

FORM 45-106F1
REPORT OF EXEMPT DISTRIBUTION

COPY

Issuer Information

Item 1: State the full name of the issuer of the security distributed and the address and telephone number of its head office. If the issuer of the security distributed is an investment fund, state the name of the fund as the issuer, and provide the full name of the manager of the investment fund and the address and telephone number of the head office of the manager. Include the former name of the issuer if its name has changed since last report.

Cellstop Systems, Inc.
Suite 1405
1166 Alberni Street
Vancouver, B.C.
V6E 3Z3

Telephone: (604) 694-0300

Item 2: State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting:

The Issuer is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Item 3: Indicate the industry of the issuer by checking the appropriate box next to one of the industries listed below.

- | | |
|---|--|
| <input type="checkbox"/> Bio-Tech | Mining |
| <input type="checkbox"/> Financial Services | <input type="checkbox"/> exploration/development |
| <input type="checkbox"/> investment companies and funds | <input type="checkbox"/> production |
| <input type="checkbox"/> mortgage investment companies | <input type="checkbox"/> Oil and gas |
| <input type="checkbox"/> Forestry | <input type="checkbox"/> Real estate |
| <input checked="" type="checkbox"/> Hi-tech | <input type="checkbox"/> Utilities |
| <input type="checkbox"/> Industrial | <input type="checkbox"/> Other (describe) |

Details of Distribution

Item 4: Complete Schedule I to this report. Schedule I is designed to assist in completing the remainder of this report.

Item 5: State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

April 3, 2006

Item 6: For each security distributed:

B.C. Securities
Commission
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- (a) describe the type of security;
- (b) state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and
- (c) state the exemption(s) relied on.

The Company is issuing 40 five year, non secured, participating, convertible, retractable, \$25,000 Debentures for gross proceeds of \$1,000,000. Twenty-one of these Debentures being issued by the Company represent the restructuring of currently due and unsecured debt owed to related parties of the Company. Ten of the Debentures represent new capital being loaned to the Company by arm's length individuals or entities. Nine of these debentures represent new capital being loaned to the Company by related parties of the Company.

Each \$25,000 Debenture will be convertible, at the holder's option, into: 250,000 common shares of the Company on or before December 31, 2006; 125,000 common shares of the Company on or before December 31, 2007; 75,000 common shares of the Company up until December 31, 2008. If a Debenture has not been converted, it will be redeemable for \$25,000 on December 31, 2010. Each Debenture is retractable by the Company at any time with 30 days notice for \$30,000 between September 1, 2007 and December 31, 2010.

Each Debenture will receive a five cent royalty for every new Buddy™ sold each quarter by the Company commencing February 28, 2006, paid quarterly in arrears.

The offering has been made in accordance with the following exemptions from the prospectus requirements:

- (a) the "Accredited Investor" exemption (section 2.3 of National Instrument 45-106);
- (b) the British Columbia, Alberta, Manitoba and New Brunswick "Family, Friends and Business Associates" exemption (section 2.5 of National Instrument 45-106);
- (c) the "offshore purchaser" exemption (BC Instrument 72-503); and
- (d) trades to employees, officers, directors and consultants (section 2.1 of Multilateral Instrument 45-105).

Item 7: Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table, securities issued as payment for commissions or finder's fees disclosed under item 8, below.

Each jurisdiction where purchasers reside	Number of Purchasers	Price per security (Canadian \$) ⁽¹⁾	Total dollar value raised from purchasers in the Jurisdiction (Canadian \$)
United Kingdom	Two (2)	\$25,000	\$150,000
South Africa	One (1)	\$25,000	\$150,000
Canada	Two (2)	\$25,000	\$275,000
Anguilla, B.W.I.	One (1)	\$25,000	\$425,000
Total Number of Purchasers	Six (6)		
Total dollar value of distribution in all jurisdictions (Canadian \$)			\$1,000,000

⁽¹⁾ If securities are issued at different prices, list the highest and lowest price the securities were sold for.

Commissions and finder's fees

Item 8: Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

Full name and address of the person being compensated	Compensation paid or to be paid (cash and/or securities)				Total dollar value of compensation (Canadian \$)
	Cash (Canadian \$)	Securities			
		Number and type of securities issued	Price per security	Exemption relied on and date of distribution	
Not Applicable					

Item 9: If a distribution is made in Ontario, please include the attached "Authorization of Indirect Collection of Personal Information for Distributions in Ontario". The "Authorization of Indirect Collection of Personal Information for Distributions in Ontario" is only required to be filed with the Ontario Securities Commission.

Not Applicable

Certificate


On behalf of the issuer, I certify that the statements made in this report are true.

Date: April 18, 2006

Cellstop Systems, Inc.
Name of issuer (please print)

T.M. Williams, Director
Print name, title and telephone number
of person signing

Telephone: (604) 694-0300


Signature

Item 10: State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.