

MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

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

2. **Date of Material Change:**

December 21, 2000

3. **Press Releases:**

A press release was issued through the facilities of Canada NewsWire on December 21, 2000.

4. **Summary of Material Change:**

On December 21, 2000 Avalon Works Corp. completed an initial public offering of 2,500,000 common shares at a price of \$0.20 per share for aggregate proceeds of \$500,000. Avalon Works Corp. is a capital pool company pursuant to Policy 2.4 of the Canadian Venture Exchange Inc. ("CDNX") and will use the proceeds of this offering to provide it with a minimum of funds with which to identify and evaluate corporations, businesses or assets with a view to completing a qualifying transaction in accordance with Policy 2.4 of CDNX.

5. **Full Description of Material Change:**

See the attached (final) prospectus of Avalon Works Corp. dated September 29, 2000.

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

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 4th day of January, 2001.

AVALON WORKS CORP.

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

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Initial Public Offering

September 29, 2000

AVALON WORKS CORP.

(a capital pool company)

\$500,000

2,500,000 Common Shares

Price: \$0.20 per Common Share

The purpose of this issue is to provide Avalon Works Corp. (the "Corporation") with a minimum of funds with which to identify and evaluate corporations, businesses or assets for acquisition with a view to completing a qualifying transaction ("Qualifying Transaction") approved by the Canadian Venture Exchange Inc. ("CDNX") and the majority of the minority securityholders of the Corporation in accordance with policy 2.4 of the CDNX Corporate Finance Manual (the "Policy"). See "Business of the Corporation" and "Use of Proceeds".

Pursuant to an Agency Agreement among the Corporation, Goepel McDermid Inc. (the "Agent") and CIBC Mellon Trust Company, the Agent will be granted a non-transferable option to purchase 250,000 common shares ("Common Shares") of the Corporation at a price of \$0.20 per share expiring 18 months from the date the Corporation's shares are listed on the CDNX (the "Agent's Option"). The Agent's Option is qualified under this prospectus for distribution. In addition, and subject to regulatory approval, the Corporation intends to grant 440,000 options to purchase Common Shares under a directors, officers, employees and key consultants stock option program, which options are qualified for distribution under this prospectus. See "Stock Options". The CDNX has conditionally approved the listing of the Common Shares. Listing is subject to the Corporation fulfilling all the requirements of CDNX, including distribution of the Common Shares to a minimum number of public shareholders. Other than the initial distribution of the securities pursuant to this prospectus, the grant of the Agent's Option and the grant of options to the directors of the Corporation, trading in all securities of the Corporation shall not be permitted during the period between the date of the receipt issued by the Alberta Securities Commission for the preliminary prospectus and the time the Common Shares are posted for trading on CDNX without the consent of the Alberta Securities Commission and CDNX.

	<u>Common Shares</u>	<u>Price to Public</u>	<u>Agent's Commission⁽¹⁾</u>	<u>Proceeds to the Corporation⁽²⁾</u>
Per Common Share	1	\$0.20	\$0.02	\$0.18
Total Offering	2,500,000	\$500,000.00	\$50,000.00	\$450,000.00

Notes:

- (1) In addition, the Corporation will pay a corporate finance fee of \$8,000 (plus GST) to the Agent, will pay the Agent's legal fees and has paid a deposit to the Agent of \$5,000 for the Agent's legal fees and will issue the Agent's Option referred to above. See "Plan of Distribution".
- (2) Before deducting the costs of this issue, estimated at \$25,000, exclusive of the Agent's commission and expenses.

INVESTMENT IN THE COMMON SHARES OFFERED BY THIS PROSPECTUS IS HIGHLY SPECULATIVE DUE TO THE PROPOSED NATURE OF THE CORPORATION'S BUSINESS AND ITS PRESENT STAGE OF DEVELOPMENT. THERE IS NO MARKET THROUGH WHICH THE COMMON SHARES OFFERED BY THIS PROSPECTUS MAY BE SOLD AND PURCHASERS MAY NOT BE ABLE TO DISPOSE OF THEM ON A TIMELY BASIS. Upon completion of this offering, purchasers will suffer an immediate dilution (based on the gross proceeds from this and prior issues without deduction of selling and related expenses) per Common Share of \$0.043 or 21.5%. See "Dilution". The Corporation was only recently incorporated and does not currently own any assets other than cash. The business objective of the Corporation is to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction (as defined under the heading "Criteria for Acquisition or Participation") approved by CDNX and the majority of the minority of the Corporation's shareholders; however, there can be no assurance that the Corporation will successfully complete a Qualifying Transaction. Although the Corporation has identified a potential acquisition in the information technology industry, the Corporation has yet to enter into any negotiations with respect to such potential acquisition and may determine that current markets, terms of acquisition, or pricing conditions make such potential acquisition or any other acquisition identified uneconomic. The

Corporation has not entered into an Agreement in Principle, as defined under the heading "Business of the Corporation". The Corporation may find that even if the terms of a potential acquisition are economic, the Corporation may not be able to finance such acquisition and additional funds may be required to meet such obligations. Since the Corporation has not placed any geographical restrictions on the location of a Qualifying Transaction, such Qualifying Transaction may involve the acquisition of a business located outside of Canada and as such investors should be aware that it may be difficult or may not be possible to effect service or notice to commence legal proceedings upon any directors, officers and experts outside of Canada and that it may not be possible to enforce against such persons or the Corporation, judgments obtained in Canadian Courts predicated upon the civil liability provisions of applicable securities laws in Canada. Where the investment or acquisition is financed by the issuance of shares from the Corporation's treasury, control of the Corporation may change and shareholders may suffer further dilution of their investment. The Corporation will be in competition with other corporations with greater resources. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. CDNX may suspend from trading or delist the Common Shares where the Corporation has failed to complete a Qualifying Transaction (as defined under the heading "Criteria for Acquisition or Participation") within 18 months of the date of listing. The Executive Director of the Alberta Securities Commission may issue an interim cease trade order against the Corporation's securities if the Common Shares of the Corporation are suspended from trading on CDNX and will issue an interim cease trade order if the Corporation is delisted from CDNX. As a result of these factors, this offering is suitable only to investors who are prepared to risk the loss of their investment and to rely solely on the expertise of the Corporation's promoters, directors and officers for any possible return on their investment. The Corporation's promoters, directors, officers and control persons, as a group, beneficially own or control, directly or indirectly, 1,600,000 Common Shares, which represents 84.2% and 36.4% of the issued and outstanding Common Shares of the Corporation before and after giving effect to this offering, respectively. The directors and officers of the Corporation will only devote part of their time to the affairs of the Corporation and there are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. See "Business of the Corporation", "Directors and Officers", "Use of Proceeds", "Conflicts of Interest" and "Risk Factors".

This offering is not underwritten and is subject to a minimum subscription of 2,500,000 Common Shares for total gross proceeds of \$500,000. The offering price of the Common Shares was determined arbitrarily by the directors of the Corporation. All funds received from subscriptions for Common Shares will be held by CIBC Mellon Trust Company in trust pursuant to the Agency Agreement having regard to the provisions of Policy 2.4 (as defined herein). If the subscription is not raised within 90 days of the issuance of a receipt for the filing of a final prospectus or such other time as may be authorized by the Executive Director of the Alberta Securities Commission and agreed to by the Agent, all subscription monies will be returned to subscribers without interest or deductions.

