MISTRAL PHARMA INC.
(the “Corporation”)

MATERIAL CHANGE REPORT

FORM 51-102 F3

1. Name and Address of the Corporation

Mistral Pharma Inc.
2101 Halpern Street
Montréal, Québec
H4S 1S3

2. Date of Material Change

December 21st, 2005.

3. News Release

A press release was issued on December 21, 2005 and is attached hereto as a schedule.

4. Summary of Material Change

The Corporation announces a private placement and the renewal of its relationship with GlaxoSmithKline (“GSK”).

5. Full Description of Material Change

The Corporation has reached an agreement with Dynex Capital Limited Partnership (“Dynex”) in the context of a non-brokered private placement of up to $1,500,000 at a price of $0.05 per common share. Dynex, an insider of the Corporation, has agreed to purchase a minimum of $500,000 as part of this private placement. Other insiders, including directors or senior officers of Dynex, may participate in the private placement. The common shares to be issued pursuant to such private placement are expected to have a four-month resale restriction. Dynex currently holds 11,462,738 common shares of the Corporation (21%) and it is anticipated that its control position will be increased as a result of this private placement.

The proceeds of the private placement will be used for working capital purposes, mainly to pursue the development of its branded and generic product portfolio and to reimburse the $500,000 debenture (plus accumulated interests) held by GSK expiring on December 21st, 2005.

The Corporation and GSK have also agreed to renew their existing contractual arrangements. The PROCISE license agreement will be modified to provide the Corporation with more flexibility concerning product development milestones and, in turn, the Corporation has agreed to pay royalties to GSK on products using the SAVIT® technology (excluding MIST-B01). The Corporation and GSK have also agreed to terminate pharmaceutical development agreement as of September 30th, 2005 and the Corporation has agreed to pay any amount owed to GSK over a 27-month period.

6. Reliance on sub-sections 7.1 (2) or (3) of Regulation 51-102

N/A

7. Omitted Information

N/A

8. **Executive Officer**

For any additional information, you may contact Mr. Bertrand Bolduc, President and Chief Executive Officer of the Corporation at (514) 920-0909, extension 24.

9. Date of Report

December 30th, 2005.

SCHEDULE

Mistral Pharma announces private placement and renews its relationship with GlaxoSmithKline

Montreal, Quebec - December 21st , 2005 - Mistral Pharma Inc. (“Mistral”) announced today that is has reached an agreement with Dynex Capital Limited Partnership (“Dynex”) and other investors for a private placement without broker of up to $1,500,000 at a price of $0.05 per common share. Dynex, an insider of Mistral, has agreed to purchase a minimum of $500,000 as part of this private placement. Other insiders, including directors or senior officers of Dynex, may participate in the private placement. The common shares to be issued pursuant to such private placement are expected to have a four-month resale restriction. Dynex currently holds 11,462,738 common shares of Mistral (21%) and it is anticipated that its control position will be increased as a result of this private placement.

The proceeds of the private placement will be used for working capital purposes, mainly to pursue the development of its branded and generic product portfolio and to reimburse the $500,000 debenture (plus accumulated interests) held by GlaxoSmithKline (“GSK”), which expires on December 21st, 2005. The closing of the private placement and the closing of the transaction with GSK are both anticipated to occur, subject to regulatory approval, on or before January 20th, 2006.

Mistral and GSK have also agreed to renew their existing contractual arrangements. The PROCISE license agreement will be modified to provide Mistral with more flexibility concerning product development milestones and, in turn, Mistral has agreed to pay royalties to GSK on products using the SAVIT® technology (excluding MIST-B01). Mistral and GSK have also agreed to terminate pharmaceutical development agreement as of September 30th, 2005 and Mistral has agreed to pay any amount owed to GSK over a 27-month period.

“This private placement and renewed relationship with GSK would enable Mistral to pursue its product development efforts and to improve its technology value proposition” said Mr. Bertrand F. Bolduc, Mistral’s President & CEO. “Mistral is also looking forward to find a commercial partner for MIST-B01, its lead branded product and to add new products to the pipeline” he added.

About Mistral Pharma Inc.

Mistral Pharma is a pharmaceutical product oriented drug delivery company and its first branded product MIST-B01 showed positive results at its first pilot clinical trial. Mistral is also working on three control delivery generic products. Mistral positions itself as a development partner for generic and specialty pharmaceutical companies.

Forward-looking Statements

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of Mistral Pharma. These statements are based on assumptions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for Mistral Pharma's products, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.

For more information:

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