



**Condensed Interim Consolidated Financial Statements**

(Expressed in Canadian Dollars)

**Six Month Period Ended**

**February 28, 2019**

**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 Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	February 28, 2019	August 31, 2018
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	554	2,562
GST receivable	16,167	12,667
	16,721	15,229
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5 and 8)	418,318	365,388
Notes payable (Note 6)	80,100	80,100
	498,418	445,488
<b>Notes payable</b> (Note 6)	94,925	74,825
	593,343	520,313
<b>Shareholders' deficiency</b>		
Share capital (Note 7)	7,917,277	7,917,277
Deficit	(8,493,899)	(8,422,361)
	(576,622)	(505,084)
	16,721	15,229

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 10)

These consolidated financial statements were authorized for issue by the Board of Directors on April 18, 2019. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"

Director

"Michael Curtis"

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

## CellStop Systems Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended February 28, 2019 (\$)	Three Month Period Ended February 28, 2018 (\$)	Six Month Period Ended February 28, 2019 (\$)	Six Month Period Ended February 28, 2018 (\$)
<b>EXPENSES</b>				
Consulting fees (Note 8)	-	1,000	-	2,000
Interest expense (Note 6)	4,161	3,598	8,024	6,869
Office and miscellaneous	43	37	61	89
Professional fees	3,932	15,129	5,212	17,699
Rent (Note 8)	22,400	21,000	43,400	36,000
Transfer agent and filing fees	8,670	6,849	14,841	8,905
<b>Loss and comprehensive loss</b>	<b>(39,206)</b>	<b>(47,613)</b>	<b>(71,538)</b>	<b>(71,562)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted average common shares outstanding</b>	<b>5,005,793</b>	<b>5,005,793</b>	<b>5,005,793</b>	<b>5,005,793</b>

*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)

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	Number of Shares	Amount (\$)	Deficit (\$)	Total Shareholders' Deficiency (\$)
<b>Balance at August 31, 2017</b>	<b>5,005,793</b>	<b>7,917,277</b>	<b>(8,171,254)</b>	<b>(253,977)</b>
Loss and comprehensive loss	-	-	(71,562)	(71,562)
<b>Balance at February 28, 2018</b>	<b>5,005,793</b>	<b>7,917,277</b>	<b>(8,242,816)</b>	<b>(325,539)</b>
Loss and comprehensive loss	-	-	(179,545)	(179,545)
<b>Balance at August 31, 2018</b>	<b>5,005,793</b>	<b>7,917,277</b>	<b>(8,422,361)</b>	<b>(505,084)</b>
Loss and comprehensive loss	-	-	(71,538)	(71,538)
<b>Balance at November 30, 2018</b>	<b>5,005,793</b>	<b>7,917,277</b>	<b>(8,493,899)</b>	<b>(576,622)</b>

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*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)

	<b>Six Month Period Ended February 28, 2019 (\$)</b>	<b>Six Month Period Ended February 28, 2018 (\$)</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(71,538)	(71,562)
Items not affecting cash:		
Accrued interest	4,162	6,869
Changes in non-cash working capital items:		
GST receivable	(3,500)	(2,343)
Accounts payable and accrued liabilities	48,768	50,334
	(22,108)	(16,702)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	20,100	16,200
	20,100	16,200
<b>Change in cash during the year</b>	<b>(2,008)</b>	<b>(502)</b>
<b>Cash, beginning of period</b>	<b>2,562</b>	<b>1,452</b>
<b>Cash, end of period</b>	<b>554</b>	<b>950</b>

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

**CELLSTOP SYSTEMS INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**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 \$71,538 for the six-month period ended February 28, 2019 and, as of that date, had accumulated losses of \$8,493,899 since inception.

The Company has relied mainly upon the issuance of share capital and notes payable 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, 2018, prepared in accordance with IFRS as issued by the IASB.

These condensed interim consolidated financial statements were approved by the Audit Committee and Board of Directors of the Company on April 18, 2019.

**CELLSTOP SYSTEMS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**2. BASIS OF PRESENTATION (continued)**

**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.



**CELLSTOP SYSTEMS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**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, 2018.

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.

New standards, amendments and interpretations to existing standards not yet effective

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*.

The Company expects the impact of these standards on its consolidated financial statements to be additional disclosure.

**CELLSTOP SYSTEMS INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**4. ACCOUNTING STANDARDS ADOPTED AND ISSUED**

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 Company has not yet assessed the potential impact of the application of this standard.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>February 28, 2019</b>	<b>August 30, 2018</b>
	(\$)	(\$)
Trade payables	162,445	162,459
Related party payables (Note 8)	207,470	161,550
Accrued interest (Note 6)	38,403	30,379
Accrued liabilities	10,000	11,000
<b>Total</b>	<b>418,318</b>	<b>365,338</b>

**CELLSTOP SYSTEMS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**6. NOTES PAYABLE**

During the six-month period ended February 28, 2019 the Company issued a total of \$20,100 (August 31, 2018 - \$23,725) in unsecured notes payable which bear interest at 10% per annum, compounded annually, and are payable quarterly in cash. All loans have a maturity date of three years.

During the six-month period ended February 28, 2019, the Company incurred \$8,024 (2018 - \$6,869) of interest expense. As at February 28, 2019, there was a total of \$175,025 (August 31, 2018 - \$131,200) in notes payable outstanding, of which \$80,100 (August 31, 2018 - \$80,100) is due in fiscal 2019, and a total of \$38,403 (August 31, 2018 - \$30,379) in accrued interest outstanding.

**7. SHARE CAPITAL**

**a) Authorized share capital**

An unlimited number of common shares without par value.

**b) Issued share capital**

During the six months ended February 28, 2019 and the year ended August 31, 2018, there was no share capital activity.

**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 six months ended February 28, 2019 and the year ended August 31, 2018, there was no stock option activity.

As at February 28, 2019, there were no stock options outstanding.

**d) Share purchase warrants**

During the periods presented, there was no share purchase warrant activity.

**CELLSTOP SYSTEMS INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

**8. RELATED PARTY TRANSACTIONS**

The following summarizes the Company's related party transactions during the six-month period ended February 28, 2019 and 2018:

Key Management Compensation

	<b>2019</b>	<b>2018</b>
	<b>(\$)</b>	<b>(\$)</b>
Consulting fees paid or accrued to a corporation controlled by the Chief Financial Officer ("CFO") of the Company.	-	2,000
<b>Total</b>	<b>-</b>	<b>2,000</b>

Other Related Party Transactions

	<b>2019</b>	<b>2018</b>
	<b>(\$)</b>	<b>(\$)</b>
Office sharing and occupancy costs paid or accrued to a corporation that shares management in common with the Company (Note 9).	43,400	36,000
	<b>43,400</b>	<b>36,000</b>

- i) As at February 28, 2019, a total of \$13,400 (August 31, 2018 - \$13,400), 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 28, 2019, a total of \$194,070 (August 31, 2018 - \$148,150) 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.

**9. COMMITMENTS**

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 \$7,000 plus GST per month effective December 1, 2017, increasing to \$7,700 per month on February 1, 2019 until the expiration of the underlying head lease on July 31, 2021.

<b>Fiscal Year</b>	<b>Amount</b>
	<b>(\$)</b>
2019	46,200
2020	92,400
2021`	77,000

**CELLSTOP SYSTEMS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**10. 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.

**CELLSTOP SYSTEMS INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian dollars)

SIX MONTH PERIOD ENDED FEBRUARY 28, 2019

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**11. 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. 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 28, 2019.

**12. SEGMENTED INFORMATION**

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