Goepel McDermid Inc., as agent, conditionally offers these Common Shares on a best efforts basis if, as and when subscriptions are accepted by the Corporation, subject to prior sale, in accordance with the terms and conditions of the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters by Burnet, Duckworth & Palmer, Barristers & Solicitors, Calgary, Alberta, on behalf of the Corporation and by Burstall Ward, Barristers & Solicitors, Calgary, Alberta, on behalf of the Agent. The Agent has also agreed to act as a sponsor of the Corporation pursuant to the policies of CDNX. The maximum purchase of any single shareholder purchasing under this offering is limited to 2% of the total offering representing 50,000 Common Shares (\$10,000) and the maximum purchase of any single subscriber, together with that subscriber's associates, is 4% of the total offering representing 100,000 Common Shares (\$20,000). Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates for the Common Shares evidencing the securities in definitive form will be available for delivery on the closing date.

GOEPEL McDERMID INC.
2300, 707 - 8th Avenue S.W.
Calgary, Alberta T2P 1H5
Telephone: (403) 509-0500

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PROSPECTUS SUMMARY

The information in this summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

- Offering:** A total of 2,500,000 Common Shares offered at \$0.20 per Common Share. In addition, the Corporation will grant an option to the Agent to purchase up to 250,000 Common Shares at a price of \$0.20 per share for a period of 18 months from the date of listing of the common shares on CDNX, which option is qualified under this prospectus. The Corporation also intends to grant options to purchase 440,000 Common Shares under a directors, officers, employees and key consultants stock option program, which options are qualified for distribution under this prospectus. See "Plan of Distribution".
- Corporation:** The principal business of the Corporation will be the identification and evaluation of corporations, businesses or assets which warrant investment or acquisition with a view to completing a Qualifying Transaction, as defined herein. The Corporation has not carried on any active business but has commenced the process of identifying potential acquisitions in a variety of industries without geographic restriction, and has identified one potential acquisition in the application service provider industry. No formal negotiations have been entered into to date with respect to any particular potential acquisition and no Agreement in Principle, as defined herein, has been entered into. See "Business of the Corporation".
- Use of Proceeds:** The net proceeds of this offering will be used to provide the Corporation with a minimum of funds with which to identify and evaluate corporations, businesses or assets for acquisition or participation. The Corporation may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required. See "Use of Proceeds", "Business of the Corporation" and "Risk Factors".
- Directors and Officers:**
- | | |
|--------------------|--|
| Vitold Jordan | - President, Chief Executive Officer, Chief Financial Officer and Director |
| Jirka V. Danek | - Director |
| Thomas M. Sheppard | - Director |
- See "Directors and Officers".
- Escrowed Securities:** All of the currently issued and outstanding Common Shares, namely 1,900,000 Common Shares, have been deposited in escrow pursuant to the terms of the Discount Seed Share Escrow Agreement, as defined herein, and will be released from escrow in stages over a period of three years after the Corporation's completion of its Qualifying Transaction. See "Escrowed Securities".
- Dividend Policy:** It is not contemplated that any dividends will be paid on the Common Shares in the immediate or foreseeable future. See "Dividend Policy".
- Risk Factors:** Investment in these Common Shares must be regarded as highly speculative due to the nature of the Corporation's business and its present stage of development. Investment in these Common Shares is suitable only to those investors who are willing to rely solely on the management of the Corporation and are able to risk the entire loss of their investment. See "Business of the Corporation", "Risk Factors", "Dilution" and "Conflicts of Interest".

THE CORPORATION

Avalon Works Corp. (the "Corporation") was incorporated pursuant to the provisions of the *Canada Business Corporations Act* on April 6, 2000. On September 27, 2000, the Corporation filed Articles of Amendment removing its private company restrictions.

The head office of the Corporation is located at 637 Roslyn Avenue, Westmount, Quebec, H3Y 2V1 and the registered office of the Corporation is located at 1400, 350 - 7th Avenue SW, Calgary, Alberta, T2P 3N9.

BUSINESS OF THE CORPORATION

Preliminary Expenses

Other than the \$5,000 deposit paid to the Agent's legal counsel in respect of the Agent's legal fees, the Corporation has not incurred any expenses to date. However, certain of the offering proceeds may be utilized to satisfy the obligations of the Corporation related to the present offering, including the Agent's corporate finance fee and the expenses of the Corporation's auditors and legal counsel. See "Use of Proceeds".

History and Operations of the Corporation

The Corporation proposes to identify and evaluate properties or businesses with a view to completing a Qualifying Transaction, as defined herein, approved by CDNX and the majority of the minority shareholders in accordance with the Policy. The Corporation has not conducted operations other than to enter into discussions for the purpose of identifying potential acquisitions of interests in commercially viable businesses or assets. To date, these discussions have not been focused in any particular industry, although the Corporation has identified one potential acquisition in the application service provider industry. The Corporation proposes initially to identify corporations, businesses or assets that have profit potential and, once identified, to pursue discussions with a view to the acquisition of interests therein. The Corporation has not placed any geographical restrictions on the location of any potential Qualifying Transaction. Until completion of a Qualifying Transaction, the Corporation shall not carry on any business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The funds raised pursuant to this offering will be utilized for the identification and evaluation of potential Qualifying Transactions and not for a direct investment in a potential acquisition until such time as the Qualifying Transaction has been completed. The Corporation does not currently own any assets, other than cash. See "Prior Sales" and "Capitalization".

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing the Qualifying Transaction, the Corporation has not entered into an Agreement in Principle. For the purposes of the Policy, the term Agreement in Principle means any enforceable agreement or any other agreement or similar commitment which identifies the fundamental terms upon which the parties agree or intend to agree which:

- a. identifies assets or a business to be acquired which would reasonably appear to constitute Significant Assets, as defined below, and the acquisition of which would reasonably appear to constitute a Qualifying Transaction;
- b. identifies the parties to the Qualifying Transaction;
- c. identifies the consideration to be paid for the Significant Assets or otherwise identifies the means by which the consideration will be determined; and
- d. identifies the conditions to any further formal agreements to complete the transaction, and

in respect of which there are no material conditions to closing (other than receipt of shareholder and regulatory approval), the satisfaction of which is dependent upon third parties and beyond the reasonable control of the Related Parties, as defined below, to the Corporation or the Related Parties to the Qualifying Transaction.

The Corporation proposes to use either cash, bank financing, issuance of treasury shares or public financings of debt or equity, or a combination of these, for the purpose of financing its acquisition of or participation in properties or businesses. **An acquisition or participation financed by the issue of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be further diluted.**

Upon completion of a Qualifying Transaction, the Corporation will generally be prohibited from completing a further reverse take-over transaction for a period of one year from completion of the Qualifying Transaction.

