Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Nine Month Period Ended

May 31, 2017

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)

	May 31, 2017	August 31, 2016
	($)	**($)**
ASSETS		
Current assets		
Cash	1,864	399
GST receivable	1,449	565
Prepaid expenses	-	417
	3,313	1,381
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	118,043	95,899
	118,043	95,899
Notes payable (Note 5)	118,200	80,100
	236,243	175,999
Shareholders' deficiency		
Share capital (Note 6)	7,917,277	7,917,277
Deficit	(8,150,207)	(8,091,895)
	(232,930)	(174,618)
	3,313	1,381

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

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2017. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"
Director

"Michael Curtis"
Director

CellStop Systems Inc.

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

	Three Month Period Ended May 31, 2017	Three Month Period Ended May 31, 2016	Nine Month Period Ended May 31, 2017	Nine Month Period Ended May 31, 2016
			($)	($)
EXPENSES				
Consulting fees (Note 7)	(326)	3,750	2,250	11,250
Interest expense (Note 5)	2,832	884	7,277	2,749
Management fees	-	1,000	-	4,000
Office and miscellaneous	3,924	(49)	4,007	100
Professional fees (Note 7)	6,537	3,387	15,575	15,062
Rent	7,500	4,500	19,500	13,500
Transfer agent and filing fees	2,391	7,626	9,703	15,076
Loss and comprehensive loss	(22,858)	(21,098)	(58,312)	(61,737)
Basic and diluted loss per common share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average common shares outstanding	5,005,793	5,005,793	5,005,793	5,005,793

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, 2015	**5,005,793**	**7,917,277**	**(8,012,556)**	**(95,279)**
Loss and comprehensive loss	-	-	(61,737)	(61,737)
Balance at May 31, 2016	**5,005,793**	**7,917,277**	**(8,074,293)**	**(157,016)**
Loss and comprehensive loss	-	-	(17,602)	(17,602)
Balance at August 31, 2016	**5,005,793**	**7,917,277**	**(8,091,895)**	**(174,618)**
Loss and comprehensive loss	-	-	(58,312)	(58,312)
Balance at May 31, 2017	**5,005,793**	**7,917,277**	**(8,150,207)**	**(232,930)**

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)

	Nine Month Period Ended May 31, 2017	Nine Month Period Ended May 31, 2016
	($)	**($)**
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(58,312)	(61,737)
Items not affecting cash:		
Accrued interest	1,997	2,749
Changes in non-cash working capital items:		
GST receivable	(884)	88
Prepaid expenses	417	(1,500)
Accounts payable and accrued liabilities	20,147	(12,127)
	(36,635)	(72,527)
FINANCING ACTIVITIES		
Proceeds from notes payable	38,100	71,100
	38,100	71,100
Change in cash during the period	1,465	(1,427)
Cash, beginning of the period	399	2,204
Cash, end of the period	1,864	777

During the nine month periods ended May 31, 2017 and 2016, 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 $58,312 for the nine month period ended May 31, 2017, and, as of that date, had accumulated losses of $8,150,207 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 annual consolidated financial statements for the year ended August 31, 2016, prepared in accordance with IFRS as issued by the IASB.

2. BASIS OF PRESENTATION (continued)

These condensed interim consolidated financial statements were approved by the Audit Committee and Board of Directors of the Company on July 31, 2017.

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.

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, 2016.

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

The following standards and amendments were adopted during the period:

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

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.

The adoption of these revised standards 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, 2017 but are not yet effective:

IAS 7, Statement of Cash Flows

Amendments to clarify IAS 7 to improve information to users of financial statements about an entity's financing activities.

IAS 12, *Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

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 – Classification and Measurement

IFRS 9 is a new standard on financial statements that will replace IAS 39, *Financial Instruments - Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

IFRS 2, *Share-based Payment*

Amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions.

