PHARMAGAP INC.
100 Sussex Drive
Ottawa, Ontario K1A 0R6.

December 23, 2005

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

The name of the reporting issuer is PharmaGap Inc. (the "**Issuer**" or "**PharmaGap**"). Its head office is located at 100 Sussex Drive, Ottawa, Ontario, K1A 0R6.

Item 2. Date of Material Change

The material change occurred on December 22, 2005.

Item 3. News Release

The Issuer disseminated a News Release via CNW Group and filed the News Release on SEDAR on December 22, 2005.

Item 4. Summary of Material Change

The Issuer announced approval by its Board of Directors for the issuance of up to $1,400,000 of Series 3 Convertible Secured Debentures ("Series 3 Notes") and the issuance of a first tranche of Series 3 Notes ("Tranche 1 Series 3 Notes") to accredited investors by way of a private placement in the amount of $201,500.

Item 5. Full Description of Material Change

The Issuer announced approval by its Board of Directors for the issuance of up to $1,400,000 of Series 3 Notes and the issuance of Tranche 1 Series 3 Notes to accredited investors by way of a private placement in the amount of $201,500. The private placement has received the approval of the TSX Venture Exchange.

The Tranche 1 Series 3 Notes mature August 26, 2007 and accrue interest at 10% per annum. The Tranche 1 Series 3 Notes are convertible at any time by holders into equity units of the Issuer (the "Equity Units") at a price of $0.30 for each Equity Unit (each Equity Unit consists of one (1) common share and one (1) warrant with a two (2) year term to purchase one (1) common share at an exercise price of $0.45). The Tranche 1 Series 3 Notes and the underlying common shares of the Company represented by the Tranche 1 Series 3 Notes are subject to a four (4) month hold period until April 19, 2006 under the rules of the TSX Venture Exchange. The Tranche 1 Series 3 Notes are also callable by the Company under certain circumstances.

The Tranche 1 Series 3 Notes rank *pari passu* with the Issuer's Series 2 Convertible Secured Debenture issued in August 2005 to SC Stormont Holdings Inc. ("Stormont"). Stormont has consented to the issuance of the Series 3 Notes and the equality of priority ranking.

Items 6 and 7. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 and Omitted Information

The Issuer is not relying on sub-section 7.1(2) or (3) of National Instrument 51-102 or the equivalent provisions of the securities legislation in other jurisdictions governing the Issuer for the filing of this report nor is any information being omitted in reliance thereon.

Item 8. Executive Officers

For further information, please contact Simon P. Goulet, Executive Vice President and Chief Operating Officer of the Issuer, at (613) 991-5370.

Item 9. Date of Report

DATED at Ottawa, Ontario this 23rd day of December, 2005.

PHARMAGAP INC.

Per: *"Simon P. Goulet"*
Simon P. Goulet, Executive Vice President and
Chief Operating Officer