Criteria for Acquisition or Participation

All prospects for acquisition or participation will initially be screened by management of the Corporation so as to evaluate the business plan of each corporation or business, which evaluation will include an analysis of the specific assets, the acquisition cost of the same, the extent of the competition in the marketplace, the market potential of the assets, existing management, if any, development plans, financial plans and cash-flow projections and capital requirements.

On completion of management's analysis, management will proceed to negotiate appropriate acquisition or participation terms with those prospective corporations, businesses or the owners of the businesses or assets and then will present the proposal to the board of directors for its consideration and approval.

The board of directors, in considering whether to approve the terms of an acquisition or participation interest, may be guided by, among other criteria, the following:

- a. the projected rate of return on the proposed investment having regard to the risk of loss;
- b. the prospects for growth, having regard to existing or potential market share;
- c. the skill of the prospective management team, if any, either as it exists or as it may be modified as a consequence of the acquisition; and
- d. basic financial considerations such as the ratio of debt to equity of the target business, the overall cost of the acquisition or participation interest, and the likelihood of obtaining the debt or equity financing necessary to effect the acquisition.

Proposed Qualifying Transaction

The Corporation has identified Danek & Associates Inc. ("DAI"), an Ottawa based application service provider as a potential acquisition. DAI is a private company which was founded and is controlled by Mr. Danek, a director of the Corporation, who beneficially owns 90% of DAI. Although the Corporation has identified a proposed Qualifying Transaction, there is no Agreement in Principle between the parties because the proposed acquisition of DAI is subject to certain material conditions for which satisfaction is beyond the reasonable control of the Corporation and the Related Parties to the Corporation, including without limitation, the approval of the transaction by the independent members of the board of directors. Any such acquisition of DAI would occur at a price based on the market value of the shares or business, as the case may be, to be acquired, and may be funded by way of cash, debt or securities of the Corporation, or any combination of the same. Management of the Corporation believes that the purchase price for DAI will be in the range of \$10,500,000 to \$14,000,000, subject to receipt of satisfactory evaluations, although no assurance can be given that the acquisition will be completed in this price range, or at all, and will be subject to approval by the independent members of the Corporation's board of directors, shareholders of each of the corporations and the approval of the transaction by CDNX.

SHAREHOLDER APPROVAL OF A QUALIFYING TRANSACTION

Any Qualifying Transaction that the Corporation enters into shall be submitted to its shareholders for their approval in accordance with the Policy. Pursuant to the Policy, a Qualifying Transaction must be approved by 50% plus one vote of the votes cast by the Corporation's shareholders; however, such vote must exclude the promoters, officers, directors, control persons or other insiders of the Corporation, as well as associates or affiliates of such persons or companies (the "Related Parties" to the Corporation), and also must exclude the seller(s), the target company, Related Parties of the seller(s) or target company and all other parties to or associated with the Qualifying Transaction, as well as associates and affiliates of such parties (collectively, the "Related Parties to the Qualifying Transaction") at a properly constituted meeting of the Corporation's shareholders (this shareholders' vote is referred to as the "Majority of the Minority Approval").

For the purposes of the Policy, the term "Qualifying Transaction" includes a transaction whereby:

- a. the Corporation issues, or proposes to issue, in consideration for the acquisition of Significant Assets, as defined below, Common Shares or securities convertible, exchangeable or exercisable into Common Shares which, if fully

converted, exchanged or exercised would represent more than 25% of the Common Shares of the Corporation issued and outstanding immediately prior to the issuance;

b. the Corporation enters into an arrangement, amalgamation, merger or reorganization (the "Reorganization") with another company with Significant Assets whereby the ratio of securities which are distributed to the Corporation and the other company results in the shareholders of the other company acquiring control of the entity resulting from the Reorganization; or

c. the Corporation otherwise acquires Significant Assets, other than cash;

but excludes a transaction which, prior to completion of a Qualifying Transaction, consists solely of the issuance for cash by the Corporation of Common Shares or securities convertible, exchangeable or exercisable into Common Shares, representing more than 25% of its issued and outstanding Common Shares immediately prior to such issuance. "Significant Assets" means one or more assets or businesses which, when acquired by the Corporation together with any other concurrent transactions, result in the Corporation meeting the minimum listing requirements of CDNX.

Notwithstanding the definition of a Qualifying Transaction, CDNX, in its discretion, may not approve a Qualifying Transaction where:

a. the Corporation fails to satisfy the minimum listing requirements of CDNX upon completion of the proposed Qualifying Transaction;

b. the aggregate number of securities of the Corporation owned, directly or indirectly, by:

i. a member firm of CDNX;

ii. registrants, unregistered corporate finance professionals, employee shareholders and partners of the member firm; and

iii. associates of any such person,

collectively, would exceed 20% of the issued and outstanding securities of the Corporation following completion by the Corporation of a Qualifying Transaction;

c. upon completion of the Qualifying Transaction the Corporation will be a finance company or a mutual fund as defined under the *Securities Act* (Alberta);

d. the consideration paid either: (i) for the company or entity which is the subject of, or (ii) to the vendor of assets acquired in connection with or in contemplation of; the Corporation's Qualifying Transaction, is objectionable to CDNX; or

e. in the sole discretion of the CDNX there is any other valid reason.

Prior to the completion of a Qualifying Transaction or the issuance of any securities of the Corporation pursuant to a Qualifying Transaction, the Corporation shall be required to comply with the Policies and Rules of CDNX and provisions of the *Securities Act* (Alberta) and the regulations thereto, and submit for review to CDNX an information circular which must comply with the applicable corporate and securities laws, and must contain prospectus level disclosure of the Qualifying Transaction and the resulting issuer prepared in accordance with Form 3A of the CDNX Corporate Finance Manual. The information circular must also contain a certificate to the effect that the information circular constitutes full, true and plain disclosure of all material facts relating to particular matters to be acted upon by the shareholders of the Corporation. Upon acceptance by CDNX, the Corporation must then mail the information circular and related proxy material to its shareholders and obtain the Majority of the Minority Approval of the Qualifying Transaction.

In the event that the Qualifying Transaction involves the acquisition of:

a. a resource property or properties or securities in a mining or oil and gas issuer, CDNX will require the submission of a current independent engineering report or geological report which complies with either National Policy 2A or 2B, as applicable, for the principal properties being acquired;

- b. securities in a non-resource issuer which has not commenced business or which is entering into a new business or where the Qualifying Transaction involves the acquisition of rights to a product or service, CDNX may require the submission of a current feasibility study and will require a business plan covering the next 24 month period; and
- c. real estate or other Significant Assets of determinate value, including securities of another corporation, CDNX will require the submission of a current valuation for the properties or assets being acquired,

with a summary of the above to be included in the information circular presented to the shareholders of the Corporation. The Corporation will also be required to retain a sponsor, who must be a member of CDNX, and who will be required to submit to CDNX a Sponsor Report in accordance with the Policy.

