

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

August 18, 2011

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 August 17, 2011.

Item 3. **News Release**

The Issuer disseminated a News Release on August 17, 2011 and filed the News Release on SEDAR.

Item 4. **Summary of Material Change**

The Issuer announced it has issued an aggregate total of 1,807,766 common shares of the Issuer to Dr. Jenny Phipps, Mr. Robert Letellier, and Mr. Daniel Larkin.

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

The Issuer announced it has issued an aggregate total of 1,807,766 common shares of the Issuer to Dr. Jenny Phipps, Mr. Robert Letellier, and Mr. Daniel Larkin (the “**Subscribers**”), each of whom is a director and founder of the Issuer, pursuant to previously announced agreements to convert an aggregate amount of \$170,834 owed by the Issuer to the Subscribers in respect of bonuses, salary accrual and severance amounts originally incurred in the years 2001 through 2003 at a price of \$0.0945 per common share. Following the issuance, the Subscribers own an aggregate total of 6,568,958 common shares, being approximately 5% of the 130,158,909 common shares outstanding. The common shares were issued pursuant to TSX Venture Exchange (“**TSX-V**”) Policy 4.3, “**Shares for Debt**”.

In its consideration and approval of this transaction, the Issuer’s board of directors (the “**Board**”) took note of the fact that the agreements with the Subscribers are related party transactions, as defined in Multilateral Instrument 6 1-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”) and that it is in the best interests of the Issuer to conclude the agreements expeditiously. The Board determined that the transactions are exempt from the formal valuation and minority approval requirements of MI 61-101 under sections 5.5(a) and

5.7(a) of MI 61-101 respectively. Individual directors with an interest in the transactions complied with the requirements of s. 120 of the *Canada Business Corporations Act* in respect of the transactions.

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

The Issuer is not relying on sub-section 7.1(2) 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 Robert C. McInnis, President of the Issuer, at (613) 990-9551.

Item 9. **Date of Report**

DATED at Ottawa, Ontario this 18th day of August, 2011.

PHARMAGAP INC.

(s) Robert C. McInnis

Per:

Robert C. McInnis, President