CELLSTOP SYSTEMS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended August 31, 2011
Dated December 2, 2011

This discussion and analysis should be read in conjunction with the Company's interim consolidated financial statements for the fiscal years ended August 31, 2011 and 2010 and the notes thereto. The annual financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada (Canadian GAAP).

FORWARD-LOOKING STATEMENTS

This management discussion and analysis (MD&A) contains or incorporates by reference forward-looking statements. All statements other than statements of historical fact included or incorporated by reference and that address activities, events or developments that we expect or anticipate may or will occur in the future are forward-looking statements. While any forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business; actual results may vary, sometimes materially, from any estimates, predictions, projections, assumptions or other suggestions of future performance herein. Undue reliance should not be placed on these forward-looking statements, which are based upon our assumptions and are subject to known and unknown risks and uncertainties and other factors, including those discussed under "Risk and Uncertainties" in this MD&A, some of which are beyond our control, which may cause actual results, levels of activity and achievements to differ materially from those estimated or projected and expressed in or implied by such statements. We undertake no obligation to update publicly or revise any forward-looking statements contained herein, and such statements are expressly qualified by this cautionary statement. See "Risk and Uncertainties".

NATURE OF OPERATIONS

The Company is presently analyzing various opportunities to invest its capital. Previously the Company was in the business of providing wireless telemetry solutions utilizing the GSM network. On September 01, 2007, the Company ceased its operations, being the development and marketing of automotive security using wireless GSM technology, upon the sale of its subsidiary, CellStop International Limited.

OVERVIEW

The Company is a public company incorporated under the laws of British Columbia. The Company is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario and its shares are now listed and quoted for trading on the NEX under the trading symbol KNO.H.

OVERALL PERFORMANCE

The Company has no active operations at this time other than analyzing various opportunities in which to invest its' capital.

SELECTED INTERIM INFORMATION

	Year ended August 31, 2011 $	Year ended August 31, 2010 $	Year ended August 31, 2009 $
REVENUE	-	-	-
COST OF SALES	-	-	-
GROSS PROFIT (LOSS)	-	-	-
EXPENSES :			
General and administrative	76,881	80,316	77,124
Interest and financing charges	14,904	9,534	-
Salaries, wages and consulting fees	17,500	30,500	32,000
Settlement of legal claim	-	1,992	68,073
LOSS FOR THE YEAR	(109,285)	(122,342)	(177,197)
(DEFICIT), BEGINNING OF YEAR	(7,731,595)	(7,609,253)	(7,432,056)
(DEFICIT), END OF YEAR	(7,840,880)	(7,731,595)	(7,609,253)
BASIC LOSS PER SHARE	(0.01)	(0.01)	(0.01)
TOTAL ASSETS	385,858	3,160	75,451
TOTAL LONG TERM LIABILITIES	-	-	-

Discussion of the variation of these numbers for the comparative years follows:

RESULTS OF OPERATIONS

Fiscal Year ended August 31, 2011 compared to the year ended August 31, 2010

Revenue, Cost of Sales and Gross profit
The Company does not have any active operations other than analyzing investments in which to invest its capital. Therefore no revenue was recorded during the year ended August 31, 2011 and 2010.

General and Administration
General and administration expenses from operations of $76,881, has decreased by 4% for the year ended August 31, 2011, compared to general and administration expenses of $80,316 in the prior year. The decrease in general and administration expenses compared to prior year is the due to a decrease in operational costs.

Interest and financing charges
During the year ended August 31, 2010, the Company received a loan of $100,000. The loan bears interest at 10% per annum payable quarterly, is unsecured, and matures on May 07, 2011. Pursuant to the loan agreement dated April 28, 2010, the Company issued 400,000 common shares to the lender with a deemed value of $20,000 in connection to the debt financing. The Company recorded this financing fee as an adjustment to the carrying amount of the loan payable, and amortized the fee over the term of the loan.

During the year ended August 31, 2011, the Company settled the outstanding principal amount of the loan payable of $100,000 by issuing 1,111,111 common shares at $0.09 per share and 1,111,111 share purchase warrants at $0.12 per share for a term of one year.

