

MATERIAL CHANGE REPORT

1. Reporting Issuer:

Avalon Works Corp. ("Avalon" or the "Corporation")
637 Roslyn Avenue
Westmount, Quebec
H3Y 2V1

2. Date of Material Change:

June 8, 2001

3. Press Releases:

A press release disclosing the details outlined in this material change report, a copy of which is attached hereto, was issued by the Corporation on June 8, 2001 and disseminated through the facilities of Canada NewsWire and would have been received by the Alberta Securities Commission, British Columbia Securities Commission and the Canadian Venture Exchange Inc. where the securities of the Corporation are listed and posted for trading, in the normal course of its dissemination.

4. Summary of Material Change:

June 8, 2001, Avalon entered into an arm's length agreement (the "Purchase Agreement") to acquire all of the issued and outstanding shares of The Online Source Inc. ("WorldCHAT"), Prime-Line Communications (Ontario) Inc. ("Prime-Line") and 1409422 Ontario Inc. ("Inet"), three private Ontario-based internet service providers, from Galaxy Online Inc. ("Galaxy") in exchange for up to 75,000 common shares of the Corporation at a deemed price of \$1.00 per common share (the "Acquisition"). The closing of the Acquisition is subject to receipt of applicable regulatory approvals, including approval of the Acquisition by the Canadian Venture Exchange Inc. and satisfaction of certain other standard closing conditions.

In connection with the Purchase Agreement, the Corporation's wholly owned subsidiary, Crosshands Group Inc., has also made a secured loan in the aggregate amount of \$200,000 to WorldCHAT to facilitate the continued operations of WorldCHAT and to satisfy certain existing liabilities, which loan is secured by a general security agreement over all present and after-acquired personal property of WorldCHAT.

5. Full Description of Material Change:

On June 8, 2001 Avalon announced that it has entered into the Purchase Agreement wherein it has agreed to acquire all of the issued and outstanding shares of WorldCHAT, Prime-Line and Inet, three private Ontario-based internet service providers, from Galaxy in exchange for up to 75,000 common shares of the Corporation at a deemed price of \$1.00 per common share. The closing of the Acquisition, which will be completed by way of an exempt take-over bid of these private companies under applicable securities laws, will occur upon receipt of applicable regulatory approvals, including approval of the Acquisition by the Canadian Venture Exchange Inc. and satisfaction of certain other standard closing conditions.

Vitold Jordan, CEO of Avalon, stated "We are pleased that these initial acquisitions which launch our merger and acquisition program, following Avalon's acquisition of Danek Associates Inc. on April 30, as the Corporation's "qualifying transaction", have not had a dilutive effect on shareholders".

The three corporations to be acquired, which operate under the names WorldCHAT, Prime-Line and Inet in the Burlington, Hamilton, Kincardine and Orangeville areas of Ontario, will add approximately 5,400 accounts to the Corporation's electronic service delivery network. For the unaudited fiscal year ended April 30, 2000, WorldCHAT, the principal corporation to be acquired, had revenues which exceeded \$1.315 million and net earnings before tax exceeding \$57,000. For the unaudited fiscal year ended April 30, 2001, WorldCHAT's unaudited revenues exceeded \$920,000 with a net loss of approximately \$192,000. The operations of Prime-Line and Inet are not material in nature.

The aggregate payable of the corporations to be acquired total approximately \$525,000. In connection with the Purchase Agreement, the Corporation's wholly-owned subsidiary, Crosshands Group Inc., has also made a secured loan in the aggregate amount of \$200,000 to WorldCHAT to facilitate the continued operations of WorldCHAT and to satisfy certain existing liabilities, which loan is secured by a general security agreement over all present and after acquired personal property of WorldCHAT.

The Purchase Agreement follows the Corporation's recent acquisition of the business assets of two other internet service providers owned by Galaxy operating in Eastern Ontario. These minor acquisitions were completed for an aggregate purchase price of \$275,000, \$200,000 of which was paid in cash, \$40,000 in the assumption of payables and \$35,000 in the assumption of future service liability.

