

FORM 51-102F3

MATERIAL CHANGE REPORT

UNDER NATIONAL INSTRUMENT 51-102

Item 1 Name and Address of Company

Crailar Technologies Inc. (the “Company”) (“CRAiLAR”)
Suite 305 - 4420 Chatterton Way
Victoria, British Columbia V8X 5J2

Item 2 Date of Material Change

April 13, 2015.

Item 3 News Release

A news release was issued by the Company on April 13, 2015 and distributed through Canadian Newswire.

Item 4 Summary of Material Change

The Company reported its 2014 fourth quarter results.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Fourth Quarter Highlights:

- Revenues increase to \$1.9 million, up 378% from Q4 2013.
- Production volume increases 43% from Q3 2014.
- Adjusted EBITDA loss \$0.3 million.

The Company today reported sales of \$1.9 million and a net loss of \$8.2 million or \$0.12 per share for the fourth quarter ended December 27, 2014. This loss includes an \$8.0 million or \$0.12 per share non-cash impairment charge associated with its idled South Carolina facility. This compares with sales of \$0.4 million and a net loss of \$3.2 million or \$0.07 per share for the fourth quarter ended December 28, 2013, which included an inventory impairment charge of \$1.2 million partially offset by a \$0.4 million bargain purchase gain. The Company’s Adjusted EBITDA for the quarter was a loss of \$0.3 million, a reduction of \$0.8 million from Q4 2013’s Adjusted EBITDA loss of \$1.1 million. For further information regarding Adjusted EBITDA, including a reconciliation of Adjusted EBITDA to net loss, see non-GAAP Financial Measures below.

During the fourth quarter of 2014, the Company continued to make progress optimizing its European production facility. Fiber output volume increased by 43% over Q3 2014. Drying capacity was doubled with installation and programming of a second dryer and a kier overhaul which increases loads per cycle. Improved quality and volumes increased customer confidence and products using branded CRAiLAR fibers were launched this quarter. Forecasted demand for CRAiLAR Fibers now exceeds plant capacity. Two customers are investigating dedicated facilities and have scheduled validation trials for Q2 2015.

New equipment installation and overhaul this quarter led to some production disruptions, and some equipment failures limited output. A preventative maintenance regime is improving plant stability. An \$8.0 million non-cash impairment charge was recorded in Q4 to write-down the value of our South Carolina plant, equipment and feedstock. This charge reflects the Company's focus on European production and lack of near term plans to restart the plant. Decortication equipment from that location may be redeployed to support future direct-to-farmer feedstock sourcing initiatives in Western or Eastern Europe.

For the year ended December 27, 2014, the Company reported sales of \$4.2 million and a net loss of \$14.2 million or \$0.25 per share, compared with \$0.6 million sales last year and a net loss of \$15.2 million or \$0.34 per share. This year's loss includes the aforementioned \$8.0 million impairment charge associated with the South Carolina plant. Last year's loss included a \$4.6 million write-down of feedstock and seed inventory. The Company's Adjusted EBITDA for the year was a loss of \$3.4 million compared with an Adjusted EBITDA loss of \$6.0 million last year. The Company is focused on two strategic initiatives: reducing feedstock costs and increasing production volume. To reduce feedstock costs we are expanding supply sources and beginning the process of contracting directly with farmers. Our feedstock strategies will allow us to improve margin, influence farming techniques (expanding potential fiber markets), and create a more secure supply chain. An optimized supply chain will create substantial cost advantages over traditional and competing sustainable fibers. To increase production volume and satisfy customer demand, we are optimizing the existing European plant and supporting customer validation trials. Expanded feedstock supply chain, direct to farmer sourcing, optimized production at our current plant, and future customer supported plants are critical future steps for CRAiLAR's natural and sustainable fibers to disrupt the fiber industry.

Non-GAAP Financial Measures

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "EBITDA," which is a non-GAAP financial measure that consists of net loss before (a) interest expense, (b) accretion expense and (c) depreciation amortization and depreciation. "Adjusted EBITDA" further adjusts EBITDA with respect to share-based compensation expense, facility commissioning expense, fair value adjustment to derivative liabilities, gain/loss on settlement of debt, write down of assets, rent inducement expense, deferred income tax recovery and bargain purchase.

