016

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements. The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

CellStop Systems Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	February 29, 2016	August 31, 2015
	($)	($)
ASSETS		
Current assets		
Cash	24	2,204
GST receivable	739	996
Prepaid expenses	1,917	417
	2,680	3,617
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	69,733	98,896
Notes payable (Note 5)	68,865	-
	138,598	98,896
Shareholders' deficiency		
Share capital (Note 6)	7,917,277	7,917,277
Deficit	(8,053,195)	(8,012,556)
	(135,918)	(95,279)
	2,680	3,617

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 8)

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 21, 2016. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"
Director

"Gerald Tuskey"
Director

CellStop Systems Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Month Period Ended February 29, 2016	Three Month Period Ended February 28, 2015	Six Month Period Ended February 29, 2016 ($)	Six Month Period Ended February 28, 2015 ($)
EXPENSES				
Consulting fees (Note 7)	3,750	6,000	7,500	12,000
Interest expense (Note 5)	1,490	667	1,865	1,186
Management fees (Note 7)	2,000	3,750	3,000	8,750
Office and miscellaneous	56	395	149	2,713
Professional fees (Note 7)	5,325	4,498	11,675	7,498
Rent (Note 7)	4,500	16,500	9,000	33,000
Transfer agent and filing fees	2,148	5,781	7,450	12,824
Loss and comprehensive loss	(19,269)	(37,591)	(40,639)	(77,971)
Basic and diluted loss per common share	(0.00)	(0.02)	(0.01)	(0.03)
Weighted average common shares outstanding	5,005,793	2,505,820	5,005,793	2,505,820

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CellStop Systems Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders` Deficiency
(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Amount	Deficit	Total Shareholders' Deficiency
		($)	**($)**	**($)**
Balance at August 31, 2014	**2,505,793**	**7,792,497**	**(7,878,410)**	**(85,913)**
Loss and comprehensive loss	-	-	(77,971)	(77,971)
Balance at February 28, 2015	**2,505,793**	**7,792,497**	**(7,956,381)**	**(163,884)**
Common shares issued for cash	2,500,000	125,000	-	125,000
Share issuance costs	-	(220)	-	(220)
Loss and comprehensive loss	-	-	(56,175)	(56,175)
Balance at August 31, 2015	**5,005,793**	**7,917,277**	**(8,012,556)**	**(95,279)**
Loss and comprehensive loss	-	-	(40,639)	(40,639)
Balance at February 29, 2016	**5,005,793**	**7,917,277**	**(8,053,195)**	**(135,918)**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CellStop Systems Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six Month Period Ended February 29, 2016 ($)	Six Month Period Ended February 28, 2015 ($)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(40,639)	(77,971)
Items not affecting cash:		
Accrued interest	1,865	-
Changes in non-cash working capital items:		
Decrease (increase) in GST receivable	257	(2,066)
Decrease (increase) in prepaid expenses	(1,500)	1,381
Increase (decrease) in accounts payable and accrued liabilities	(29,163)	70,889
Cash used in operating activities	(69,180)	(7,767)
FINANCING ACTIVITIES		
Proceeds from notes payable	67,000	7,000
Cash provided by financing activities	67,000	7,000
Change in cash during the period	(2,180)	(767)
Cash, beginning of the period	2,204	938
Cash, end of the period	24	171

During the six month periods ended February 29, 2016 and February 28, 2015, the Company had no significant non-cash investing and financing transactions.

1. NATURE OF OPERATIONS AND GOING CONCERN

CellStop Systems Inc. (the "Company") was incorporated on April 29, 1982, under the laws of the Province of British Columbia. The Company currently has no active operations and is analyzing project opportunities.

The address of the Company's head office and registered office is Suite 302, 1620 West 8th Avenue, Vancouver, British Columbia, V6J 1V4, Canada.

The Company is a publicly traded company and the Company's listing on the TSX Venture Exchange ("Exchange") was transferred to the NEX board of the Exchange effective July 2, 2010 due to the Company's lack of operations. The NEX board allows the Company's shares to continue trading while it analyzes project opportunities to resume active business. The Company is subject to restrictions on share issuances and certain types of payments as set out in NEX policies.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. Currently, the Company has no active operations and no source of operating cash flows. The Company incurred a loss of $40,639 for the six month period ended February 29, 2016, and, as of that date, had accumulated losses of $8,053,195 since inception.

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue to rely upon the issuance of share capital to finance its future activities but there can be no assurance that such financing will be available to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations, and financial condition.

These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to continue as a going concern may require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2015, prepared in accordance with IFRS as issued by the IASB.

2. BASIS OF PRESENTATION (continued)

These financial statements were approved by the Audit Committee and Board of Directors of the Company on March 21, 2016.

Basis of presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and for certain financial assets measured at fair value.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

Use of Estimates and Judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other facts and circumstances. Actual results could differ from these estimates.

The significant assumption about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relates to, but is not limited to, the following:

Deferred income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. Deferred tax assets, including those arising from tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has adequately provided for all income tax obligations; however, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the Company's provision for deferred income taxes.

There were no significant judgments made by management for the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements were prepared using the same accounting policies and methods of computation as in the Company's annual consolidated financial statements for the year ended August 31, 2015.

<u>New standards, amendments and interpretations to existing standards</u>

The following standard was adopted during the period:

IFRS 7, Financial Instruments – Disclosure

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The adoption of this revised standard did not have a material effect on these condensed interim consolidated financial statements.

Standards issued but not yet effective up to the date of issuance of the Company's condensed interim consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The pronouncements are being assessed to determine their impact on the Company's results and financial position.

