FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Velan Inc.
7007 Côte de Liesse
Montreal, Quebec H4T 1G2
Canada

Item 2 Date of Material Change

June 30, 2008

Item 3 News Release

On June 30, 2008, Velan Inc. issued a News Release with respect to the sale of a 50% interest in Velan S.r.L. See copy attached.

Item 4 Summary of Material Change

Velan Inc. has entered into a definitive agreement with BPS S.r.L. to sell to BPS S.r.L. its 50% equity interests in Velan S.r.L. BPS S.r.L. currently owns the other 50% thereof.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Velan Inc. together with its wholly owned subsidiary, Velan Valves Ltd., BPS S.r.L. and 21 Partners SGR S.p.A. entered into a Quota Sale and Purchase Agreement dated June 30, 2008 which provides for the sale of a 50% interest in Velan S.r.L. The agreements contain conditions precedent, representations and warranties with respect to Velan S.r.L., covenants with respect to the conduct of business of S.r.L. during the period prior to closing, a break-up fee of €500,000 payable in certain circumstances and a potential additional consideration payable to Velan in the event of a "Capital Event" within the 20 months following the closing, as well as other standard provisions. A copy of the agreement is being filed on www.sedar.com concurrently and the foregoing summary is qualified in its entirety by the terms of the agreement.

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

This report is not being filed on a confidential basis.

Item 7 Omitted Information

N/A

Item 8 Executive Officer

Mr. Tom Velan, President
Velan Inc.
7007 Côte de Liesse
Montreal Quebec H4T 1G2
Canada

Item 9 Date of Report

June 30, 2008

VELAN Inc.
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Tel: (514) 748-7743 Fax: (514) 748-8635

VELAN

PRESS RELEASE

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FOR IMMEDIATE RELEASE

JUNE 30, 2008

VELAN INC. ANNOUNCES PROPOSED SALE OF ITS JOINTLY HELD ITALIAN COMPANY

Montreal, Quebec – Velan Inc. announced that it has entered into a definitive agreement with BPS S.r.l. ("BPS") for the sale of its 50% interest in Velan S.r.l. ("**SRL**"). The sale is subject to customary closing conditions including the securing of financing.

BPS has agreed to pay $44,068,293 (€27,650,000) and it is anticipated that the sale will close by July 31, 2008. Velan expects to record a gain of approximately $37.5 million in the first quarter of its fiscal 2009 year.

Velan and BPS, which is owned by five senior executives of SRL, established SRL in 2003 to manufacture Trunnion Mounted API6D and 6A ball valves. SRL, whose name will be changed on the closing date, will continue to supply valves to the Velan Group.

Mr. Tom Velan, Velan's President, said "We are very proud of the world class company that has grown out of a meeting of the minds which took place just 5 years ago. Despite the great success in growing Velan Srl into a leading manufacturer of Trunnion Mounted API 6D and 6A ball valves, it became increasingly apparent that the 50/50 partnership relationship was not sustainable. Both partners have agreed to keep a business relationship in the future on a different commercial basis in order to continue to supply superior quality API 6D and 6A ball valves to the Oil & Gas industries."

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. As a result, readers are advised that actual results may differ from expected results.

T.C. Velan
President

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COMMUNIQUÉ

Renseignements additionnels :
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ou
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POUR PUBLICATION IMMÉDIATE

LE 30 JUIN 2008

VELAN INC. ANNONCE LA VENTE PROPOSÉE DE SON ENTREPRISE ITALIENNE EN PROPRIÉTÉ CONJOINTE

Montréal (Québec) – Velan inc. a annoncé qu'elle avait conclu avec BPS S.r.l. (« BPS ») une convention définitive visant la vente de sa participation de 50 % dans Velan S.r.l. (« **SRL** »). La vente est assujettie aux conditions de clôture usuelles, y compris l'obtention du financement.

BPS a convenu de verser 44 068 293 $ (27 650 000 euros), et la clôture de l'opération est prévue le 31 juillet 2008. Velan prévoit inscrire un gain d'environ 37,5 millions de dollars au premier trimestre de son exercice 2009.

Velan et BPS, qui est la propriété de cinq membres de la haute direction de SRL, ont fondé SRL en 2003 en vue de fabriquer des robinets à tournant sphérique guidé de type API 6D et 6A. SRL, dont la dénomination sera modifiée à la date de clôture, continuera à fournir des robinets à tournant sphérique au groupe Velan.

« Nous sommes très fiers de cette société de classe mondiale issue d'une entente profonde conclue il y a à peine cinq ans. Malgré le vif succès de nos efforts visant à faire de Velan S.r.l. un fabricant de premier ordre de robinets à tournant sphérique guidé de type API 6D et 6A, il devenait de plus en plus évident que la relation de partenaires à parts égales ne pouvait plus être maintenue. Les deux partenaires se sont entendus pour poursuivre leur relation d'affaire sur des bases commerciales différentes afin de continuer à fournir des robinets à tournant sphérique de type API 6D et 6A de qualité supérieure au secteur du pétrole et du gaz, », a indiqué M. Tom Velan, président de Velan.

Sauf pour ce qui est des faits historiques, le présent communiqué peut contenir des renseignements et des énoncés de nature prospective au sujet du rendement futur de la société. Ces énoncés sont fondés sur des suppositions et des incertitudes ainsi que sur les meilleures estimations de la direction à l'égard des faits futurs. En conséquence, le lecteur doit savoir que les résultats réels pourraient différer des résultats prévus.

T.C. Velan
Président