The Company believes that these non-GAAP financial measures provide important supplemental information to management and investors. These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the accompanying reconciliation to corresponding GAAP financial measures,

provides a more complete understanding of factors and trends affecting the Company's business and results of operations.

Management uses EBITDA and Adjusted EBITDA as a measure of the Company's operating performance because they assist in comparing the Company's operating performance on a consistent basis by removing the impact of items not directly resulting from core operations. Internally, these non-GAAP financial measures are also used by management for planning purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; for evaluating the effectiveness of operational strategies; and for evaluating the Company's capacity to fund capital expenditures and expand its business. The Company also believes that analysts and investors use these measures as supplemental measures to evaluate the overall operating performance of developmental companies. Additionally, the Company believes that lenders or potential lenders use EBITDA and Adjusted EBITDA to evaluate the Company's ability to repay loans.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the Company's non-GAAP measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

The table below reconciles net loss to Adjusted EBITDA for the periods presented (in thousands):

	For the thirteen weeks ended		For the fifty-two weeks ended	
	Dec. 27, 2014	Dec. 28, 2013	Dec. 27, 2014	Dec. 28, 2013
Net loss	(\$8,159)	(\$3,240)	(\$14,172)	(\$15,170)
Interest expense, net	540	676	2,198	1,931
Accretion expense	63	-	534	128
Amortization and depreciation	188	212	615	856
EBITDA	(\$7,368)	(\$2,352)	(\$10,825)	(\$12,256)
Share-based compensation	272	362	1,127	2,005
Facility commissioning expense	83	9	675	366
Fair value adjustment to derivative liabilities	(1,224)	-	(2,140)	(453)
Gain/Loss on settlement of debt	133	-	(102)	-
Write down of assets	8,014	1,220	8,014	4,654
Rent inducement expense	8	38	33	152
Deferred income tax recovery	(199)	-	(199)	-
Bargain purchase	-	(426)	-	(426)
Adjusted EBITDA	(\$281)	(\$1,149)	(\$3,417)	(\$5,957)

Conference Call

A conference call to discuss the company's fourth quarter and year ended December 27, 2014 results is scheduled to begin at 2:00 pm Pacific Daylight Time (5:00 pm Eastern Daylight Time) on April 13, 2015. Participants may access the call by dialing 877-705-6003 (North America) or 201-493-6725 (international), 5 to 10 minutes before the call and ask for the CRAiLAR Technologies Inc. Fourth Quarter 2014 Conference Call. In addition, the call will be broadcast live over the Internet and accessible through website: <http://public.viavid.com/index.php?id=113929> If you are unable to participate during the live call, an audio replay will be available until midnight on April 27, 2015 by dialing 877-870-5176 or 858-384-5517 for international callers, and entering pin number 13606585. A transcript will be available approximately 24 hours after the call on CRAiLAR's investor page.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Guy Prevost, Corporate Controller and Compliance Officer
Suite 305 – 4420 Chatterton Way, Victoria, BC V8X 5J2
Telephone: (250) 658-8582.

Item 9 Date of Report

April 13, 2015.

CRAiLAR Technologies Inc.
Consolidated Balance Sheets
(In Thousands US Dollars)

	December 27, 2014	December 28, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,196	\$ 1,193
Receivable	3,107	223
Inventory	449	945
Prepaid expenses and deposits	336	291
	5,088	2,652
Deferred Debt Issuance Costs	967	1,442
Property and Equipment, net	10,013	17,240
Intangible Assets, net	129	156
	\$ 16,197	\$ 21,490
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,017	\$ 2,378
Accrued liabilities	1,224	2,342
Unearned revenue	264	248
Notes payable	-	477
Current portion of loans payable	707	634
Derivative Liabilities	872	-
	5,085	6,079
Non-current liabilities		
Deferred Income Tax Liability	-	199
Loans Payable	361	551
Long Term Debt	18,024	16,675
TOTAL LIABILITIES	23,469	23,504
STOCKHOLDERS' DEFICIT		
Capital Stock		
Authorized: unlimited common shares without par value		
Issued and outstanding: 66,378,003 common shares (2013 - 47,806,031 common shares)	39,665	34,889
Additional Paid-in Capital	15,219	9,934
Accumulated Other Comprehensive Income	1,483	585
Deficit	(63,639)	(47,423)
	(7,272)	(2,014)
	\$ 16,197	\$ 21,490

