

MATERIAL CHANGE REPORT

1. **Reporting Issuer**

Krystal Bond Inc., 81 Kelfield Street, Unit 5, Toronto, Ontario, M9W 5A3.

2. **Date of Material Change**

May 4, 2000.

3. **Press Release**

A press release was issued in Toronto, Ontario on May 4, 2000.

4. **Summary of Material Change**

Krystal Bond Inc. ("Krystal Bond") announced that it had signed a letter of intent to acquire 100% ownership of Hamilton, Ontario-based Entac Inc., a privately-held producer of proprietary organic, environmentally safe, liquid binder/sealant products.

5. **Full Description of Material Change**

Krystal Bond announced that it had signed a letter of intent to acquire 100% ownership of Hamilton, Ontario-based Entac Inc., a privately-held producer of proprietary organic, environmentally safe, liquid binder/sealant products.

Entac Inc. manufactures and sells binders from naturally occurring resins. These emulsions, effective in controlling dust, and in sealing stockpiles, mine tailings, road bases and landfill sites, are currently used by some of Canada's largest manufacturing and mining companies. Other applications include coal fines and steel mill waste agglomeration, and all utilize the Entac™ and Enviroseal™ trademarked products.

Under the transaction, Krystal Bond is acquiring Entac Inc. for 2,733,338 common shares ("Shares") of Krystal Bond at Cdn.\$0.30 per Share (Cdn. \$820,000) and a Cdn.\$1 million, three-year 5% convertible debenture ("Debenture") in favour of Entac's majority shareholder. The Debenture is convertible into 666,667 Shares of Krystal Bond at \$1.50 per Share and, under certain conditions, Krystal Bond may call for conversion at \$1.75 per Share. This arm's length transaction, which is subject to regulatory approval, does not constitute a change of control.

Entac's binder technology has been successful in producing a family of stable and consistent organic emulsions using natural resins as the primary ingredient. An automated process ensures customers product quality, consistency and cost effectiveness. The organic origin and environmental transparency of Entac products offer significant advantages, making the company an increasingly preferred supplier for road stabilization, stockpile management and dust control applications. The product is non-water soluble, will not leach, has excellent binding capacity and remains in solution for application

Krystal Bond, a publicly held industrial binder producer based in Toronto and serving North American markets, owns the world-wide rights to a family of patented formulations of high performance inorganic industrial binder technologies. These formulations have unique binding and stabilization properties; high compressive strength; high early strength; high impermeability and resistance to chemical and salt attack; and low shrinkage and related cracking.

Krystal Bond's "Krystal Cure™" technology is currently short-listed for application in the USA for the remediation of two Federally financed hazardous waste site clean-ups. Further, the company, in a Research and Business Development Program with U.K.-based Blue Circle Industries PLC, is investigating the application and market potential of Krystal Bond's technologies to the building materials industry. Blue Circle is the 4th largest cement company in the world. More information on Krystal Bond Inc. can be obtained from the company's web site at www.krystalbond.com.

6. **Reliance on Subsection 75(3) of the Securities Act (Ontario)**

Not applicable.

7. **Omitted Information**

Not applicable.

8. **Senior Officer**

James C. Griffiths, President, 81 Kelfield Street, Unit 5, Toronto, Ontario, M9W 5A3;

Phone: (416) 614-6148; Fax: (416) 614-9982.

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 12th day of May, 2000.

“James C. Griffiths”
James C. Griffiths, President