

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

June 21, 2006

**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 June 20, 2006.

**Item 3.**                    **News Release**

The Issuer disseminated a News Release and filed the News Release on SEDAR on June 20, 2006.

**Item 4.**                    **Summary of Material Change**

The Issuer announced the issuance of a fifth tranche of Series 3 Convertible Secured Debentures (the “Tranche 5 Series 3 Notes”) to accredited investors by way of a private placement in the amount of \$470,000.

**Item 5.**                    **Full Description of Material Change**

The Issuer announced it has closed a financing for the Tranche 5 Series 3 Notes to an accredited investor by way of a private placement in the amount of \$470,000. The closing is effective as of June 19, 2006 and has received TSX Venture Exchange final approval.

The Tranche 5 Series 3 Notes mature August 26, 2007 and accrue interest at 10% per annum. The Tranche 54 Series 3 Notes are convertible at any time by the holder into equity units of the Company (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 5 Series 3 Notes and the underlying common shares of the Company represented by the Tranche 5 Series 3 Notes are subject to a four (4) month hold period until October 19, 2006 under the rules of the TSX Venture Exchange. The Tranche 5 Series 3 Notes are also callable by the Company under certain circumstances.

The Tranche 5 Series 3 Notes mirror the terms of the Tranche 1, 2, 3 and 4 Series 3 Notes issued to investors in December 2005, January 2006, April 2006 and May 2006 respectively. Together, the five issues total \$1,087,120. The Tranche 5 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.

**Item 6.**            **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102**

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.

**Item 7.**            **Omitted Information**

No information has been omitted from this report on the basis that it is confidential information.

**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 21<sup>st</sup> day of June, 2006.

**PHARMAGAP INC.**

Per: "Simon P. Goulet"

Simon P. Goulet, Executive Vice President and  
Chief Operating Officer