

**AVALON WORKS CORP.**

**UNAUDITED FINANCIAL STATEMENT**

**FEBRUARY 28, 2001**

# Avalon Works Corp.

Unaudited Balance Sheet as at February 28, 2001

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February 28, 2001

(unaudited)

## ASSETS

### Current assets

Cash \$ 590,089

### Total assets

\$ 590,089

## SHAREHOLDER'S EQUITY

### Share capital (note 2)

#### Authorized

- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of common shares

#### Issued

4,400,000 common shares (1,900,000 in 2000) \$ 590,089

### Total shareholder's equity

\$ 590,089

Approved by the Board of Directors

(signed) "Vitold Jordan" \_\_\_\_\_ Director

(signed) "Jirka Danek" \_\_\_\_\_ Director

# Avalon Works Corp.

Notes to Unaudited Financial Statement  
February 28, 2001

## 1. Incorporation

Avalon Works Corp. (the "Corporation" or "AWC") was incorporated pursuant to the provisions of the Canada Business Corporations Act on April 6, 2000 and is classified as a Capital Pool Company as defined pursuant to the Policy 2.4 of the Canadian Venture Exchange Inc. ("CDNX"). The Corporation was formed to identify and evaluate corporations, businesses or assets for acquisition, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

Information presented as at February 28, 2001 is unaudited.

The Corporation has not commenced operations as at February 28, 2001. The Corporation was inactive for the period from June 1, 2000 to February 28, 2001 and, as a result, unaudited statements of operations and cash flow were not prepared for the six months ended February 28, 2001.

## 2 Share capital

### Authorized

The authorized share capital of the Corporation consists of the following:

- a. An unlimited number of first preferred shares, without nominal or par value, issuable in series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.
- b. An unlimited number of second preferred shares, without nominal or par value, issuable in series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.
- c. An unlimited number of common shares without nominal or par value.

### Issued

During the year, on December 21, 2000, the Corporation issued, by way of an initial public offering as a Canadian Venture Exchange Inc. ("CDNX") Capital Pool Company, 2,500,000 common shares at a price of \$0.20 per common share for net proceeds of \$400,089 after the deduction of costs of issuance of \$99,911.

Pursuant to an escrow agreement dated September 29, 2000, 1,900,000 common shares issued in 2000 are held in escrow providing for release of 10% following the issuance of the final exchange notice regarding the qualifying transaction and 15% on each six month anniversary following the final exchange notice regarding the qualifying transaction until all common shares have been released.

## 3 Subsequent event

On March 21, 2001, the Corporation filed an Information Circular relating to the non-arm's length acquisition of all of the issued and outstanding classes A and B shares of Danek Associates Inc. ("DAI") in exchange for an aggregate of 12,000,000 common shares in the capital of AWC and a deemed price of \$1.00 per common share, for aggregate deemed consideration of \$12,000,000 ("Proposed Acquisition").

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February 28, 2001

AWC has entered into share purchase agreements with the holders of all of the issued and outstanding shares of DAI, whereby the DAI shareholders have agreed to exchange DAI shares for AWC shares on the basis of 11.320755 AWC shares for each DAI share.

Completion of the Proposed Acquisition, which is intended to constitute AWC's Qualifying Transaction, is subject to compliance with terms and conditions set forth in the acquisition agreement and share purchase agreement and is subject to requisite shareholder and regulatory approval.