CRAILAR Technologies Inc.
Consolidated Statements of Operations
(In Thousands US Dollars)

	For the thirteen week Period Ended		Period ended	
	December 27, 2014	December 28, 2013	December 27, 2014	December 28, 2013
Revenues	1,860	389	4,196	\$ 587
Cost of sales				
Materials and direct product production costs	1,436	247	3,513	470
Fixed Overhead	73	14	322	371
Facility commissioning costs	83	9	675	366
Depreciation	175	197	525	681
Impairment Loss on Inventory	370	1,220	370	4,642
Gross loss	(277)	(1,298)	(1,209)	(5,943)
Expenses				
Marketing and promotion	91	57	371	663
Amortization and depreciation	13	15	90	175
General and administrative	1,233	1,487	4,820	6,638
Research and development	115	132	275	355
Write down of plant and equipment	7,491	-	7,491	13
	(8,943)	(1,691)	(13,047)	(7,844)
Loss before other items	(9,220)	(2,989)	(14,256)	(13,787)
Other income (expenses)				
Accretion expense	(63)	-	(534)	(128)
Interest	(540)	(676)	(2,198)	(1,931)
Gain (loss) on disposal of assets	(153)	-	(153)	1
Gain on debt settlement	(133)	-	102	-
Fair value adjustment derivative liabilities	1,224	-	2,140	453
Bargain purchase	-	426	-	426
Exchange gain (loss)	527	-	527	(204)
	862	(250)	(115)	(1,383)
Loss before taxes	(8,358)	(3,239)	(14,371)	(15,170)
Deferred income tax recovery	199	-	199	-
Net loss after taxes	(8,159)	(3,239)	(14,172)	(15,170)
Loss per share (basic and diluted)	(0.12)	(0.07)	(0.25)	(0.34)
Weighted average number of common shares outstanding	66,378,003	44,730,439	56,309,118	44,508,011

CRAiLAR Technologies Inc.Consolidated Statements of Cash Flows
(In US Dollars)

	Period ended Dec 27, 2014	Period ended Dec 28, 2013
Cash flows used in operating activities		
Net loss	\$ (14,172)	\$ (15,170)
Adjustments to reconcile net loss to net cash from operating activities		
Amortization and depreciation	615	855
Amortization of debt discount	534	128
Amortization of deferred debt issuance costs	428	347
Fair value adjustment of derivative liability	(2,140)	(453)
(Gain) loss on disposal of asset	153	(1)
Rent	33	152
Stock-based compensation	1,127	2,005
Gain on settlement of debt	(102)	-
Write down of equipment	200	13
Write down of inventory	370	4,642
Write down of plant and equipment	7,291	-
Exchange gain	(527)	-
Deferred income tax recovery	(199)	-
Bargain purchase	-	426
Changes in working capital assets and liabilities		
Increase in accounts receivable	(2,884)	(87)
Decrease (increase) in inventory	127	(2,683)
Increase in prepaid expenses	(83)	(184)
Increase (decrease) in accounts payable	(248)	971
Increase in unearned revenue	-	248
Increase (decrease) in accrued liabilities	(373)	710
Net cash used in operating activities	(9,850)	(8,081)
Cash flows from (used in) investing activities		
Sale of equipment	113	36
Purchase of property and equipment	(1,558)	(3,908)
Acquisition of intangible assets	(24)	(89)
Net cash flows used in investing activities	(1,470)	(3,961)
Cash flows used in financing activities		
Issuance of capital stock on exercise of options and warrants	-	240
Promissory notes payable	(661)	621
Proceeds from long term debt	3,000	-
Loans payable	(176)	-
Proceeds from private placement, net of issue costs	3,079	1,879
Proceeds from offering, net of issue costs	5,983	-
Proceeds from convertible debenture	-	8,307
Deferred issuance costs	(15)	(887)
Net cash flows from financing activities	11,210	10,161
Effect of exchange rate changes on cash and cash equivalents	113	197
Increase (decrease) in cash and cash equivalents	3	(1,684)
Cash and cash equivalents, beginning	1,193	2,877
Cash and cash equivalents, ending	\$ 1,196	\$ 1,193

