

GRILLI PROPERTY GROUP INC.

MATERIAL CHANGE REPORT

ITEM 1. Reporting Issuer

Grilli Property Group Inc.
3535 St-Charles Blvd.
Suite 200
Kirkland, Québec H9H 5B9

ITEM 2. Date of Material Change

August 23, 2004

ITEM 3. Press Release

The Company issued a press release indicating the material change on August 23, 2004 at Montreal, Québec. A copy of the press release is attached hereto as Schedule A.

ITEM 4. Summary of Material Change

Mr. Mario Grilli, controlling shareholder of the Company, proposed to the Board of Directors a going-private transaction to acquire all of the outstanding common shares of the Company other than shares held by companies under his control and the control of members of his family. The companies controlled by Mr. Mario Grilli and the members of his family already hold collectively 12,124,841 common shares of the Company, being 85.2% of the 14,237,763 outstanding common shares.

ITEM 5. Full description of Material Change

The shareholders of the Company will receive for each common share held an amount of \$3.82 per share payable in cash. This price has been determined through an arm's length negotiation with a group of important minority shareholders (of which more than 5% of the outstanding shares of the Company are held by one holder) (the Important Minority Shareholders). The price represents a premium of 19.7% over the book value of \$3.19 of the common shares of the Company as at May 31, 2004, the last day of its most recently completed quarter, a premium of 29.9% over the average trading price for the last 20 days on the TSX Venture Exchange (the Exchange) and a premium of 34.0% over the closing price of the Company's shares on the Exchange on August 23, 2004.

A support and voting agreement was entered between the Important Minority Shareholders and the companies controlled by Mr. Mario Grilli and the members

of his family pursuant to which the Important Minority Shareholders undertook to vote in favour of the proposed transaction.

The Board of Directors has established a committee comprised solely of independent members, Messrs. Luc Henrico and Edward Gaiotti, in order to study the going-private transaction.

The going-private transaction will be effected through the amalgamation of the Company with a newly-incorporated company that will be wholly-owned by entities controlled by Mr. Mario Grilli and the members of his family. Following the amalgamation, each shareholder of the Company, other than the companies controlled by Mr. Mario Grilli and the members of his family, will receive one redeemable preferred share of the amalgamated company for each common share of the Company held immediately prior to the amalgamation. Each redeemable preferred share will then be redeemed for the \$3.82 payable cash by the amalgamated company.

The transaction will be subject to the approval of the shareholders at a special meeting which the Company expects will be held on or about October 20, 2004.

ITEM 6. **Reliance on Confidentiality Section of the Act**

Not applicable

ITEM 7. **Omitted Information**

Not applicable

ITEM 8. **Executive Officer**

Further information regarding the matters described in this report may be obtained from Mr. Mario Grilli, Chairman of the Board and Chief Executive Officer, who is knowledgeable about the details of the material change and may be contacted at (514) 694-0463.

ITEM 9. **Date of the Material Change Report**

August 25, 2004.

The foregoing accurately discloses the material change referred to herein.

GRILLI PROPERTY GROUP INC.

(s) Mario Grilli

Mario Grilli

Chairman of the Board and Chief
Executive Officer