The Corporation will be considered to have completed its Qualifying Transaction on the date of the shareholders meeting of the Corporation at which the Qualifying Transaction was approved, provided that all post-meeting documentation is subsequently filed with CDNX and CDNX has issued a bulletin confirming that the Qualifying Transaction has been completed and that the Corporation is no longer considered a capital pool company (the "Final Exchange Notice"). The Policy shall cease to apply after the Corporation has completed its Qualifying Transaction and such a bulletin has been issued by CDNX, with the exception of Section 14.10 of the Policy and the escrow provisions, described below, which will both continue in full force and effect.

USE OF PROCEEDS

The gross proceeds to be received by the Corporation from the sale of the Common Shares offered by this prospectus will be \$500,000. The gross proceeds received by the Corporation from the sale of Common Shares prior to the date of this prospectus was \$190,000. From these gross proceeds will be deducted the expenses and costs of this issue estimated in the aggregate, including regulatory fees and the Agent's commission to be \$88,000.

The Policy requires that, until the completion by the Corporation of a Qualifying Transaction and except as otherwise provided by the Policy, all proceeds from the sale of all securities, including proceeds from sales prior to the prospectus, shall be utilized by the Corporation to identify and evaluate assets or businesses for a prospective Qualifying Transaction such as:

- a. expenses incurred for the preparation of:
 - i. valuations or appraisals;
 - ii. business plans;
 - iii. feasibility studies and technical assessments;
 - iv. geological reports; and
 - v. financial statements, including audited financial statements;
 relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the Qualifying Transaction;
- b. fees for legal and accounting services relating to the identification and evaluation of assets or businesses and the obtaining of shareholder approval for the Corporation's proposed Qualifying Transaction; and
- c. subject to prior acceptance of CDNX, for deposits in the maximum aggregate amount of \$100,000 (with a maximum of \$25,000 to be non-refundable) to preserve assets, provided that no deposit or similar payment may be made to a Related Party.

In addition, until completion by the Corporation of a Qualifying Transaction, no more than 30% of the gross proceeds from the sale of all securities issued by the Corporation shall be used for purposes other than those described above, including the following expenditures which the Policy specifies as not being expenditures to identify and evaluate assets or businesses:

- a. listing and filing fees (including SEDAR fees);
- b. underwriters or agents fees, costs and commissions;

- c. other costs for the issuance of securities, including legal and audit expenses relating to the preparation and filing of this prospectus; and
- d. administrative and general expenses of the Corporation, including office supplies, office rent and related utilities; printing costs (including the printing of this prospectus and share certificates), equipment leases (provided that no proceeds shall be used to acquire or lease a vehicle); and fees for legal advice and audit expenses, other than those described above with respect to the Qualifying Transaction.

Until the completion by the Corporation of a Qualifying Transaction, the Corporation may not make any payment of any kind, directly or indirectly, to Related Parties to the Corporation or Related Parties to the Qualifying Transaction, or to a person engaged in investor relations activities, by any means, including:

- a. remuneration, which includes but is not limited to salaries, consulting fees, management contract fees, directors fees, finders' fees, loans, vehicle acquisitions or leases, advances and bonuses (including bonuses relating to the Qualifying Transaction); and
- b. the deposits and similar payments described above.

Further, no such payments shall be made on or after the completion by the Corporation of a Qualifying Transaction if such payments relate to services rendered or obligations incurred prior to or in connection with the Qualifying Transaction.

Notwithstanding the above, the Corporation may reimburse Related Parties to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), and legal services (provided that neither the lawyer providing the legal services nor any member of the law firm providing the services is a promoter of the Corporation), and may also reimburse Related Parties to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation.

The foregoing restrictions on the use of proceeds and prohibitions on payments to Related Parties and persons engaged in investor relations activities continue to apply until the "Completion of the Qualifying Transaction", as defined in the Policy. The Corporation may be at risk of breaching the Policy in the event such expenditures are made after the shareholder meeting approving the Qualifying Transaction but prior to the issuance by CDNX of the Final Exchange Notice.

The following indicates the uses to which the Corporation proposes to put the funds which it may receive from this offering.

Proceeds to the Corporation from sales prior to this Offering ⁽¹⁾	\$190,000
Proceeds from this Offering ⁽²⁾	\$500,000
Total Proceeds	<u>\$690,000</u>
Estimated Costs of Identifying and Evaluating Properties or Business Prospects ⁽³⁾	\$490,000
Commission and Expenses (including legal) of the Agent	\$63,000
Legal, Accounting and Other Expenses Associated with this Offering	\$25,000
General and Administrative Expenses until Completion of a Qualifying Transaction	<u>\$112,000</u>
	<u>\$690,000</u>

Notes:

- (1) See "Prior Sales".
- (2) In the event the Agent exercises the Agent's Option, there will be available to the Corporation a maximum of an additional \$50,000 which will be added to the working capital of the Corporation. See "Plan of Distribution".
- (3) In the event that the Corporation completes an approved Qualifying Transaction prior to spending the entire \$490,000 on identifying and evaluating properties or businesses, the Corporation may use the remaining funds to finance or partially finance the acquisition of, or participation in, such property or business or for other purposes.

Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by,

the Government of Canada or any Province thereof or the Government of the United States of America, in certificates of deposit or interest-bearing accounts of Canadian chartered banks, trust companies, credit unions or the Alberta Treasury Branches.

The proceeds from this offering after deducting the expenses associated with this offering, will only be sufficient to identify and evaluate a minimum number of properties and businesses, and additional funds may be required to finance any acquisition or participation to which the Corporation may commit. The Corporation will only be able to identify and evaluate a finite number of potential properties or businesses utilizing the funds raised herein. See "Business of the Corporation" and "Risk Factors".

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the "Agency Agreement") dated September 29, 2000, between the Corporation, Goepel McDermid Inc. (the "Agent") and CIBC Mellon Trust Company, the Corporation has appointed the Agent as its agent to offer for sale to the public 2,500,000 Common Shares as provided in this prospectus, at a price of \$0.20 per Common Share, subject to the terms and conditions in the Agency Agreement. The Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the Common Shares. In addition, the Corporation will pay a corporate finance fee of \$8,000 (plus GST) to the Agent for its expenses, will pay the Agent's legal fees, has paid a deposit to the Agent for the Agent's legal fees of \$5,000 and has agreed to grant to the Agent a non-transferable option to purchase 250,000 Common Shares at a price of \$0.20 per share, which may be exercised for a period of 18 months from the date the Common Shares of the Corporation are listed on CDNX. The option is qualified under this prospectus. The Agent intends to sell to the public any Common Shares received by it upon the exercise of this option. Not more than 50% of the shares received on the exercise of this option may be sold prior to the completion of a Qualifying Transaction by the Corporation. The remaining 50% may be sold after the completion of a Qualifying Transaction by the Corporation. The Agent has agreed to use its best efforts to secure subscriptions for the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of financial markets and may also be terminated on the occurrence of certain stated events.

The Corporation also plans to grant options to purchase 440,000 Common Shares under a directors, officers, employees and key consultants stock option program in accordance with CDNX rules, which options are qualified for distribution under this prospectus. See "Stock Options".