During the year ended August 31, 2011, the Company accrued interest of $1,260 (2010 – $3,178) and recorded an amortization of financing fee of $13,644 (2010 – $6,356) totaling $14,904 (2010 - $9.534).

Salaries, Wages and Consulting fees
Salaries, wages and consulting fees from operations of $17,500 for the year ended August 31, 2011, compared to salaries, wages and consulting fees from continuing operations of $30,500 in the prior year.

Settlement of legal claim
On February 18, 2009, the Ontario Superior Court of Justice granted an award of $58,498 plus interest to a former contractor of the Company. The Company accrued a settlement and interest payable of $68,073 in the year ended August 31, 2009. In May 2010, the Company paid the full settlement amount including interest totalling $70,065. This payment included additional interest of $1,992 accrued in the year ended August 31, 2010.

SUMMARY OF QUARTERLY RESULTS

CONTINUING OPERATIONS	Sales $	Net Income (Loss) $	Basic income (loss) per share $
4th quarter end August 31, 2011	$-	($33,323)	($0.00)
3rd quarter ended May 31, 2011	$-	($18,062)	($0.00)
2nd quarter ended February 28, 2011	$-	($19,084)	($0.00)
1st quarter ended November 30, 2010	$-	($38,816)	($0.00)
4th quarter end August 31, 2010	$-	($33,463)	($0.00)
3rd quarter ended May 31, 2010	$-	($37,177)	($0.00)
2nd quarter ended February 28, 2010	$-	($27,882)	($0.00)
1st quarter ended November 30, 2009	$-	($23,820)	($0.00)
4th quarter end August 31, 2009	$-	($71,722)	($0.00)
3rd quarter ended May 31, 2009	$-	($145,033)	($0.00)
2nd quarter ended February 28, 2009	$-	($47,744)	($0.00)
1st quarter ended November 30, 2008	$-	$87,302	$0.00

1st quarter ended November 30, 2008
The net loss of $23,757 has increased for the quarter ended November 30, 2008, compared to net income from continuing operations of $1,410,294 in the first quarter of fiscal 2008 and an increase compared to net loss from continuing operations of $3,181 for the fourth quarter of 2008. The increase in net loss compared to the net loss for the first quarter of fiscal 2008 is especially due to the sale of CIL.

2nd quarter ended February 28, 2009
The net loss of $116,058 has increased for the quarter ended February 28, 2009, compared to net loss from operations of $64,582 in the second quarter of fiscal 2008 and an increase compared to net loss from continuing operations of $23,757 for the first quarter of fiscal 2009. The increase in net loss from continuing operations compared to the net loss from continuing operations for the second quarter of fiscal 2008 is due to the provision for payments due as a result of the legal case between the Company and a former contractor expenses.

3rd quarter ended May 31, 2009
The net loss of $26,842 has increased for the quarter ended May 31, 2009, compared to net loss from operations of $14,993 in the third quarter of fiscal 2008 and decreased compared to net loss from continuing operations of $116,058 for the second quarter of fiscal 2009. The increase in net loss from continuing operations compared to the net loss from continuing operations for the third quarter of fiscal 2008 is due to the provision for payments due as a result of the legal case between the Company and a former contractor.

4th quarter ended August 31, 2009
The net loss of $10,540 has increased for the quarter ended August 31, 2009, compared to net gain from operations of $3,181 in the fourth quarter of fiscal 2008 and an increase compared to net loss from continuing operations of $26,842 for the third quarter of fiscal 2009. The increase in net loss from continuing operations compared to the net loss from continuing operations for the fourth quarter of fiscal 2008 is due to the provision for payments of costs and interest due as a result of the legal case between the Company and a former contractor.

1st quarter ended November 30, 2009
The net loss of $23,820 has increased for the quarter ended November 30, 2009, compared to net loss of $23,757 in the first quarter of fiscal 2009 and an increase compared to net loss of $10,540 for the fourth quarter of 2009. The increase in net loss compared to the net loss for the first quarter of fiscal 2009 is due to an increase in filing fees.

