

**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**

July 13, 2012

**Item 3. News Release**

A news release dated July 16, 2012 was disseminated through Marketwire.

**Item 4. Summary of Material Change**

The Company intends to undertake a non-brokered private placement to raise gross proceeds of up to \$1.0 million by the issuance of 5.0 million units at a price of \$0.20 per unit. The Company has also arranged a working capital bridge loan of \$250,000 with the ability to request a second draw down of the same amount.

**Item 5.1 Full Description of Material Change**

Subject to TSX Venture Exchange approval, the Company intends to undertake a non-brokered private placement to raise gross proceeds of up to \$1.0 million by the issuance of 5.0 million units at a price of \$0.20 per unit. Each unit will consist of one common share and one common share purchase warrant. Each share purchase warrant will entitle the holder to acquire one common share at a price of \$0.30 for a period of 24 months. At the Company's election, the share purchase warrants will expire 30 days following the Company's written notice of early expiry, which notice may be given if the closing price of the Company's common shares is \$0.60 or higher for at least 10 consecutive trading days.

The Company also reports that it has arranged a working capital bridge loan of \$250,000 with the ability to request a second draw down of the same amount. Subject to TSX Venture Exchange approval, the Company will issue to the lender, as a bonus for the making of the initial tranche of the loan, 122,549 common shares which will be subject to a hold period expiring on November 13, 2012. The loan matures in one year and bears interest at the rate of 18% per annum during the first year and 22% thereafter, calculated and compounded semi-annually in arrears. The loan agreement provides for the grant of security over certain assets of the Company and the payment of a structuring fee to the lender of 4% on the amount of the funds advanced. Christopher Morris, an executive officer of the Company, is the owner of the general partner of the lender and is also a part owner of the lender.

**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**

Howard Louie, Chairman & Chief Business Development Officer  
Telephone: 604 648 2200

**Item 9.**      **Date of Report**

July 16, 2012