The Agent has agreed to use its best efforts to secure subscriptions for all common shares offered hereunder on behalf of the Corporation and, if necessary, to enter into co-brokerage arrangements with other investment dealers at no additional cost to the Corporation. The total offering hereunder is 2,500,000 Common Shares for total gross proceeds of \$500,000. The maximum purchase by any single subscriber to this offering is 50,000 Common Shares for a total price of \$10,000, and the maximum purchase by any single subscriber, together with that subscribers associates is 4% of the total offering, or 100,000 Common Shares. The funds received from the sale of the Common Shares offered hereunder will be deposited with CIBC Mellon Trust Company, and will not be released until a minimum of \$500,000 has been deposited and the Agent has consented to such release. The total subscription must be raised within 90 days of the date of issuance of a receipt for the prospectus, or such other time as may be authorized by the Executive Director of the Alberta Securities Commission and agreed to by the Agent, failing which CIBC Mellon Trust Company will remit the funds collected to the original subscribers without interest or deduction.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which 1,900,000 Common Shares were issued and outstanding as fully paid and non-assessable as at the date of this prospectus, 440,000 Common Shares will be reserved under a directors, officers, employees and key consultants stock option program, subject to regulatory approval, and 250,000 Common Shares will be reserved pursuant to the Agent's option. The Corporation is also authorized to issue an unlimited number of First Preferred Shares and Second Preferred Shares, without nominal or par value. To date, no preferred shares have been issued. See "Stock Options" and "Plan of Distribution".

Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Corporation, to one vote per share at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on completion of this offering will be fully paid and non-assessable.

First Preferred Shares

The First Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the board of directors of the Corporation determines prior to the issue thereof. The First Preferred Shares rank prior to the Second Preferred Shares and the Common Shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding-up of the Corporation.

Second Preferred Shares

The Second Preferred Shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the board of directors of the Corporation determines prior to the issue thereof. The Second Preferred Shares rank prior to the Common Shares and subordinate to the First Preferred Shares with respect to the payment of dividends and distribution in the event of liquidation, dissolution or winding-up of the Corporation.

CAPITALIZATION

<u>Capital</u>	<u>Authorized</u>	<u>Outstanding as at May 31, 2000⁽¹⁾ (audited)</u>	<u>Outstanding as at the Date hereof⁽¹⁾ (unaudited)</u>	<u>Outstanding as at the Date hereof after giving effect to this Issue⁽¹⁾⁽²⁾ (unaudited)</u>
First Preferred Shares	Unlimited	Nil	Nil	Nil
Second Preferred Shares	Unlimited	Nil	Nil	Nil
Common Shares	Unlimited	\$190,000 (1,900,000 shs.)	\$190,000 (1,900,000 shs.)	\$690,000 (4,400,000 shs.)

Notes:

- (1) The Corporation will reserve an aggregate of 440,000 Common Shares for issuance under a directors, officers, employees and key consultants stock option program, subject to regulatory approval. See "Stock Options". The Corporation will also grant to the Agent an option to purchase 250,000 Common Shares at a price of \$0.20 per share expiring 18 months from the date the Corporation's shares are listed on CDNX.
- (2) Before deducting the expenses of the offering, estimated at \$88,000.
- (3) As at May 31, 2000, the Corporation had not commenced operations and had a deficit of \$Nil.

PRIOR SALES

Since the date of incorporation of the Corporation, 1,900,000 Common Shares have been issued as follows:

<u>Date</u>	<u>Number of Shares</u>	<u>Issue Price per Share</u>	<u>Aggregate Issue Price</u>	<u>Consideration Received</u>
April 24, 2000	1,900,000 ⁽¹⁾	\$0.10	\$190,000	Cash

Note:

- (1) These Common Shares will be held in escrow. See "Escrowed Securities".

PRINCIPAL SHAREHOLDERS

The following table lists the holdings of the Corporation's directors and officers and those persons who own 10% or more of the issued and outstanding Common Shares of the Corporation as at the date hereof:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares⁽¹⁾⁽²⁾</u>	<u>Percentage of Common Shares Owned Before Offering</u>	<u>Percentage of Common Shares Owned after Offering</u>
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Jirka V. Danek Ottawa, Ontario	registered and beneficial	800,000	42.1%	18.2%
Vitold Jordan Westmount, Quebec	registered and beneficial	800,000	42.1%	18.2%
Pierre Simard Riverside, Connecticut	registered and beneficial	200,000	10.5%	4.5%
Total:		<u>1,800,000</u>	<u>94.7%</u>	<u>40.9%</u>

Notes:

- (1) In addition, all of the directors and officers of the Corporation, will be granted options to purchase Common Shares once a receipt is issued for the (final) prospectus. See "Stock Options".
- (2) These common shares are all to be held in escrow. See "Escrowed Securities".

DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation, their positions and offices with the Corporation and their principal occupations during the last five years.

<u>Name and Municipality of Residence</u>	<u>Position Held</u>	<u>Principal Occupation</u>
Vitold Jordan ⁽¹⁾ Westmount, Quebec	President, Chief Executive Officer, Chief Financial Officer and Director	President, Chief Executive Officer and Chief Financial Officer of the Corporation since April 24, 2000. From May, 1998 until January, 2000, Mr. Jordan served as Chief Executive Officer of New World Power Corp. ("NWPCE"), a National Association of Securities Dealers over-the-counter bulletin board listed renewable energy company and from August, 1996 to April, 1998 as interim Chief Executive Officer of NWPCE. Prior thereto and since December, 1995, Mr. Jordan served as Vice President of Dominion Bridge Corp., a NASDAQ listed company and President of its subsidiary Dominion Bridge Technology Inc., a construction technology development company. Prior to February, 1995 and since January, 1994 Mr. Jordan was Managing Partner, Eastern Canada of AT&T Global Information Solutions.
Jirka V. Danek ⁽¹⁾ Ottawa, Ontario	Director	Managing Partner and Chief Executive Officer of Danek & Associates Inc., a private Ottawa based application service provider since May, 1996 and prior thereto Managing Partner of its unincorporated predecessor, Danek & Associates, since April, 1991. Prior to February 1995 and since December 1993, Mr. Danek served as Country Managing Partner of AT&T Global Information Solutions.
Thomas M. Sheppard ⁽¹⁾ Toronto, Ontario	Director	Lawyer, whom during the past five years has been the proprietor with the firm of Sheppard, Friedlan, MacInnis, Barristers & Solicitors, or its predecessor firms.

Notes:

- (1) Members of the Audit Committee.
- (2) The Corporation does not have an executive committee.

All of the directors and officers currently have employment outside of the Corporation. Mr. V. Jordan intends to devote 50% of his time to the business and affairs of the Corporation, prior to completion of the Corporation's Qualifying Transaction. The remaining directors of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting

such time as is required by the Corporation. Upon completion of a Qualifying Transaction by the Corporation, the amount of time spent on the affairs of the Corporation will depend on the property or business acquired.

