

**Form 51-102F3**  
**Material Change Report**

**Item 1.      Name and Address of Company**

Functional Technologies Corp. (the "**Company**")  
5511 West Boulevard, Suite 218  
Vancouver, BC, V6M 4H3

**Item 2.      Date of Material Change**

March 15, 2011

**Item 3.      News Release**

A news release dated March 15, 2011 was disseminated through Marketwire.

**Item 4.      Summary of Material Change**

The Company's subsidiary, Phytterra Yeast Inc. ("**Phytterra**"), has been awarded \$2.5 million in non-dilutive funding from the Government of Canada's Atlantic Innovation Fund ("**AIF**") under the oversight of the Atlantic Canada Opportunities Agency ("**ACOA**"). The funds will support a fast-track project by the Company to develop and commercialize the application of its proprietary acrylamide-preventing yeast technology, Acryleast™, in the processed potato industry.

**Item 5.1    Full Description of Material Change**

The Company's subsidiary, Phytterra, has been awarded \$2.5 million in non-dilutive funding from the AIF under the oversight of the ACOA. The funds will support a fast-track project by the Company to develop and commercialize the application of its proprietary acrylamide-preventing yeast technology, Acryleast™, in the processed potato industry. This is a significant achievement, as Phytterra's funding application was selected out of numerous competing submissions after an intensive scientific peer-review process, highlighting the innovative strength, global commercialization potential, and value of the Company's technologies to the potato processing industry.

Sector-specific trials (e.g. baked goods and snack foods) conducted in Europe with the Company's acrylamide-preventing yeasts have demonstrated greater than 90% acrylamide reduction, providing proof-of-concept validation and a strong basis for translating the platform over to industrial potato-processing protocols. A known neuro-toxicant and a World Health Organization Group 2A carcinogen, acrylamide is a naturally occurring byproduct formed during the production process of many popular foods, including French fries, potato chips, bread and other dough products, baby food, coffee and breakfast cereals. It has also been linked to developmental and reproductive toxicities. Acrylamide arises from the reaction of two naturally occurring ingredients, the amino acid asparagine and reducing sugars (i.e. starches like glucose), at temperatures over 121°C (249°F) such as in baking, toasting or frying.

The Company's Acryleast™ accelerates the natural ability of yeast to consume asparagine, preventing the formation of acrylamide in the processing of baked foods and potato products. Adoption of Acryleast™ is expected to be relatively seamless in the production of bread and other baked dough products. This funding from the Government of Canada will enable the Company to develop, validate, and maximize the performance of Acryleast™ in various processing protocols for potato foods and snacks. Methods that attempt to counter the formation of acrylamide include changing the cooking time and/or temperature; however,

these are considered less effective and potentially compromise the sensory profile of the final product. Newer solutions have been shown to be successful in the laboratory setting, but the use of these in commercial and industrial scale has proved difficult and expensive.

Global attention was drawn to this chemical in 2002 when scientists from the Swedish Food Administration reported unexpectedly high levels of acrylamide in a variety of widely consumed foods. In response, numerous environmental, governmental and other public interest agencies or committees worldwide have listed, or launched major initiatives to investigate, acrylamide as a carcinogen and/or reproductive toxicant of concern, or toxic substance. These include the World Health Organization, the Food and Agriculture Organization, the European Chemical Agency, Health Canada, the U.S. Food and Drug Agency, and California's Office of Environmental Health Hazard Assessment.

California's Proposition 65, a state law requiring businesses to warn citizens of exposures to officially listed toxic substances with the goal to reduce or eliminate exposures to those substances, has similarly recognized acrylamide as a chemical known to cause cancer, and more recently (in February 2011), developmental and reproductive toxicity. California's State Attorney Office and several private-interest groups have previously filed lawsuits claiming a number of U.S. food manufacturers and restaurant chains were in violation of Proposition 65, arguing that food companies should label products containing high levels of acrylamide, as well as implement reduction policies.

**Item 5.2      Disclosure for Restructuring Transactions**

Not applicable.

**Item 6.      Reliance on subsection 7.1(2) of National Instrument 51-102**

*If this Report is being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102, state the reasons for such reliance.*

Not applicable.

**Item 7.      Omitted Information**

Not applicable.

**Item 8.      Executive Officer**

Connie Chen, Vice-President, Corporate Development and Communications  
Telephone: 647 282 5038

**Item 9.      Date of Report**

March 15, 2011