

PHARMAGAP INC.

Price (March 16, 2010)	\$0.13
52-Week High-Low	\$0.45 - \$0.125
Shares O/S	100.9 million
Market Cap	\$13.1 million
50-day Average Volume	347,700
200-day Average Volume	355,429
Year-End	December 31
Symbol	TSX-V: GAP
Website	www.pharmagap.com

Financial Data

Selected Income/Cashflow (C\$000s)	Year-End Dec-07	Year-End Dec-08	Last 12 Mos Sep-09
Revenues	\$12	\$0	\$0
R&D Expenses	\$653	\$504	\$804
Net Loss	(\$2,376)	(\$2,330)	(\$2,491)
Cash Flow (CF) From Ops	(\$1,099)	(\$1,588)	(\$2,206)
Selected Balance Sheet	At Dec-07	At Dec-08	At Sep-09
Cash (& Equivalents)	\$16	\$402	\$383
Total Debt	\$2,977	\$4,346	\$1,306
Shareholders' Equity	(\$6,200)	(\$6,012)	(\$1,474)
Total Assets	\$239	\$727	\$540
Enterprise Value	\$5,016	\$6,490	\$23,486
Working Capital	(\$5,021)	(\$6,036)	(\$1,491)
Working Capital Ratio	0.03x	0.10x	0.26x
Key Ratios	At Dec-07	At Dec-08	At Sep-09
Cash Flow Per Share	(\$0.05)	(\$0.04)	(\$0.03)
Equity Per Share	-\$0.27	-\$0.17	-\$0.02
Enterprise Value Per Share	\$0.22	\$0.18	\$0.27

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Note: This report was prepared with public information only.



Source: www.bigcharts.com

PROFILE

PharmaGap Inc. ("PharmaGap" or the "Company") is focused on the development of novel, anti-cancer compounds. This biopharmaceutical company's proprietary research platform targets select forms of Protein Kinase C ("PKC"), which is implicated in a number of cancers. The Company's lead drug, GAP-107B8, is currently being studied in preclinical models.

INVESTMENT CONSIDERATIONS

Strengths

- Competitive advantage in drug discovery for cancer treatment with use of its proprietary computer models;
- Rich pipeline of preclinical compounds in high-growth/high-value indication (oncology);
- Targeting a well-known pathway in oncology; and
- Lead drug is well positioned as a novel anti-cancer therapy with limited direct competition.

Challenges

- Anti-PKC approach in cancer therapy has thus far been unsuccessful given the difficulties in developing selective PKC inhibitors; and
- Company will require significant capital and/or a biopharmaceutical partner to push development of any of its products through to commercialization.

COMPETITIVE ADVANTAGE

The Company's competitive advantage is its proprietary drug development platform, which is a series of unique and dynamic computer models of select forms of PKC. Using these models, the Company has been able to develop novel compounds targeting PKC, including lead drug GAP-107B8.

CORPORATE STRATEGY

PharmaGap's objective is to out-license internally-developed compounds at the preclinical stage to larger biopharmaceutical companies. As a drug development company, successful preclinical trials could increase its chances of being a take-over candidate.

TARGETING PKC

PKC activity has been found to be abnormal in many cancers and diseases such as diabetes. In cancer, PKC has been implicated in multi-drug resistance, suggesting that a therapy targeting PKC could potentially be useful in treating drug-resistant tumours.

PHARMAGAP'S DRUG: GAP-107B8

Cancer patients are largely treated with combination therapy to combat the specific disease. Cancers can also develop resistance to treatment or they may not respond to treatment at all. Novel therapies, such as GAP-107B8, that target different molecules or pathways are highly desirable in these patients.

Early studies with the Company's GAP-107B8 at the US National Cancer Institute have shown significant anti-cancer activity in 51 of 56 cancer cell lines. The Company has since conducted animal studies with GAP-107B8 in ovarian cancer, and continues to further characterize the drug's activity in a variety of cancer cell lines and in animals.

The Company is also conducting additional preclinical tests to compare GAP-107B8 to existing cancer medications. Phase I clinical testing could begin in 2011, but will likely require a biopharmaceutical partner.

The Company does not plan on conducting human clinical trials with its drugs on its own. A development partner with greater financial resources will be required to bring the Company's products to market. As a result, future revenues will likely be in the form of up-front fees, milestone payments (clinical, regulatory, or sales-based) and/or royalties on sales.

The commercial potential for GAP-107B8 could increase dramatically if clinical study demonstrates a significant benefit when compared to, or when included in, a first-line treatment regimen. Additionally, given the redundancy of PKC across many cancers, GAP-107B8 could potentially be used to treat an array of cancers, providing PharmaGap with revenue growth well beyond the drug's initial approval.

HUGE ONCOLOGY MARKET

The oncology market is fiercely competitive, with nearly every major biopharmaceutical company having a presence in it. The oncology market is also one of the fastest growing segments in the pharmaceutical industry. Annual growth is expected to exceed 10% over the next few years, and the global market size is estimated to reach \$75-80 billion by 2012. This growth is expected to be fuelled by the introduction of novel therapies, as well as the expansion of existing therapies into new cancer indications.

FINANCIAL REVIEW

As a development-stage biopharmaceutical company, PharmaGap does not have any revenues and, as such, it suffers cash burn.

For the first 9 months of 2009, the Company's operational cash burn was approximately \$200,000 per month. However, independent of a partner, this burn rate would likely increase significantly should the Company engage in clinical trial development of its lead drug, GAP-107B8.

The Company's largest operational expense is related to R&D. During the first 9 months of 2009, the Company recorded R&D expenses of approximately \$0.6 million. These expenses were largely related to the continued preclinical development of GAP-107B8.

The Company recently raised approximately \$1.6 million in a series of private placements. This funding could support operations for about eight months, at current burn rates.

MANAGEMENT & DIRECTORS

Robert McInnis, President & CEO. Mr. McInnis has been with PharmaGap since 2004. He was previously involved in capital markets regulatory affairs and was President of SC Stormont Corporation, which is a major shareholder of PharmaGap.

Simon Goulet, Executive Vice-President & Chief Operating Officer. Mr. Goulet joined PharmaGap in 2003 as CFO and was appointed EVP & COO in 2004. Before PharmaGap, Mr. Goulet was involved in investment banking with a number of investment firms, and was involved in raising capital and M&A.

Gerald Leahy, CFO. Mr. Leahy joined PharmaGap in 2004. He has over 20 years of experience in the public and private sectors and has experience in private and public financings and corporate reorganizations.

David Barnes, MD, Clinical Development & Regulatory Affairs Consultant. Dr. Barnes has been with PharmaGap since 2004. He was the co-founder and managing partner of BioTheragene Clinical Research Consultants and head of the Biotechnology Drug Evaluation Unit at Health Canada.

Jenny Phipps, PhD, Chief Scientific Officer, Director. Dr. Phipps is a co-founder of PharmaGap, and has been with the Company full-time since 2001. Dr. Phipps was previously a senior researcher at the National Research Council of Canada.

Jennifer Arnold, PhD, Director of Pre-Clinical Development. Dr. Arnold joined PharmaGap in 2001. She is currently directing preclinical studies for GAP-107B8.

CORPORATE INFORMATION

PharmaGap was founded in 1999 following a spin-out from Canada's National Research Council (NRC). The Company is based in Ottawa, Ontario.

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