Jirka Danek, a director of Avalon, commented that "although Avalon does not perceive any of these acquisitions as being individually material to the Corporation's overall operations, the culmination of these acquisitions represents a significant strengthening of the Corporation's electronic service delivery network which, under due management, are expected to yield positive contributions to the Corporation's revenue streams and provide new delivery channels for the Corporation's electronic service business".

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

Telephone: (514) 944-8058
Facsimile: (514) 485-7153

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 12th day of June, 2001.

AVALON WORKS CORP.

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

cc: Canadian Venture Exchange Inc.

MEDIA RELEASE

AVALON WORKS CORP. ANNOUNCES PROPOSED ACQUISITION TO EXPAND ELECTRONIC SERVICE DELIVERY NETWORK

Symbol: (CDNX: AWB)

June 8, 2001

Calgary, June 8, 2001 - Avalon Works Corp. ("Avalon" or the "Corporation")(CDNX: AWB) is pleased to announce that it has entered into an arm's length agreement (the "Purchase Agreement") wherein it has agreed to acquire all of the issued and outstanding shares of The Online Source Inc. ("WorldCHAT"), Prime-Line Communications (Ontario) Inc. ("Prime-Line") and 1409422 Ontario Inc. ("Inet"), three private Ontario-based internet service providers, from Galaxy Online Inc. ("Galaxy") in exchange for up to 75,000 common shares of the Corporation at a deemed price of \$1.00 per common share (the "Acquisition"). The closing of the Acquisition, which will be completed by way of an exempt take-over bid of these private companies under applicable securities laws, will occur upon receipt of applicable regulatory approvals, including approval of the Acquisition by the Canadian Venture Exchange Inc. and satisfaction of certain other standard closing conditions.

Vitold Jordan, CEO of Avalon, stated "We are pleased that these initial acquisitions which launch our merger and acquisition program, following Avalon's acquisition of Danek Associates Inc. on April 30, as the Corporation's "qualifying transaction", have not had a dilutive effect on shareholders".

The three corporations to be acquired, which operate under the names WorldCHAT, Prime-Line and Inet in the Burlington, Hamilton, Kincardine and Orangeville areas of Ontario, will add approximately 5,400 accounts to the Corporation's electronic service delivery network. For the unaudited fiscal year ended April 30, 2000, WorldCHAT, the principal corporation to be acquired, had revenues which exceeded \$1.315 million and net earnings before tax exceeding \$57,000. For the unaudited fiscal year ended April 30, 2001, WorldCHAT's unaudited revenues exceeded \$920,000 with a net loss of approximately \$192,000. The operations of Prime-Line and Inet are not material in nature.

The aggregate payable of the corporations to be acquired total approximately \$525,000. In connection with the Purchase Agreement, the Corporation's wholly-owned subsidiary, Crosshands Group Inc., has also made a secured loan in the aggregate amount of \$200,000 to WorldCHAT to facilitate the continued operations of WorldCHAT and to satisfy certain existing liabilities, which loan is secured by a general security agreement over all present and after acquired personal property of WorldCHAT.

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Jirka Danek, a director of Avalon, commented that "although Avalon does not perceive any of these acquisitions as being individually material to the Corporation's overall operations, the culmination of these acquisitions represents a significant strengthening of the Corporation's electronic service delivery network which, under due management, are expected to yield positive contributions to the Corporation's revenue streams and provide new delivery channels for the Corporation's electronic service business".

For further information, please contact Vitold Jordan, President, Chief Executive Officer, Chief Financial Officer and a Director of Avalon at Phone: (514) 944-8058 or Fax: (514) 485-7153 or Jirka V. Danek, Director of Avalon and President and Director of Crosshands Group Inc. at Phone: (613) 741-3673 or Fax: (613) 741-8473.

The Canadian Venture Exchange Inc. has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.