The directors and officers of the Corporation, and their associates and affiliates, as a group, beneficially own, directly or indirectly 1,600,000 Common Shares or 84.2% of the issued and outstanding Common Shares before the offering. After giving effect to this offering, such holdings will represent approximately 36.4% of the outstanding Common Shares of the Corporation. In addition to the foregoing, if the directors and officers of the Corporation were to exercise the options to purchase 440,000 Common Shares proposed to be issued to them under the Corporation's stock option program, subject to regulatory approval, such individuals, as a group, would beneficially own, directly or indirectly, 2,040,000 Common Shares, representing approximately 42.1% of the outstanding Common Shares after giving effect to the offering.

The following is a brief description of the background of the key management and directors of the Corporation:

Vitold Jordan, President, Chief Executive Officer, Chief Financial Officer and Director

Mr. Jordan has 23 years experience in management of technology. From May, 1998 until January, 2000, Mr. Jordan served as Chief Executive Officer of New World Power Corp. ("NWPCE"), a National Association of Securities Dealers over the counter bulletin board listed renewable energy company and prior thereto as interim Chief Executive Officer of NWPCE from August, 1996 to April, 1998. From December, 1995 to April, 1998, Mr. Jordan served as Vice President of Dominion Bridge Corp., a NASDAQ listed company and President of its subsidiary Dominion Bridge Technology Inc., a construction technology development company. Prior to February 1995 and since January 1994 Mr. Jordan was retained by AT&T Global Information Solutions as Managing Partner, Eastern Canada. Mr. Jordan obtained a Bachelor of Administration from Laval University in 1978 and is a Chartered Accountant.

Jirka Danek, P.Eng and CMC, Director

Since May, 1996, Mr. Danek has been Managing Partner and Chief Executive Officer of Danek Associates Inc. ("DAI"), a private Ottawa based application service provider and from April, 1991 to May, 1996, Managing Partner of Danek & Associates, the unincorporated predecessor to DAI. Prior to February, 1995 and since December, 1993, Mr. Danek served as Country Managing Partner of AT&T Global Information Solutions. Since graduating from the University of New Brunswick in 1975 with a Bachelor of Science degree, Mr. Danek held increasingly senior positions with the CGI Group Inc., a Toronto Stock Exchange listed information technology services company from 1981 until 1991, including the position of Vice President from September, 1986 to April, 1991. Mr. Danek acted as Director General, Revenue Canada Customs and Excise information technology services from April, 1991 until December, 1993.

Thomas M. Sheppard, Director

Mr. Sheppard has been practicing law since 1978. He practices in the areas of corporate-commercial law, securities law and real estate, with particular emphasis on financing transactions. Since 1995, Mr. Sheppard has been the proprietor of Sheppard, Freidlan, MacInnis, Barristers & Solicitors, or its predecessor firms. Mr. Sheppard is currently the President and a director of CCPC Biotech Inc., a capital pool company and a director of Corporate Properties Ltd., a public company quoted on the Canadian Dealing Network. Mr. Sheppard obtained his Bachelor of Arts degree in History in 1973 from York University and his LLB from the University of Ottawa in 1976.

REMUNERATION OF DIRECTORS AND OFFICERS

No remuneration has been paid by the Corporation to any directors or officers since incorporation. No remuneration, consulting fees, directors' fees, deposits or similar payments shall be paid to Related Parties to the Corporation or to Related Parties to the Qualifying Transaction, and no remuneration will be paid by the Corporation to any individual or entity providing investor or public relations type services, prior to completion of a Qualifying Transaction by the Corporation. However, the Corporation may reimburse Related Parties to the Corporation for reasonable expenses for office supplies, office rent and related utilities, equipment leases (excluding vehicle leases), legal services (provided that neither the lawyer providing the services nor any member of the law firm providing the services is a promoter of the Corporation), and may also reimburse Related Parties to the Corporation for reasonable out-of-pocket expenses incurred in pursuing the business of the Corporation. See "Use of Proceeds".

The directors and officers of the Corporation will also be granted stock options. See "Stock Options".

STOCK OPTIONS

The Corporation has adopted the incentive stock option program of CDNX (the "Stock Option Program") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Program shall not exceed ten percent (10%) of the issued and outstanding Common Shares. In addition, the number of Common Shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding Common Shares. Upon closing hereof, ten percent (10%) of the issued and outstanding Common Shares totals 440,000 Common Shares. The Board of Directors determines the price per common share and the number of Common Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of CDNX. The price per common share set by the Board of Directors shall not be less than the last price at which a full board lot of Common Shares was, on the last business day prior to the date on which such option is granted, traded on CDNX or such other principal market on which the Common Shares are then traded, less the applicable discount permitted (if any) by such applicable exchange or market. Options under the Stock Option Program are non-assignable. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation, or its subsidiary, the option of the holder shall be limited to the number of shares purchasable by him immediately prior to the time of his cessation of office or employment and he will have no right to purchase any other shares. Options must be exercised within 90 days of termination of employment or cessation of position with the Corporation, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months after such death, subject to the expiry date of such option.

Subject to regulatory approval, the Corporation intends to enter into stock option agreements with its directors and officers, once a receipt is issued for the (final) prospectus, as follows:

<u>Name</u>	<u>Number of Common Shares Under Option</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
Vitold Jordan	198,000	\$0.20	5 years ⁽¹⁾
Jirka Danek	198,000	\$0.20	5 years ⁽¹⁾
Thomas Sheppard	44,000	\$0.20	5 years ⁽¹⁾
Total	<u>440,000</u>		

Note:

- (1) The options will all vest immediately on the date of grant, namely the date on which a receipt is issued for the (final) prospectus and will expire five years from the date of grant.

The options to purchase 440,000 Common Shares to be granted under the Stock Option Program (subject to regulatory approval) are qualified for distribution pursuant to this prospectus.

All shares acquired pursuant to the exercise of stock options prior to the completion of a Qualifying Transaction must be deposited in escrow and shall be subject to escrow until the issuance of the Final Exchange Notice. See "Escrowed Securities".

DIVIDEND POLICY

To date, the Corporation has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, financial condition of the Corporation and other factors which the board of directors of the Corporation may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future.

DILUTION

The issue price of \$0.20 for each Common Share exceeds the book value for the Common Shares as at May 31, 2000, prior to deduction of related expenses incurred by the issuer, by \$0.043 or 21.5% of the issue price of Common Shares. The following table sets forth dilution per Common Share as at May 31, 2000 based on the total gross proceeds to be raised hereunder and from the sales of securities prior to the filing of the preliminary prospectus, without deduction of commissions or related expenses incurred by the Corporation:

Gross proceeds of prior share issues	\$190,000
Gross proceeds of this offering	<u>\$500,000</u>
Total gross proceeds after this offering	<u><u>\$690,000</u></u>
Offering price per share	\$0.200
Gross proceeds per share after this offering	<u>0.157</u>
Dilution per share to subscriber	\$0.043
Percentage of dilution in relation to offering price	<u><u>21.5%</u></u>

