MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

Avalon Works Corp. ("Avalon" or the "Corporation")
Suite 200, 1101 Prince of Wales
Ottawa, Ontario K2C 3W7

2. **Date of Material Change:**

July 26, 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 July 26, 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 July 26, 2002, Avalon announced that for the nine month period ended May 31, 2002, it has recorded revenues of $8.1 million as compared to $3.7 million posted during the same period in the previous year. The net income for the six month period ended May 31, 2002 was $300,000 or 2 cents per share in comparison to $412,000 or 3 cents per share for the previous year. At May 31, 2002, the Corporation had 18.4 million common shares outstanding as compared to 12 million at the end of the same period in 2001. For the third quarter ended May 31, 2002, revenues were $2.8 million as compared to $1.5 million for the third quarter of 2001 and the net income, respectively, was $77,000 as compared to $210,000.

During the third quarter of 2002, Avalon completed one minor acquisition, a buy out of a regional franchisee operation. During the quarter, the quality of ISP services continued improving, resulting in satisfactory client base growth, despite limited marketing budgets. In addition, the Corporation secured a new $1.2 million architecture engagement with the federal government and qualified as a system integrator, in addition to the previously acquired status as a consulting vendor under the government online procurement scheme.

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

On July 26, 2002, Avalon announced that for the nine-month period ended May 31, 2002, it has recorded revenues of $8.1 million as compared to $3.7 million posted during the previous year. The net income for the nine months ended May 31, 2002 was $300,000 or 2 cents per share in comparison to $412,000 or 3 cents per share for the previous year. At May 31, 2002, the Corporation had 18.4 million common shares outstanding as compared to 12 million at the previous period end. For the third quarter ended May 31, 2002, revenues were $2.8 million in comparison to $1.5 million during the third quarter of 2001 and net income was recorded at $77,000 and $210,000, respectively.

During the third quarter, Avalon completed one minor acquisition, a buy out of a regional franchisee operation, further consolidating its presence in Eastern Ontario. During the quarter, the quality of ISP services continued improving, resulting in satisfactory client base growth, despite limited marketing budgets.

Jirka Danek, Chairman of Avalon stated "we made satisfactory progress during the quarter, securing a new $1.2 million architecture engagement with the federal government and qualifying as a system integrator, in addition to the previously acquired status as a consulting vendor under the Government Online procurement scheme".

Vitold Jordan, President of Avalon, commented "we are pleased with the results, resting assured that the new personnel additions and business processes improvement implemented during the quarter will be beneficial to the company in the future".

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 Secure works. Avalon's electronic service delivery includes e-business architecture and design, Web application design, development and maintenance, hosting and internet access services, telecommunication service provisioning and maintenance and physical network and internet infrastructure protection services and authorization technology applications, as described in more detail at www.Avalonworks.com.

6. Reliance on Provision:

Not applicable.

7. Omitted Information:

Not applicable.

8. Senior Officer:

Jirka Danek
Avalon Works Corp.
Suite 200, 1101 Prince of Wales
Ottawa, Ontario K2C 3W7

Telephone: (613) 274-2200
Facsimile: (613) 274-2204

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 1st day of August, 2002.

AVALON WORKS CORP.

Per: (Signed) *"Jirka Danek"*
Jirka Danek
Chairman and Chief Executive Officer

cc: TSX Venture Exchange

MEDIA RELEASE

AVALON WORKS CORP. ANNOUNCES 116% REVENUE GROWTH WITH SUSTAINED PROFITS

Symbol: TSX Venture: AWB **July 26, 2002**

Ottawa, July 26, 2002 - Avalon Works Corp. ("Avalon" or the "Corporation") (TSX Venture: AWB) is pleased to announce that for the nine month period ended May 31, 2002, it has recorded revenues of $8.1 million as compared to $3.7 million posted during the previous year. The net income for the nine months ended May 31, 2002 was $300,000 or 2 cents per share in comparison to $412,000 or 3 cents per share for the previous year. At May 31, 2002, the Corporation had 18.4 million common shares outstanding as compared to 12 million at the previous period end. For the third quarter ended May 31, 2002, revenues were $2.8 million in comparison to $1.5 million during the third quarter of 2001 and net income was recorded at $77,000 and $210,000, respectively.

During the third quarter, Avalon completed one minor acquisition, a buy out of a regional franchisee operation, further consolidating its presence in Eastern Ontario. During the quarter, the quality of ISP services continued improving, resulting in satisfactory client base growth, despite limited marketing budgets.

Jirka Danek, Chairman of Avalon stated "we made satisfactory progress during the quarter, securing a new $1.2 million architecture engagement with the federal government and qualifying as a system integrator, in addition to the previously acquired status as a consulting vendor under the Government Online procurement scheme".

Vitold Jordan, President of Avalon, commented "we are pleased with the results, resting assured that the new personnel additions and business processes improvement implemented during the quarter will be beneficial to the company in the future".

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 Secure works. Avalon's electronic service delivery includes e-business architecture and design, Web application design, development and maintenance, hosting and internet access services, telecommunication service provisioning and maintenance and physical network and internet infrastructure protection services and authorization technology applications, as described in more detail at www.Avalonworks.com.

For further information, please contact Jirka V. Danek, Chairman and CEO of Avalon, and Vitold Jordan, President 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.