IFRS 4, *Insurance Contracts*

Amendments to IFRS 4 are related to the adoption of IFRS 9, *Financial Instruments*. The amendments provide two options for entities that issue insurance contracts that fall within the scope of the standard.

IFRS 7, *Financial Instruments: Disclosures*

Amendments to IFRS 7 related to the application of IFRS 9, *Financial Instruments*.

IAS 40, *Investment Property*

Amendments to IAS 40 to clarify transfers of property to, or from, investment property.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRIC 22 is a new interpretation, which clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

The following standard has been issued for annual periods beginning on or after January 1, 2021 but is not yet effective:

IFRS 17, *Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, *Insurance Contracts*, and related interpretations.

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

	May 31, 2017	**August 31, 2016**
	($)	**($)**
Trade payables	18,737	26,109
Related party payables (Note 7)	70,800	56,050
Accrued interest (Note 5)	12,756	5,480
Accrued liabilities	15,750	8,260
Total	118,043	95,899

(Expressed in Canadian dollars)

5. NOTES PAYABLE

During the nine month period ended May 31, 2017, the Company issued a total of $38,100 (2016 - $71,100) in unsecured notes payable which bear interest at 10% per annum, compounded annually, and are payable quarterly in cash. As at May 31, 2017, 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
April 15, 2016	April 15, 2019	10	800
April 29, 2016	April 29, 2019	10	3,300
July 13, 2016	July 13, 2019	10	7,000
August 30, 2016	August 30, 2019	10	2,000
November 30, 2016	November 30, 2019	10	14,500
December 14, 2016	December 14, 2019	10	3,300
December 30, 2016	December 30, 2019	10	1,000
January 30, 2017	January 30, 2020	10	3,800
March 2, 2017	March 2, 2020	10	6,200
March 31, 2017	March 31, 2020	10	1,500
April 27, 2017	April 27, 2020	10	4,300
May 1, 2017	May 1, 2020	10	1,500
May 8, 2017	May 8, 2020	10	2,000

During the nine month period ended May 31, 2017, the Company incurred $7,277 (2016 - $2,489) of interest expense. As at May 31, 2017, there was a total of $118,200 (August 31, 2016 - $80,100) in notes payable outstanding and a total of $12,756 (August 31, 2016 - $5,480) in accrued interest outstanding.

6. SHARE CAPITAL

a) Authorized share capital

An unlimited number of common shares without par value.

b) Issued share capital

During the nine month period ended May 31, 2017 and the year ended August 31, 2016, there was no share capital activity.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

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, representing 10% of the total number of issued and outstanding common 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 nine month period ended May 31, 2017 and the year ended August 31, 2016, there was no stock option activity.

As at May 31, 2017, 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, 2015	2,500,000	0.10	0.58
Expired	(2,500,000)	0.10	-
Balance – August 31, 2016 and May 31, 2017	-	0.10	-

As at May 31, 2017, there were no share purchase warrants outstanding.

7. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the nine month periods ended May 31, 2017 and 2016:

Key Management Compensation

	2017	2016
	($)	($)
Consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	3,000	4,000
Professional fees paid to a corporation controlled by a former director of the Company.	-	515
Total	3,000	4,515

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

Other Related Party Transactions

	2017	2016
	($)	($)
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company (Note 8).	19,500	13,500
	19,500	13,500

i) As at May 31, 2017, a total of $8,250 (August 31, 2016 - $5,200) 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 May 31, 2017, a total of $4,200 (August 31, 2016 - $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 May 31, 2017, a total of $58,350 (August 31, 2016 - $38,250) 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.

8. COMMITMENTS

On August 1, 2015, as amended on December 1, 2016, 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, increasing to $2,500 per month on December 1, 2016 and continuing until the expiration of the underlying head lease on July 31, 2018.

Fiscal Year	Amount
	($)
2017	7,500
2018	27,500

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.

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. The Company 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 nine month period ended May 31, 2017.

11. SEGMENTED INFORMATION

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