

MATERIAL CHANGE REPORT

1. Reporting Issuer:

Avalon Works Corp. ("Avalon" or the "Corporation")
801, 1280 Old Innes Road
Ottawa, Ontario K1B 5M6

2. Date of Material Change:

June 17, 2002

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 18, 2002 and disseminated through the facilities of Canada NewsWire and would have been received by the Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission and the TSX Venture Exchange where the securities of the Corporation are listed and posted for trading, in the normal course of its dissemination.

4. Summary of Material Change:

On June 18, 2002, Avalon announced the launch of a new line of business, Secure Works, which includes the existing physical network and internet infrastructure protection services of Avalon and the privileged management infrastructure authorization technology and expertise of Texar Corporation ("Texar"), a private Ontario company acquired by Avalon on June 17, 2002 for \$250,000 in cash, a commitment to service \$4.2 million of Texar technology only recourse debt and an interest from future software sales.

In connection with the acquisition of Texar, Ms. Line Lafrance, an executive of Texar since 2001, has been appointed as Chief Security Officer of Avalon and will be responsible for the operations of Texar.

5. Full Description of Material Change:

On June 18, 2002, Avalon announced the launch of a new line of business, Secure Works. The new offering includes the existing physical network and internet infrastructure protection services of Avalon and the announced here acquisition of PMI (Privilege Management Infrastructure) authorization technology and expertise of Texar.

Texar is a private Ontario company, which during the last four years has developed PMI security software technology for fraud detection, document security infrastructure and privacy with investments in excess of \$20 million. Avalon has acquired all of the issued shares of Texar on June 17, 2002 for consideration of \$250,000 in cash, a commitment to service \$4.2 million of Texar technology only recourse debt and an interest from future software sales. Prior to the acquisition, the resources and expenditures of Texar were reduced to a level commensurate with the anticipated revenues under the Avalon consultative service business model.

Secure Works services are targeted initially to the public sector as a document authorization management solution and the financial services sector as a fraud detection and prevention solution. At the time of this release, three federal government departments and one Schedule "A" bank are conducting pilot projects with Texar technology.

The operations of Texar are to be continued under guidance and leadership of Ms. Line Lafrance, Texar executive since 2001, who will also assume the position of Avalon Chief Security Officer.

Jirka Danek, Chief Executive Officer of Avalon, commented "we are pleased to welcome Ms. Lafrance and her team to Avalon, while looking forward to an opportunity to introduce such unique expertise to our clients".

Vitold Jordan, President, Chief Operating Officer and Chief Financial Officer of Avalon, commented "we believe this transaction will be accretive to Avalon on its own merits, while completing the new line of business and expanding the scope of our services to the targeted private and public market sectors".

Avalon Works Corp. is an e-business facilitator company, serving public and private sector clients in five lines of business, IT works, Web works, SP works, Telco works and now Secure works. Avalon's electronic service delivery (ESD) includes e-business architecture and design, Web application design, development and maintenance, hosting and internet access services and telecommunication service provisioning and maintenance, as described in more detail at www.Avalonworks.com.

6. Reliance on Provision:

Not applicable.

7. Omitted Information:

Not applicable.

8. Senior Officer:

Vitold Jordan
Avalon Works Corp.
801, 1280 Old Innes Road
Ottawa, Ontario K1B 5M6

Telephone: (613) 741-3673
Facsimile: (613) 741-8473

9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at the City of Ottawa, in the Province of Ontario, as of the 25th day of June, 2002.

AVALON WORKS CORP.

Per: (Signed) "Vitold Jordan"
Vitold Jordan
President, Chief Operating Officer and
Chief Financial Officer

cc: TSX Venture Exchange

MEDIA RELEASE

AVALON WORKS CORP. ANNOUNCES LAUNCH OF SECURE WORKS AND ACQUISITION OF TEXAR CORPORATION

Symbol: (TSX Venture: AWB)

June 18, 2002

Ottawa, June 18, 2002 - Avalon Works Corp. ("Avalon" or the "Corporation")(TSX Venture: AWB) is pleased to announce the launch of a new line of business, Secure Works. The new offering includes the existing physical network and internet infrastructure protection services of Avalon and the announced here acquisition of PMI (Privilege Management Infrastructure) authorization technology and expertise of Texar Corporation ("Texar").

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For further information, please contact Jirka V. Danek, Chairman and CEO of Avalon or Vitold Jordan, President, COO, CFO and Director of Avalon at Phone: (613) 741-3673 or Fax: (613) 741-8473.

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