

QUARTERLY AND YEAR END REPORT

BC FORM 51-901F
(previously Form 61)

ISSUER DETAILS NAME OF ISSUER Avalon Works Corp.				FOR QUARTER ENDED February 28, 2001	DATE OF REPORT Y/M/D 01 05 18		
ISSUER'S ADDRESS 637 Roslyn Avenue							
CITY Westmount	PROVINCE Quebec	POSTAL CODE H3Y 2V1	ISSUER FAX NO. (514) 485-7153	ISSUER TELEPHONE NO. (514) 944-8058			
CONTACT NAME Vitold Jordan		CONTACT POSITION President, Chief Executive Officer and Chief Financial Officer			CONTACT TELEPHONE NO. (514) 944-8058		
CONTACT EMAIL ADDRESS Jordan@avalonworks.com		WEB SITE ADDRESS www.avalonworks.com					
CERTIFICATE The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.							
DIRECTOR'S SIGNATURE (signed) "Vitold Jordan"		PRINT FULL NAME Vitold Jordan			DATE SIGNED 01 05 18		
DIRECTOR'S SIGNATURE (signed) "Jirka Danek"		PRINT FULL NAME Jirka Danek			DATE SIGNED 01 05 18		

AVALON WORKS CORP.

QUARTERLY REPORT

FORM 51-901F

FEBRUARY 28, 2001

Schedule A: Financial Statements

See attached financial statements

AVALON WORKS CORP.

UNAUDITED FINANCIAL STATEMENT

FEBRUARY 28, 2001

Avalon Works Corp.

Unaudited Balance Sheet as at February 28, 2001

February 28, 2001

(unaudited)

ASSETS

Current assets

Cash	\$	590,089
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Total assets

	\$	<u>590,089</u>
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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)	\$	<u>590,089</u>
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Total shareholder's equity

	\$	<u>590,089</u>
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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").

Avalon Works Corp.

Notes to Unaudited Financial Statement

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.

AVALON WORKS CORP.

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FEBRUARY 28, 2001

Schedule B: Supplementary Information

1. Not applicable. See attached financial statements.
2. See Note 3 in attached financial statements.
3.
 - a. Securities issued during the period:

2,500,000 common shares issued at \$0.20 per share pursuant to Avalon's initial public offering on December 21, 2000. See Note 2 in attached financial statements.
 - b. Options granted during the period:

250,000 options to purchase common shares issued to the agent for Avalon's initial public offering, Raymond James Ltd., exercisable at a price of \$0.20 per common share, expiring 18 months after Avalon's common shares were listed on the Canadian Venture Exchange Inc.
4.
 - a. Authorized Capital:

See Note 2 to the financial statements.
 - b. Issued Capital:

See Note 2 to the financial statements.
 - c. Options and warrants outstanding:

440,000 options to purchase common shares issued to the directors and officers of Avalon at an exercise price of \$0.20 per common share, expiring on October 13, 2005 and 250,000 options to purchase common shares issued to the agent for Avalon's initial public offering, Raymond James Ltd., exercisable at a price of \$0.20 per common share, expiring 18 months after Avalon's common shares were listed on the Canadian Venture Exchange Inc.

d. Shares held in escrow:

See Note 2 to the financial statements.

5. List of Directors:

Vitold Jordan

Jirka Danek

Thomas Sheppard

AVALON WORKS CORP.

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FEBRUARY 28, 2001

Schedule C: Management Discussion and Analysis

1. Description of Business

Avalon Works Corp. (the "Corporation" or "Avalon"), as at February 28, 2001, was classified as a capital pool company as defined in 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.

As at February 28, 2001, the Corporation had not commenced operations and was inactive, from an operational perspective, and as a result unaudited statements of operations and cash flow were not prepared for the six month period ended February 28, 2001.

On January 9, 2001, Avalon, Danek Associates Inc. ("DAI") and the principal shareholders of DAI entered into an agreement wherein Avalon agreed to acquire all the issued and outstanding Class A shares and Class B shares of DAI in exchange for an aggregate of 12 million common shares in the capital of the Corporation at a deemed price of \$1.00 per common share, for an aggregate deemed consideration of \$12 million (the "Acquisition"). See paragraph 3 of this Schedule C and Note 3 to the attached financial statements.

2. Operations and Financial Condition

As of February 28, 2001, the Corporation has not commenced operations and the efforts of the Corporation were dedicated to completion of the qualifying transaction described below in paragraph 3 of this Schedule C.

3. Subsequent Events

On April 30, 2001, Avalon received shareholder approval for and closed the non-arms length acquisition of all of the issued and outstanding shares of DAI in exchange for an aggregate of 12 million common shares at a deemed price of \$1.00 per common share. On May 2, 2001, the CDNX issued a Bulletin announcing its acceptance of the Acquisition as the Corporation's "qualifying transaction" pursuant to CDNX Policy 2.4 and that effective at the opening of the market on May 4, 2001, the Corporation would no longer be 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 the deployment of electronic delivery solutions to non-government private sector applications throughout Canada. In particular, DAI has focussed its scalable applications service provider initiatives on front-end inter-activity, electronic commerce applications and back-end web enabling for main frame based legacy systems, while improving the scalability, networking activity and security of overall solutions.

4. Financings, Principal Purposes and Milestones

Reference is made to Schedule B of this Form 51-901F and the notes to the financial statements attached hereto for a description of the Corporation's financings.

5. Liquidity and Solvency

All net proceeds of financings of \$590,089 were held in short-term deposits or in cash as of February 28, 2001.