MATERIAL CHANGE REPORT

Item 1 - Reporting Issuer

Dylex Limited ("Dylex")
637 Lakeshore Blvd. West
Toronto, Ontario
M5V 1A8

Item 2 - Date of Material Change

August 16, 1999

Item 3 - Press Release

A Press Release was issued at Toronto on August 16, 1999.

Item 4 - Summary of Material Change

On August 16, 1999, Dylex announced that the anticipated net loss of approximately $15 million for its second quarter and for the current fiscal year January 29, 2000 will be the result of a one-time write-off and poor earnings affecting Dylex's BiWay division.

Item 5 - Full Description of Material Change

On August 16, 1999, Dylex Limited announced that a one-time write-off and poor earnings affecting its BiWay division will result in net losses for its second quarter and for its fiscal year ended January 29, 2000 and Dylex anticipates a net loss of approximately $15 million for its current fiscal year.

A $25 million one-time write-off will be made against Dylex's second quarter results to reduce the value of BiWay's inventory and accounts receivable and cover the expected costs to restructure internal systems and controls.

BiWay's operating results for the second quarter were also significantly lower than last year's comparable period, recording an EBITDA of $300,000, down from $5.2 million for the same period last year. Higher transportation and distribution costs, increased shrink provisions and reduced sales contributed to the lower profitability. The second quarter results for Dylex and its other operating divisions will be announced on August 26, 1999.

A full inventory count for BiWay's 287 retail locations determined that inventory was overstated by $12.5 million due to higher than estimated shrink, start-up problems at the new BiWay Distribution Centre and issues related to internal processes and controls. A comprehensive review of BiWay's operations, provisions for bad debts and restructuring costs will result in a further write-off of $12.5 million against Dylex's second quarter results.

Dylex has engaged a team of independent consultants from Ernst & Young to review BiWay's internal systems and to make a full report within four weeks on a plan to improve controls and operating efficiencies. BiWay's new distribution centre has not achieved proper operating or expense levels. Additional support and expertise has been engaged to take corrective action. Third and fourth quarter results will be negatively affected by higher distribution costs while the problems are corrected. These costs have been included in the annual estimate.

William Aziz, who began work as President of Dylex's BiWay division on August 3, is leading the effort to improve internal processes and controls and rebuild the division's management team.

Item 6 - Confidentiality

Not applicable.

Item 7 - Omitted Information

Not applicable

Item 8 - Senior Officer

The following senior officer of Dylex is knowledgeable about the material change and this report:

Jeffery Friedman
Director of Legal Services and Corporate Secretary
(416) 586-6982

Item 9 - Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, this 18th day of August, 1999.

DYLEX LIMITED

"Jeffery Friedman"

Jeffery Friedman
Director of Legal Services and Corporate Secretary

DYLEX

FOR IMMEDIATE RELEASE

DYLEX ANNOUNCES PROFIT WARNINGS FOR SECOND QUARTER AND FISCAL 2000

Toronto, Canada (August 16, 1999) -- Dylex Limited today announced that a one-time write-off and poor earnings affecting its BiWay division will result in net losses for its second quarter and for its fiscal year ended January 29, 2000. The Company anticipates a net loss of approximately $15 million for its current fiscal year.

A $25 million one-time write-off will be made against Dylex's second quarter results to reduce the value of BiWay's inventory and accounts receivable and cover the expected costs to restructure internal systems and controls.

BiWay's operating results for the second quarter were also significantly lower than last year's comparable period, recording an EBITDA* of $300,000, down from $5.2 million for the same period last year. Higher transportation and distribution costs, increased shrink provisions and reduced sales contributed to the lower profitability. The second quarter results for Dylex and its other operating divisions will be announced on August 26.

A full inventory count for BiWay's 287 retail locations determined that inventory was overstated by $12.5 million due to higher than estimated shrink, start-up problems at the new BiWay Distribution Centre and issues related to internal processes and controls. A comprehensive review of BiWay's operations, provisions for bad debts and restructuring costs will result in a further write-off of $12.5 million against Dylex's second quarter results.

Dylex has engaged a team of independent consultants from Ernst & Young to review BiWay's internal systems and to make a full report within four weeks on a plan to improve controls and operating efficiencies. BiWay's new distribution centre has not achieved proper operating or expense levels. Additional support and expertise has been engaged to take corrective action. Third and fourth quarter results will be negatively affected by higher distribution costs while the problems are corrected. These costs have been included in the annual estimate.

"We are taking all steps to correct the problems at BiWay," said Elliott Wahle, President and Chief Executive Officer. "We are devoting all available resources, bringing in experts and making the necessary organizational changes. We will remain 100% focused on the operations until the issues are all fully resolved."

Mr. Wahle said that William Aziz, who began work as President of Dylex's BiWay division on August 3, is leading the effort to improve internal processes and controls and rebuild the division's management team.

BiWay, Dylex's largest operating division, is Canada's leading neighbourhood department store, offering everyday low prices on a narrow range of general merchandise, food, health and beauty aids and family apparel through a network of 287 store locations.

Dylex is one of Canada's leading specialty retailers, operating 640 stores including such well-known names as BiWay, Braemar, Labels, Fairweather, Thriftys and Tip Top.

* Earnings before interest, taxes, depreciation and amortization

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For further information: Anita Veel, Communications Coordinator (416) 586-7001