ESCROWED SECURITIES

All of the Common Shares issued prior to this offering at a price below \$0.20 per Common Share ("Discount Seed Shares") will be deposited with CIBC Mellon Trust Company pursuant to an escrow agreement dated as of September 29, 2000 (the "Discount Seed Share Escrow Agreement"). In addition, all shares of the Corporation beneficially owned, directly or indirectly, at the date of this prospectus, acquired under this prospectus or acquired from treasury after giving effect to the offering contemplated by this prospectus but prior to the completion of the Qualifying Transaction by Related Parties, other than Discount Seed Shares ("Seed Shares"), will be held in escrow pursuant to an escrow agreement ("Seed Share Escrow Agreement"). In addition, all shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by any person or company who owns more than 20% of the outstanding voting shares of the Corporation or a sufficient number of shares of the Corporation so as it materially affects its control (being a "Control Person"), shall also be held in a Seed Share Escrow Agreement. Subject to certain exemptions set forth in Policy 5.4 of the CDNX Corporate Finance Manual, all shares of the Corporation issued contemporaneously or in conjunction with the Qualifying Transaction to a "Principal of the Resulting Issuer" as defined in Policy 5.4, will be escrowed pursuant to Policy 5.4. Where securities of the Corporation required to be held in escrow are held by a holding company, during the currency of an escrow agreement, the holding company shall not carry out any transactions which would result in a change of control of the holding company without the consent of CDNX. The following table sets out, as at the date hereof, the number of securities of the Corporation, which to the knowledge of management of the Corporation, are currently to be held in escrow:

<u>Designation of Class</u>	<u>Number of Securities Held in Escrow</u>	<u>Percentage of Class Outstanding prior to giving effect to this Offering</u>	<u>Percentage of Class after giving effect to this Offering</u>
Common Shares	1,900,000	100%	43.2%

Upon the Corporation completing a Qualifying Transaction the escrowed securities will be released from escrow as follows:

- 10% following the Final Exchange Notice (the "Initial Release");
- 15% six months following the Initial Release;
- 15% twelve months following the Initial Release;
- 15% eighteen months following the Initial Release;
- 15% twenty-four months following the Initial Release;
- 15% thirty months following the Initial Release; and
- 15% thirty-six months following the Initial Release.

In the event the Corporation meets CDNX's Tier One minimum listing requirements upon completion of the Qualifying Transaction, the release of the escrowed shares may be accelerated. Any accelerated escrow release would not commence until CDNX has issued a bulletin that announces the acceptance for listing of the Corporation on Tier One.

If a Qualifying Transaction is not completed, the escrowed securities shall not be released. The holders of Discount Seed Shares are required to include in their Discount Seed Share Escrow Agreement an irrevocable authorization and direction to CIBC Mellon Trust Company to immediately cancel all of the Discount Seed Shares held by insiders upon the issuance by CDNX of a notice delisting the Corporation from trading on CDNX. The holders of Common Shares subject to a Seed Share Escrow Agreement are required to include in their escrow agreement an irrevocable authorization and direction to CIBC Mellon Trust Company to

cancel such escrowed shares on a date that is ten years from the date of the issuance by CDNX of a notice delisting the Corporation from trading on CDNX.

In its discretion, CDNX may also impose escrow restrictions on all or any portion of the securities issued to any other party in conjunction or contemporaneous with or in contemplation of a Qualifying Transaction, with releases of the same governed by the rules of CDNX.

All Common Shares acquired pursuant to the exercise of stock options prior to the completion of a Qualifying Transaction must be deposited in escrow and shall be subject to escrow until the issuance of the Final Exchange Notice.

PROMOTERS

Mr. Jordan and Mr. Danek may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. See also "Prior Sales", "Principal Shareholders" and "Stock Options".

MATERIAL CONTRACTS

The Corporation has not entered into any contracts, material to subscribers for Common Shares, within the two years prior to the date hereof except:

- a. the Agency Agreement referred to under "Plan of Distribution";
- b. the Discount Seed Share Escrow Agreement referred to under "Escrowed Securities"; and
- c. the Registrar and Transfer Agency Agreement dated June 20, 2000 between the Corporation and CIBC Mellon Trust Company.

Copies of these agreements will be available for inspection at the registered office of the Corporation, 1400, 350 - 7th Avenue SW, Calgary, Alberta, during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of thirty (30) days thereafter or at the offices of the Alberta Securities Commission, 20th Floor, 10025 Jasper Avenue, Edmonton, Alberta or 4th Floor, 300 - 5th Avenue S.W., Calgary, Alberta, during ordinary business hours.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which some of the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. The proposed Qualifying Transaction of the Corporation involving the potential acquisition of DAI, would be a non-arms length transaction in that Mr. Danek, a director of the Corporation, beneficially owns 90% of DAI. See "Business of the Corporation - Proposed Qualifying Transaction". Some of the directors and officers are engaged in and will continue to be engaged in the search for assets or businesses which may be in competition with the search by the Corporation for such prospects, including participation in other junior capital pool corporations, and, accordingly, situations may arise where some of the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Canada Business Corporations Act*.

RISK FACTORS

There is no established market for the Common Shares. This offering should be considered highly speculative due to the proposed nature of the Corporation's business and the fact that the Corporation was only recently incorporated. The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future.

The proposed business of the Corporation involves a high degree of risk and there is no assurance that the Corporation will identify potential businesses or other assets which warrant acquisition, in whole or in part. The Corporation has commenced the process of identifying potential acquisitions in several different industries but has yet to enter into any negotiations with respect to such potential acquisitions and there is no assurance that any of the potential acquisitions will be completed. The Corporation has not yet entered into an Agreement in Principle. If one of the potential acquisitions does not proceed, there is no assurance that the Corporation will identify other potential acquisitions. Moreover, if such acquisition of corporations, businesses or assets are identified, the Corporation may determine that current markets, terms of acquisition, or pricing conditions may make such acquisition uneconomic. The Corporation may find that even if the terms of acquisition are economic, it may not be able to finance

the acquisition and additional funds may be required to meet such obligations. As a result of these factors, this offering is suitable to those investors who are willing to rely solely on the management of the Corporation and to risk the loss of their investment. In addition, in cases where the Corporation does not acquire control of a corporation or business it will have to rely on existing management and on the minority shareholder remedies of the jurisdiction governing such corporation or business. The acquisition of an interest in a corporation, business or asset, if effected through the issuance of Common Shares from treasury, may result in further dilution to those acquiring Common Shares and may result in a change of control of the Corporation. See "Business of the Corporation", "Management", "Directors and Officers", "Use of Proceeds" and "Conflicts of Interest".

CDNX may not approve a Qualifying Transaction where the Corporation fails to meet the minimum listing requirements of CDNX upon completion of the acquisition, or where following completion of the transaction, the aggregate number of securities owned by the Pro Group (as defined in Policy 2.1 of CDNX) exceeds 20% of the issued and outstanding securities of the Corporation or where the consideration to be paid by the Corporation in connection with the transaction is objectionable to CDNX or for any other reason at the sole discretion of CDNX.

CDNX may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a Qualifying Transaction within 18 months from the date of listing. The Executive Director of the Alberta Securities Commission may issue an interim cease trade order against the Corporation's securities if the Common Shares of the Corporation are suspended from trading on CDNX and will issue an interim cease trade order if the Corporation is delisted from CDNX.

