CELLSTOP SYSTEMS INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the period ended February 29, 2012
Dated April 18, 2012

This discussion and analysis should be read in conjunction with the Company's Interim consolidated financial statements for the fiscal period ended February 29, 2012 and August 31, 2011 and the notes thereto.

The interim consolidated financial statements and comparative information have been prepared by management in accordance with International Financial Reporting Standard ("IFRS"), "First-time Adoption of IFRSs", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IAS"). Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") up to August 31, 2011. Accordingly, the Company has prepared interim consolidated financial statements which comply with IFRS applicable for periods beginning on or after September 1, 2011 as described in the accounting policies. In preparing the interim consolidated financial statements, the opening consolidated statement of financial position was prepared as at September 1, 2010, the Company's date of transition to IFRS. Note 9 to the February 29, 2012 interim consolidated financial statements and this MD&A under the heading "Transition to IFRS" explain the principal adjustments made by the Company in restating its Canadian GAAP consolidated statement of financial position as at September 1, 2010, and its previously published Canadian GAAP consolidated financial statements for the year ended August 31, 2011, to be in compliance with IFRS. All amounts presented are in Canadian dollars unless otherwise stated. This document is current in all material respects as of April 18, 2012.

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.

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

	February 29, 2012 3 Months $ (Unaudited)	February 28, 2011 3 Months $ (Unaudited)	February 29, 2012 6 Months $ (Unaudited)	February 28, 2011 6 Months $ (Unaudited)
REVENUE	-	-	-	-
COST OF SALES	-	-	-	-
GROSS PROFIT	-	-	-	-
EXPENSES :				
General and administrative	34,017	13,084	63,972	30,996
Interest and financing charges	-	-	-	14,904
Salaries, wages and consulting fees	10,767	6,000	16,767	12,000
LOSS FOR THE PERIOD	(44,784)	(19,084)	(80,739)	(57,900)
(DEFICIT), BEGINNING OF PERIOD	(7,682,067)	(7,575,643)	(7,646,112)	(7,536,827)
(DEFICIT), END OF PERIOD	(7,726,851)	(7,594,727)	(7,726,851)	(7,594,727)
BASIC LOSS PER SHARE	(0.00)	(0.00)	(0.00)	(0.00)

	February 29, 2012 (Unaudited) $	August 31, 2011 (Audited) $
TOTAL ASSETS	297,855	451,745
TOTAL LONG TERM LIABILITIES	-	-

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

RESULTS OF OPERATIONS

Second quarter – Three months period ended February 29, 2012, compared to three month period ended February 28, 2011.

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 February 29, 2012 and February 28, 2011.

General and Administration
General and administration expenses from operations of $34,017 has increased by 160% for the quarter ended February 29, 2012, compared to general and administration expenses of $13,084 in the prior year. The increase in general and administration expenses compared to prior year is the due to an increase in operational costs.

Salaries, Wages and Consulting fees
Salaries, wages and consulting fees from operations of $10,767 for the quarter ended February 29, 2012, compared to salaries, wages and consulting fees from continuing operations of $6,000 in the prior year. This increase is due to an increase in the use of consultants during the quarter ended February 29, 2012

SUMMARY OF QUARTERLY RESULTS

CONTINUING OPERATIONS	Sales $	Net Income (Loss) $	Basic income (loss) per share $
2nd quarter ended February 29, 2012	$-	($44,784)	($0.00)
1st quarter ended November 30, 2011	$-	($35,955)	($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.

1st quarter ended November 30, 2011
The net loss of $35,955 has decreased for the quarter ended November 30, 2011, compared to net loss of $38,816 in the first quarter of fiscal 2011 and a decrease compared to net loss of $33,823 for the fourth quarter of 2011. The decrease in net loss compared to the net loss for the first quarter of fiscal 2011 is due interest expense incurred during the quarter ended November 30, 2011. The decrease in net loss compared to the net loss for the fourth quarter of fiscal 2011 is due lower operational expenses.

2nd quarter ended February 29, 2012
The net loss of $44,784 has increased for the quarter ended February 29, 2012, compared to net loss of $19,084 in the second quarter of fiscal 2011 and increased compared to net loss of $35,955 for the first quarter of fiscal 2012. The increase in net loss compared to the net loss for the second quarter of fiscal 2011 is due an increase in operational expenses and additional consulting costs incurred.

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 February 29, 2012, was $249,932 compared to working capital of $330,671 as at August 31, 2011. The decrease in working capital was due operational expenses.

In quarter ended February 29, 2012, the Company generated negative cash outflow of $56,451 compared to negative cash outflow of $13,118 in the prior year.

As at February 29, 2012, 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)	25,000	25,000	$	$-
Total Contractual obligations	$29,500	$29,500	$-	$-

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 $6,000 (February 28, 2011 – $6,000) to an officer of the Company for management services provided, of which $2,000 (February 28, 2011 – $2,000) remained outstanding in accounts payable and accrued liabilities as at February 29, 2012.

b) The Company paid $nil (February 28, 2011 – $nil) 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

Standards issued but not yet effective up to the date of issuance of the Company's 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 following pronouncements are being assessed to determine their impact on the Company's results and financial position:

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 reflects the first phase of the International Accounting Standards Board's ("IASB") work on the replacement of IAS 39, Financial Instruments: Recognition and Measurement, and deals with the classification and measurement of financial assets and financial liabilities. This standard establishes two primary measurement categories for financial assets, amortized cost and fair value, and eliminates the existing categories of held-to-maturity, available- for-sale, and loans and receivables. The new classification will depend on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 10, Consolidated Financial Statements

The amendment establishes a single control model that applies to all entities. These changes will require management to exercise significant judgment to determine which entities are controlled, and, therefore, are required to be consolidated by a parent, compared with the former requirements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 13, Fair Value Measurement

In May 2011, the IASB published IFRS 13, Fair Value Measurement, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e., an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains "how" to measure fair value when it is required or permitted by other IFRS.

CHANGES IN ACCOUNTING POLICIES

Transition to IFRS

In February 2008, the Accounting Standards Board of Canada announced that the accounting framework under which the financial statements are prepared for all publicly accountable companies will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. The interim consolidated financial statements for the six and three months ended February 28, 2012 are the first quarterly consolidated financial statements that comply with IFRS.

Elected exemptions from full retrospective application

IFRS 1, First-time Adoption of International Financial Reporting Standards requires first-time adopters to retrospectively apply all effective IFRS as of the reporting date. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. In preparing these condensed consolidated interim financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions of IFRS. The Company has also applied the following optional exemptions from full retrospective application of IFRS to its opening statement of financial position as at September 1, 2010.

Business Combinations

The Company has applied the business combination exemption in IFRS 1 to not apply IFRS 3, Business Combinations retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3, Business Combinations prospectively, IAS 27, Consolidated and Separate Financial Statements must also be applied prospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

Significant differences between Canadian GAAP and IFRS

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation’s financial position and financial performance is set in note 9 of the interim consolidated financial statements as at and for the six and three month ended February 29, 2012. The transition from Canadian GAAP to IFRS has not had a material impact on the statement of cash flows.

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 April 18, 2012:

Share Capital	$7,792,497
Common shares issued	25,058,195
Stock options outstanding	Nil
Warrants outstanding	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 April 18, 2012, 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