FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Algo Group Inc. ("**Algo**")
5555 Cypihot
St. Laurent, Québec
H4S 1R3

Item 2 Date of Material Change

November 23, 2006.

Item 3 News Release

On November 23, 2006, Algo disseminated a press release to the public describing the material change that is the subject of this report and such press release was filed on SEDAR.

Item 4 Summary of Material Change

Algo Group Inc. announced that it has entered into an agreement with its primary lenders, whereby such primary lenders have agreed to subscribe for securities of Algo in reduction and cancellation of approximately $9.5 million of debt owed to them under Algo's existing credit facilities. As a condition to the reduction and cancellation of such debt, the agreement also provides that Algo is required to complete a private placement of securities prior to December 15, 2006 for total proceeds of $3 million dollars, such proceeds which will be used to repay outstanding amounts under Algo's revolving loan. The completion of the transactions contemplated in the agreement is subject to certain conditions, including the receipt by Algo of all necessary regulatory approvals, including the approval of the Toronto Stock Exchange.

Item 5 Full Description of Material Change

The agreement provides that Algo will issue the following securities to its primary lenders in consideration for the reduction and cancellation of the aforementioned debt:

- an aggregate of 13,333,333 common shares;
- a junior secured 5-year promissory note (the "**Note**") in the principal amount of $1.5 million dollars. The Note will be convertible at any time into 10,000,000 common shares of Algo.

an aggregate of 26,666,667 series 1 first preferred shares, which shall constitute a new series of shares within Algo's class of first preferred shares. The principal rights, privileges, restrictions and conditions of series 1 first preferred shares to be issued include:

- participation and voting rights on the same basis as Algo's common shares;

- convertible at the option of the holder into common shares on a share for share basis, subject to customary adjustments;

- redeemable by Algo at $0.15 per share, upon 30 days prior written notice given by Algo;

- other than dividends shared with holders of common shares, there will be no dividends payable on the series 1 first preferred shares;

- redeemable at the option of the holder on the fifth anniversary of the issue date; and

- in the event of Algo's dissolution and distribution of its net dissolution proceeds, the holders of the series 1 first preferred shares will be entitled to receive an amount equal to $0.15 per share in preference to holders of any other shares in Algo's capital stock.

The agreement also provides that, as a condition to the reduction and cancellation of a portion of the primary lenders' debt, Algo will complete a private placement of securities prior to December 15, 2006 for proceeds of $3 million dollars, such proceeds which will be used to repay outstanding amounts under Algo's revolving loan. It is currently expected that one or more insiders of Algo will invest a portion of such $3 million dollars. The investor(s) in such private placement will receive junior secured promissory notes with the same terms and conditions as the Note, and which, accordingly, will be convertible at each investor's option into an aggregate of 20,000,000 common shares.

Following the distribution of such securities, and should: (i) the primary lenders convert the whole of the Note and all of their above-mentioned series 1 first preferred shares into common shares, and (ii) the investors convert all of their junior secured promissory notes into common shares, the primary lenders would own approximately 22% of the outstanding voting shares of Algo on a fully-diluted basis.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

This report is not being filed on a confidential basis.

Item 7 **Omitted Information**

None.

Item 8 **Executive Officer**

For further information, please contact Ken Labelle, Chief Financial Officer of Algo, at (514) 908-7804.

Item 9 **Date of Report**

December 1, 2006.