Shareholders acquiring Common Shares under this offering will experience an immediate dilution of 21.5% or \$0.043 per share based on gross proceeds of this and prior issues by the Corporation, without taking account of deductions of selling commissions and related expenses of issue. See "Dilution".

Mr. Jordan intends to devote 50% of his time to the business and affairs of the Corporation prior to completion of the Corporation's Qualifying Transaction. The remaining directors of the Corporation, Jirka Danek and Thomas Sheppard, will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as is required by the Corporation. The directors and officers are engaged and will continue to be engaged in the search for property or business prospects on behalf of themselves and others.

It may be difficult or impossible to effect service or notice to commence legal proceedings upon any directors, officers or experts located outside Canada. It may not be possible to enforce against such persons, or the Corporation, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

After giving effect to this offering, the directors and officers of the Corporation and their respective associates and affiliates will hold 36.4% of the outstanding Common Shares of the Corporation. In addition, it is anticipated that the directors and officers will be granted options to purchase up to 440,000 Common Shares and the Agent will be granted a non-transferrable option to purchase 250,000 Common Shares. See "Escrowed Securities", "Stock Options" and "Plan of Distribution".

As a result of these factors, this offering is only suitable to investors who are willing to rely solely on management of the Corporation and who can afford to lose their entire investment and those investors who are not prepared to do so should not invest in these securities. See "Business of the Corporation", "Management and Key Personnel", "Directors and Officers", "Conflicts of Interest" and "Use of Proceeds".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Accountants, 99 Bank Street, Suite 800, Ottawa, Ontario K1P 1E4.

CIBC Mellon Trust Company through its principal office in Calgary, Alberta at 600, 333 - 7th Avenue S.W., is the transfer agent and registrar for the Common Shares.

PURCHASER'S STATUTORY RIGHTS

Sections 106, 168 and 175 of the *Securities Act* (Alberta) (the "Act") provide, in effect, that when a security is offered in the course of a distribution:

- a. a purchaser will not be bound by a contract for the purchase of such security if written notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on

the second business day after the latest prospectus and any amendment to the prospectus offering such security is received by the purchaser; and

- b. if a prospectus, together with any amendment to the prospectus, contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation and, subject to the limitations set out in the Act:
 - i. has a right of action for damages against:
 - A. the issuer or a selling security holder on whose behalf the distribution is made;
 - B. each underwriter required to sign the certificate required by section 91 of the Act;
 - C. every director of the issuer at the time the prospectus or amendment was filed;
 - D. every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them; and
 - E. every other person or company who signed the prospectus or the amendment,

but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action or one year after the date of the transaction that gave rise to the cause of action; or

- ii. where the purchaser purchased the security from a person or company referred to in a. or b . above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the Act for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the Act.

AUDITORS' REPORT

**To the Board of Directors
of Avalon Works Corp.**

We have audited the balance sheet of **Avalon Works Corp.** as at May 31, 2000. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the corporation as at May 31, 2000 in accordance with Canadian generally accepted accounting principles.

**June 20, 2000, except as to
Note 2(ii) and Note 3
which are as of September 29, 2000.**

(signed) "PricewaterhouseCoopers LLP"
Chartered Accountants
Ottawa, Ontario

AVALON WORKS CORP.**BALANCE SHEET****AS AT MAY 31, 2000****ASSETS****CURRENT ASSETS:**

Cash	\$ 185,000
Deferred issue costs	\$ 5,000
TOTAL ASSETS	\$ 190,000

SHAREHOLDERS' EQUITY**SHARE CAPITAL** (Notes 2 and 3):

Authorized:

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

Issued:

1,900,000 common shares	\$ 190,000
TOTAL SHAREHOLDERS' EQUITY	\$ 190,000

See accompanying notes to the balance sheet

On Behalf of the Board:

(signed) "Vitold Jordan"
 Vitold Jordan
 Director

(signed) "Jirka Danek"
 Jirka Danek
 Director

AVALON WORKS CORP.

**NOTES TO BALANCE SHEET
MAY 31, 2000**

1. INCORPORATION

Avalon Works Corp. (the "Corporation") 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 proposes 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.

The Corporation has not commenced operations at the balance sheet date. Accordingly, statements of operations and cash flows have not been prepared for the period from incorporation on April 6, 2000 to May 31, 2000.

2. SHARE CAPITAL

(i) 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.

(ii) Issued and fully paid:

1,900,000 common shares issued for cash	<u>\$190,000</u>
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Pursuant to an escrow agreement dated September 29, 2000, 1,900,000 common shares will be held in escrow and released as to 10% following issuance of the final exchange notice and 15% on each six month anniversary following the initial release until all common shares have been released.

3. SUBSEQUENT EVENTS

Pursuant to an Agency Agreement dated September 29, 2000 among the Corporation, Goepel McDermid Inc. and CIBC Mellon Trust Company, the Corporation has agreed to file a prospectus to offer 2,500,000 common shares at \$0.20 per share to the public. If the subscription is not raised within 90 days of the issuance of a receipt for the filing of the prospectus, all subscription monies will be returned to subscribers without interest or deductions. The cost of the issue, including the agent's commission of \$50,000 and expenses of \$13,000, the listing fee and other related expenses are estimated to be \$88,000.

The Corporation has adopted the incentive stock option program of CDNX for the benefit of directors, officers, full time employees and key consultants of the Corporation. The Corporation has agreed to grant an aggregate of 440,000 options to purchase common shares to the directors which may be exercised at a price of \$0.20 per share for a period of five years from the date of grant, and which options are qualified for distribution under the prospectus. The stock option program and the grant of options thereunder are subject to regulatory approval.

Pursuant to the Agency Agreement and subject to the closing of the Offering, the Agent will be granted a non-transferable option to purchase up to 250,000 common shares at \$0.20 per share. The option will be exercisable at any time from issuance to 18 months from the date of listing the Corporation's shares on CDNX.

CERTIFICATES

Dated: September 29, 2000

CERTIFICATE OF THE CORPORATION

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and the regulations under it.

AVALON WORKS CORP.

(signed) "Vitold Jordan"

Vitold Jordan
President, Chief Executive Officer
and Chief Financial Officer

ON BEHALF OF THE BOARD

(signed) "Jirka Danek"

Jirka Danek
Director

(signed) "Thomas Sheppard"

Thomas Sheppard
Director

CERTIFICATE OF THE PROMOTERS

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and regulations under it.

(signed) "Vitold Jordan"

Vitold Jordan

(signed) "Jirka Danek"

Jirka Danek

CERTIFICATE OF THE AGENT

Dated: September 29, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and the regulations under it.

Goepel McDermid Inc.

By: (signed) "Ian S. Brown"
Ian S. Brown

The following includes the name of every person having an interest either directly or indirectly, to the extent of not less than five percent in the capital of Goepel McDermid Inc.: K.A. Shields, D.E. Roberts, R.E.T. Goepel, N. Dargan, K.N. Aune, G.M. Medland, I.S. Brown, J.B. van Koll, M. Hagerman, R.L. Sakkal and T.A. Raidl.