

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

July 21, 2008

Item 3 News Release

A press release was disseminated by Marketwire on July 21, 2008 from Montreal, Quebec.

Item 4 Summary of Material Change

Velan SAS, Velan Inc.'s wholly owned subsidiary located in Lyon, France, has been selected by CNPEC to supply high-pressure forged valves for six nuclear power plants in China.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On July 21, 2008, Velan announced that its wholly owned subsidiary located in Lyon, France, Velan SAS, has been selected by CNPEC (China Nuclear Power Engineering Co.) to supply high-pressure forged valves for six nuclear power plants in China. These nuclear power plant projects are located in Hong Yang He, Ning De and Yang Jiang. The valves are required to be supplied during Velan's 2010 and 2011 fiscal years.

It was also announced that Velan SAS has also been awarded contracts by EDF in France for additional valves for the EPR (European Pressurized Reactor) Flamanville 3 and maintenance and services order for the French nuclear power plants. The total value of these orders for China and France is approximately \$72

million. This brings the total nuclear backlog of orders in Velan's French operations to about \$168 million.

5.2 Disclosure for Restructuring Transactions

N/A

Item 6 Reliance on subsection 7.1(2) 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

Tom Velan
President
(514) 748-7743

Item 9 Date of Report

July 21, 2008