2nd quarter ended February 28, 2010
The net loss of $27,882 has decreased for the quarter ended February 28, 2010, compared to net loss of $116,058 in the second quarter of fiscal 2009 and an increase compared to net loss of $23,820 for the first quarter of fiscal 2010. The decrease in net loss compared to the net loss for the second quarter of fiscal 2009 is due to the provision raised in the second quarter of fiscal 2009, for payments of costs and interest due as a result of the legal case between the Company and a former contractor.

3rd quarter ended May 31, 2010
The net loss of $37,177 has increased for the quarter ended May 31, 2010, compared to net loss of $26,842 in the third quarter of fiscal 2009 and an increase compared to net loss of $27,882 for the second quarter of fiscal 2010. The increase in net loss compared to the net loss for the third quarter of fiscal 2009 and the second quarter of fiscal 2010 is due to the Annual General Meeting expenses incurred during the quarter. In fiscal 2009 the Annual General Meeting was held in the second quarter of fiscal 2009.

4th quarter ended August 31, 2010
The net loss of $33,463 has decreased for the quarter ended August 31, 2010, compared to net loss of $71,722 in the fourth quarter of fiscal 2009 and compared to net loss of $37,177 for the third quarter of fiscal 2010. The decrease compared to the fourth quarter of 2010, is due to the provision for payments of costs and interest due as a result of the legal case between the Company and a former contractor incurred

in the fourth quarter of fiscal 2009. The decrease in net loss compared to the third quarter of 2010 is due to the Annual General Meeting expenses incurred during the third quarter of fiscal 2010.

1st quarter ended November 30, 2010

The net loss of $38,816 has increased for the quarter ended November 30, 2010, compared to net loss of $23,820 in the first quarter of fiscal 2010 and an increase compared to net loss of $33,463 for the fourth quarter of 2010. The increase in net loss compared to the net loss for the first quarter of fiscal 2010 is due to the amortization of the financing fee as a result of the conversion of the loan to shares of the Company.

2nd quarter ended February 28, 2011

The net loss of $19,084 has decreased for the quarter ended February 28, 2011, compared to net loss of $27,882 in the second quarter of fiscal 2010 and decreased compared to net loss of $38,816 for the first quarter of fiscal 2011. The decrease in net loss compared to the net loss for the second quarter of fiscal 2010 is due a decrease in operational expenses.

3rd quarter ended May 31, 2011

The net loss of $18,062 has decreased for the quarter ended May 31, 2011, compared to net loss of $37,177 in the third quarter of fiscal 2010 and decreased compared to net loss of $19,084 for the second quarter of fiscal 2011. The decrease in net loss compared to the net loss for the third quarter of fiscal 2010 is due a decrease in operational expenses.

4th quarter ended August 31, 2011

The net loss of $33,323 has decreased for the quarter ended August 31, 2011, compared to net loss of $33,463 in the fourth quarter of fiscal 2010 and an increased compared to net loss of $18,062 for the third quarter of fiscal 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not currently have an adequate source of reliable, long-term revenue to fund operations. As a result, the Company is reliant on outside sources of funding. There can be no assurances that the Company will in the future achieve a consistent and reliable revenue stream adequate to support continued operations in the future. In addition, there are no assurances that the Company will be able to secure adequate sources of new capital, whether it be in the form of capital, debt, or other financing sources.

The future cash requirements of the Company will be dependant on the Company's success in identifying an acquisition or otherwise establishing or renewing operations. The Company's ability to develop and maintain a new financially viable business plan is uncertain.

Working capital on August 31, 2011, was $330,671 compared to negative working capital of ($151,331) as at August 31, 2010. The increase in working capital was due to the private placement of $500,000, which closed during the first quarter of fiscal 2011.

In the year ended August 31, 2011, the Company generated negative cash outflow of $116,331 compared to negative cash outflow of $169,183 in the prior year. This decrease in negative cash flow is as a result of the Company in the year ended August 31, 2010, paying the full and final settlement to a former contractor of the Company as award in the Ontario Superior Court of Justice.

