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June 22, 2000

VIA SEDAR

Quebec Securities Commission
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montreal, Quebec H4Z 1G3

Attention: Jacques Beaudoin

Dear Sirs:

Re: Avalon Works Inc. (the "Corporation") - Application for Exemption from Section 12

Further to our telephone discussion of earlier today, on behalf of the Corporation, please accept this letter as our application for an exemption from Section 12 of the *Securities Act* (Quebec) in connection with the Corporation's proposed distribution of 2,500,000 common shares to purchasers resident in the Province of Alberta pursuant to and in accordance with a capital pool company prospectus under Policy 2.4 of the Canadian Venture Exchange Inc.

In connection therewith, we are pleased to attach to the SEDAR filing of this letter the following:

1. A copy of the Corporation's preliminary prospectus dated June 20, 2000 (the "Preliminary Prospectus");
2. An Acknowledgment and Verification of the Corporation; and
3. \$100.00 in full satisfaction of the applicable application fee.

By way of summary of the proposed distribution, we advise that the Corporation has filed with the Alberta Securities Commission and the Canadian Venture Exchange Inc. the Preliminary Prospectus dated June 20, 2000 which provides for the proposed distribution of 2,500,000 common shares in the capital of the Corporation at a price of \$0.20 per common share for gross aggregate proceeds of \$500,000. A description of the common shares to be distributed, including the voting rights, the dividend rights, and the rights upon liquidation of the common shares is contained under the heading "Description of the Share Capital" on page 8 of the Preliminary Prospectus. The Corporation has engaged Goepel McDermid Inc., Suite 2300, 707 - 8th Avenue S.W., Calgary, Alberta T2P 1H5, to act as its agent in connection with the proposed distribution, which is described in detail under the heading "Plan of Distribution" on page 8 of the Preliminary Prospectus. We further advise that Goepel McDermid Inc. will be granted a non-transferable option to purchase 250,000 common shares of the Corporation at a price of \$0.20 per common share expiring 18 months from the date the Corporation's common shares are listed on the Canadian Venture Exchange Inc., which options are to be qualified for distribution under the Corporation's Prospectus. In addition, subject to regulatory approval, the Corporation intends to grant an aggregate of 440,000 options to purchase common shares under a directors, officers, employees and key

consultant's stock option program, which options will be qualified for distribution under the Prospectus, as more fully disclosed under the heading "Stock Options" on page 11 and 12 of the Preliminary Prospectus. We advise that the net proceeds to the Corporation and the principle uses of those proceeds is described in detail under the heading "Use of Proceeds" on pages 6 and 7 of the Preliminary Prospectus. We advise that no security holders are selling securities pursuant to the proposed distribution contemplated by the Corporation's Preliminary Prospectus. We further advise that the Preliminary Prospectus has been filed with the Alberta Securities Commission, which is the sole jurisdiction in which a receipt for the Preliminary Prospectus is sought.

We trust the enclosed is satisfactory; however, please do not hesitate to contact the undersigned should you require further information or clarification with respect to the enclosed.

Yours truly,

BURNET, DUCKWORTH & PALMER

(signed) "Brent Herman"

Brent Herman

Encl.

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