

MATERIAL CHANGE REPORT

1. Reporting Issuer:

Avalon Works Corp.
637 Roslyn Avenue
Westmount, Quebec
H3Y 2V1

2. Date of Material Change:

April 30, 2001 and May 4, 2001

3. Press Releases:

A press release was issued through the facilities of Canada NewsWire on May 1, 2001 and a bulletin was issued by The Canadian Venture Exchange Inc. ("CDNX") on May 2, 2001.

4. Summary of Material Change:

On April 30, 2001, Avalon Works Corp. ("Avalon" or the "Corporation") received shareholder approval for and closed the non-arm's length acquisition of Danek Associates Inc. ("DAI"), a private corporation based in Ottawa, Ontario. DAI is an e-business facilitator, founded by Jirka V. Danek, a director of Avalon, which provides electronic service delivery solutions to both the public and private sectors. Avalon acquired all of issued and outstanding DAI shares in exchange for 12,000,000 common shares in the capital of Avalon issued at a deemed price of \$1.00 per Avalon share.

Pursuant to a bulletin issued by the CDNX on May 2, 2001 this acquisition of DAI qualifies as Avalon's "Qualifying Transaction" under Policy 2.4 of the CDNX and effective May 4, 2001 Avalon is no longer considered a capital pool company.

5. Full Description of Material Change:

On April 30, 2001 Avalon received shareholder approval for and closed the previously announced non-arm's length acquisition of Danek Associates Inc. ("DAI") (see media release dated January 22, 2001), a private e-business facilitator, founded by Jirka V. Danek, a director of Avalon, which provides electronic service delivery solutions to both the public and private sectors. Avalon acquired all of the issued and outstanding shares of DAI (the "Acquisition"), in exchange for an aggregate of 12,000,000 common shares in the capital of Avalon issued at a deemed price of \$1.00 per common share.

Pursuant to a bulletin issued by the CDNX on May 2, 2001, the acquisition of DAI qualified as the Corporation's "Qualifying Transaction" under Policy 2.4 of the CDNX and effective May 4, 2001 Avalon is no longer considered a capital pool company.

DAI is an Ottawa, Ontario based electronic business facilitator which has developed a suite of electronic service delivery solutions for the Government of Canada which are currently deployed, pursuant to a long-term service contract, on behalf of 48 federal government departments. Following the installation of an in-house web hosting facility, DAI has commenced leveraging the time tested solutions developed for the federal government for delivery to non-government private sector applications throughout Canada. In particular, DAI has focused its scalable application service provider initiatives on front-end interactivity, electronic commerce applications and back-

end web-enabling for mainframe based legacy systems, while improving the scalability, network connectivity and security of overall solutions. The architecture of DAI, which includes strategic, technical and creative business lines, enables it to continuously enhance its electronic service solutions, while simultaneously expanding the capacity and capability of its delivery.

Vitold Jordan, CEO of Avalon, stated "At completion of this important step in the formation of Avalon, our confidence and comfort with DAI remains unaltered and we look forward to building the business with DAI personnel and management".

Jirka Danek, Director of Avalon and President of DAI, commented "We are pleased about the transaction with Avalon and welcome this opportunity to implement our internal growth with acquisitions".

After giving effect to the Acquisition, Avalon has 16,400,000 Common Shares outstanding, 440,000 Avalon Shares under option to its directors and 250,000 options previously granted to the agent of the Corporation's initial public offering. Upon receipt of applicable regulatory approvals, Avalon intends to grant to employees of DAI an aggregate of 459,500 options to purchase common shares at an exercise price of \$1.00 per share, which options will vest over two years and expire four years from the date of grant.

6. Reliance on Provision:

Not applicable.

7. Omitted Information:

Not applicable.

8. Senior Officer:

Vitold Jordan
Avalon Works Corp.
637 Roslyn Avenue
Westmount, Quebec
H3Y 2V1

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9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at the City of Westmount, in the Province of Quebec, as of the 10th day of May, 2001.

AVALON WORKS CORP.

Per: (signed) "Vitold Jordan"
Vitold Jordan
President, Chief Executive Officer and
Chief Financial Officer