

## FORM 51-102F3

### MATERIAL CHANGE REPORT

**ITEM 1**      **Name and Address of Company**

Covalon Technologies Ltd. (the “Company” or “Covalon”)  
1660 Tech Avenue, Unit 5  
Mississauga, Ontario L4W 5S7

**ITEM 2**      **Date of Material Change**

August 9, 2018

**ITEM 3**      **News Release**

A press release was issued through Business Wire on August 9, 2018.

**ITEM 4**      **Summary of Material Change**

On August 9, 2018, the Company announced that the Company has entered into a new acquisition and operating banking credit facility with HSBC Bank Canada (“HSBC”) that provides the Company with up to \$17 million of credit. In support of Covalon, Export Development Canada (“EDC”) has partnered with HSBC to provide partial guarantees under the banking facility.

**ITEM 5**      **Full Description of Material Change**

On August 9, 2018, the Company announced that the Company has entered into a new acquisition and operating banking credit facility with HSBC Bank Canada (“HSBC”) that provides the Company with up to \$17 million of credit. In support of Covalon, Export Development Canada (“EDC”) has partnered with HSBC to provide partial guarantees under the banking facility.

The HSBC banking agreement includes a \$9 million (Canadian Dollars) acquisition demand line, a \$5 million (Canadian Dollars) revolving operating facility, and a \$2 million (US Dollar) bank guarantee facility. HSBC will also provide the Company a foreign currency hedging facility, and corporate credit card facility in support of the Company’s ongoing operations. The term of the acquisition demand line is repayable over five years.

Mr. Brian Pedlar, Covalon’s Chief Executive Officer, said, “The HSBC credit facility will allow Covalon to fund its acquisitions plans, which are proceeding well, in addition to its inventory and working capital needs as the Company grows. For Covalon to have earned the trust of such a major international bank like HSBC is quite an achievement, especially given the large amount of the facility. HSBC is well-known as one of the world’s largest international banks which is a perfect fit for Covalon since most of Covalon’s business is international. This banking agreement is in the best interests of shareholders as it provides growth capital to Covalon without the need for the dilution resulting from the issuance of shares.”

Mr. Danny Brannagan, Covalon’s Chief Financial Officer, stated, “This major banking facility with HSBC also earned the active support and cooperation of

Export Development Canada. Both HSBC and EDC have been a pleasure to deal with offering Covalon much support, expertise, and professionalism.”

**HSBC Commercial Banking** operates in 53 countries and territories, covering the developed and developing markets and has been servicing Canadian businesses since 1981. HSBC Bank Canada is a subsidiary of British banking giant HSBC – one of the largest banking groups in the world. HSBC Bank Canada is the seventh largest bank in Canada.

**Export Development Canada (EDC)** helps Canadian companies go, grow, and succeed in their international business. As a financial Crown corporation, EDC provides financing, insurance, bonding, trade knowledge, and matchmaking connections to help Canadian companies sell and invest abroad.

**ITEM 6**      **Reliance of subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**ITEM 7**      **Omitted Information**

Not applicable.

**ITEM 8**      **Executive Officer**

The name and business number of an executive officer of the Company who is knowledgeable about the material change and this report is:

Brian Pedlar  
Chief Executive Officer  
905-568-8400 x 233

**ITEM 9**      **Date of Report**

This report is dated the 20<sup>th</sup> day of August, 2018.