

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Velan Inc. (the "Corporation" or "Velan")
7007 Côte de Liesse
Montréal, Québec
H4T 1G2

Item 2 Date of Material Change

February 2, 2012

Item 3 News Release

On February 2, 2012, a press release was issued from Montréal, Québec and disseminated by Marketwire.

Item 4 Summary of Material Change

Velan amends its Corporate Governance and Human Resources Committee Charter and adopts a majority voting policy.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On February 2, 2012 Velan announced the approval by its Board of Directors of a majority voting policy with respect to the election of directors in an uncontested election. In the event that a nominee receives more "withheld" than "for" votes in an uncontested election, such person will be expected to submit to the Board of Directors, his or her resignation, to take effect upon acceptance by the Board. The Board of Directors, on the recommendation of the Corporate Governance and Human Resources Committee, will consider whether to request the person to resign.

The Corporation has also adopted modifications to the nominating and election process of its Board of Directors. The Corporate Governance and Human Resources Committee will propose for nomination 50% of the members of the

Board of Directors, all of whom shall qualify as independent directors, so long as there is a single controlling shareholder (the Corporation is controlled by Velan Holding Co. Ltd.). It is anticipated that the controlling shareholder would propose to the Board of Directors the other nominees. In the event of the proposed election of an odd number of directors, the Committee and the controlling shareholder will be entitled to jointly propose one director. The Board of Directors will determine the nominees to be included in the management information circular as it deems appropriate.

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

John D. Ball
Chief Financial Officer
514-748-7743

Item 9 Date of Report

February 10, 2012