<u>New standards, amendments and interpretations to existing standards not yet effective</u>

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2016 but are not yet effective:

IFRS 11, Joint arrangements

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

IAS 16, Property, plant and equipment and IAS 38, Intangible assets

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

IAS 27, Separate financial statements and IFRS 1, First-time adoption of IFRS

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 1 was amended to permit the use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

IFRS 9, Financial instruments

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income.

The Company has not yet assessed the potential impact of the application of these standards, nor determined whether it will adopt these standards early.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	February 29, 2016	August 31, 2015
	($)	($)
Trade payables	17,869	20,546
Related party payables	46,614	70,350
Accrued liabilities	5,250	8,000
Total	69,733	98,896

5. NOTES PAYABLE

During the six month period ended February 29, 2016, the Company issued a total of $67,000 (2015 - $7,000) in unsecured notes payable which bear interest at 10% per annum, compounded annually, and are repayable in cash. As at February 29, 2016, the outstanding notes payables are as follows:

Issue Date	Maturity Date	Interest Rate	Amount
		(%)	($)
October 15, 2015	October 15, 2018	10	26,800
November 23, 2015	November 23, 2018	10	13,700
December 15, 2015	December 15, 2018	10	21,500
January 28, 2016	January 28, 2019	10	5,000

During the six month period ended February 29, 2016, the Company incurred $1,865 (2014 - $1,186) of interest expense. As at February 29, 2016, there was a total of $67,000 (August 31, 2015 - $Nil) in notes payable outstanding and a total of $1,865 (August 31, 2015 - $Nil) in accrued interest outstanding.

During the year ended August 31, 2015, the Company repaid $27,000 in unsecured loans.

(Expressed in Canadian dollars)

6. SHARE CAPITAL

a) Authorized share capital

An unlimited number of common shares without par value.

b) Issued share capital

During the six month period ended February 29, 2016, there was no share capital activity.

On March 10, 2015, the Company consolidated its then issued and outstanding common shares at a ratio of one new common share for every ten old common shares.

During the year ended August 31, 2015, the Company completed a non-brokered private placement of 2,500,000 units at a price of $0.05 per unit for gross proceeds of $125,000. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.10 per share until March 31, 2016. No finder's fees or commissions were paid in connection with this equity placement.

c) Stock options

The Company has an option plan (the "Plan") in compliance with the TSX-V's policies. The number of Common Shares reserved and authorized for issuance pursuant to options granted under the Plan while listed on the NEX is limited to 500,579, ten percent (10%) of the total number of issued and outstanding shares in the Company. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant. Vesting terms are at the discretion of the directors.

During the six month period ended February 29, 2016 and the year ended August 31, 2015, there was no stock option activity.

As at February 29, 2016, there were no stock options outstanding.

d) Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price ($)	Weighted Average Time to Expiry (years)
Balance – August 31, 2014	-	-	-
Issued	2,500,000	0.10	1.00
Balance – August 31, 2015 and February 29, 2016	2,500,000	0.10	0.08

As at February 29, 2016, the Company had 2,500,000 outstanding share purchase warrants that are exercisable at $0.10 per share until March 31, 2016.

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the six month periods ended February 29, 2016 and February 28, 2015:

	2016	2015
	($)	($)
Professional fees paid or accrued to a corporation controlled by a director of the Company.	515	963
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company (Note 8).	9,000	-

Key Management Compensation

	2016	2015
	($)	($)
Management fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	3,000	-
Consulting fees paid or accrued to a corporation controlled by the former CFO of the Company.	-	10,000
Total	3,000	10,000

i) As at February 29, 2016, a total of $3,100 (August 31, 2015 - $Nil) was included in accounts payable and accrued liabilities owing to a corporation controlled by the CFO of the Company for management fees.

ii) As at February 29, 2016, a total of $12,600 (August 31, 2015 - $12,600) was included in accounts payable and accrued liabilities owing to a corporation controlled by the former CFO of the Company for consulting fees.

iii) As at February 29, 2016, a total of $539 (August 31, 2015 - $Nil) was included in accounts payable and accrued liabilities owing to a corporation controlled by a director of the Company for professional fees.

iv) As at February 29, 2016, a total of $30,375 (August 31, 2015 - $57,750) was included in accounts payable and accrued liabilities owing to a corporation that shares management in common with the Company for office sharing and occupancy costs.

(Expressed in Canadian dollars)

8. COMMITMENTS AND CONTINGENCIES

On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay $1,500 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018.

Fiscal Year	**Amount**
	($)
2016	9,000
2017	18,000
2018	16,500

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, accounts payable and accrued liabilities and notes payable.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The carrying amounts of the notes payable approximate fair value as the interest rates were negotiated between the Company and an arm's length third party.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company manages this credit risk by ensuring that cash is placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist of amounts due from a government agency. Management believes that the credit risk with respect to receivables is remote.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company endeavors to ensure that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. However, the Company does not have sufficient cash to meet its current obligations, and it is exposed to liquidity risk.

Interest rate risk

The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The Company does not have any variable interest rate liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign currency risk.

10. Management of Capital

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue project opportunities for the benefit of its shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may attempt to issue new shares or debt, or adjust the amount of cash. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

The Company is not subject to any externally imposed capital requirements. The Company prepares annual expenditure budgets and updates these as required throughout the year which it uses as the primary tool for assessing its capital requirements.

There have been no changes to the Company's approach to capital management during the six month period ended February 29, 2016.

11. SEGMENTED INFORMATION

The Company is currently evaluating its future business opportunities. All of the Company's assets are located in Canada.