During the quarter ended November 30, 2010, the Company settled the outstanding principal amount of the loan payable of $100,000 by issuing 1,111,111 units at $0.09 per unit. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share of the Company at $0.12 per share for a term of one year.

During the quarter ended November 30, 2010, the Company completed a non-brokered private placement of 5,555,556 units at $0.09 per unit for gross proceeds of $500,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into one additional common share of the Company at $0.12 per share for a term of one year.

As at August 31, 2011, the Company had the following contractual obligations.

Contractual Obligation	Total	Less than 1 year	1 – 3 years	Mote than 3 years
Management agreements (1)	$2,500	$2,500	$-	$-
Employment contracts (2)	$2,000	$2,000	$-	$-
Rental agreement (3)	55,000	55,000	$	$-
Total Contractual obligations	$59,500	$59,500	$-	$-

1. The Company has a one-month rolling management agreement for administration services for $2,500 per month.
2. The Company has a one-month rolling employment agreement for management and consulting services for $2,000 per month.
3. Effective June 01, 2011, the Company entered into an office rental agreement of $5,000 per month with an arm's length party. The agreement expires on July 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

a) The Company paid $24,000 (2010 – $24,000) to an officer of the Company for management services provided, of which $2,000 (2010 – $2,000) remained outstanding in accounts payable and accrued liabilities as at August 31, 2011.

b) The Company paid $600 (2010 – $6,148) to an officer of the company for legal services provided.

PROPOSED TRANSACTIONS

The Company continues to seek to strengthen its board of directors and management, to find new business opportunities, and to raise capital.

SUBSEQUENT EVENTS

There are no subsequent events.

CRITICAL ACCOUNTING ESTIMATES

The Company has no active operations at this time other than analyzing various opportunities in which to invest its' capital. Therefore currently the Company does not have any critical accounting estimates.

RECENT ACCOUNTING PRONOUNCEMENTS

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 01, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter ending November 30, 2011 for which the current and comparative information will be prepared under IFRS. The financial reporting impact of the transition to IFRS is not expected to be material on the Company's consolidated financial statements.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582 "Business Combinations", Section 1601, "Consolidations", and Section 1602 "Non-Controlling Interests". These sections replace the former Section 1581 "Business Combinations" and Section 1600 "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 01, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company will evaluate the impact of the adoption of these standards on its consolidated financial statements when applicable.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company does not have any financial instruments, other than cash deposited with a reputable banking institution.

RISKS AND UNCERTAINTIES

Political and Regulatory Risk

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder. These may include responding to orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Limited Operational History

The Company does not have any significant operations. As a result, there is no assurance that the Company will earn profits in the future or that profitability, if achieved, will be sustained.

Additional Financing

The Company will require additional financing in order to make further developments or take advantage of unanticipated opportunities. The ability of the Company to arrange such financing will depend in part upon prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to it. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and shareholders may suffer dilution. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures and remain in business.

Key Personnel and Future Staffing Requirements

The Company's success will also be dependent on its ability to identify, recruit, motivate and retain highly qualified executive, management and technical support.

Price Volatility of Public Stock

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance or underlying net asset values of such companies.

OTHER MD&A REQUIREMENTS

Outstanding Share Data as at December 2, 2011:	
Share Capital	$7,792,497
Common shares issued (Post Consolidation)	25,058,195
Stock options outstanding	Nil
Warrants outstanding (Post Consolidation)	Nil

Additional Information
Additional information relating the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Directors and Officers
The Company's directors and officers as at December 2, 2011, are:

Directors:	**Officers:**
Michael Curtis	Michelle Gahagan, Chief Executive Officer
Gerald R. Tuskey	Henry Bromley, Chief Financial Officer
Lucas Marchak	Leah Martin, Corporate Secretary
Michelle Gahagan	

Board Approval
The contents of this management's discussion and analysis have been approved and its mailing has been authorized by the Board of Directors of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ Michelle Gahagan
Michelle Gahagan