

MATERIAL CHANGE REPORT

1. Reporting Issuer:

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

2. Date of Material Change:

May 29, 2003 and June 2, 2003

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 9, 2003 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 May 29, 2003, a Statement of Claim was filed in the Ontario Superior Court of Justice by Centara Holdings Inc against Avalon, its subsidiary Texar Corporation ("Texar") and certain officers of the Corporation. Avalon's management strongly believes that the claims in the plaintiff's lawsuit are without merit and will be defended against.

5. Full Description of Material Change:

On June 9, 2003, Avalon announced that a Statement of Claim has been filed in the Ontario Superior Court of Justice by Centara Holdings Inc ("Centara") against Avalon, its subsidiary Texar and certain officers of the Corporation claiming, among other things, damages in the amount of \$10 million for various claims, including breach of contract in connection with Centara's loan to Texar.

Centara's loan to Texar was modified on or about June 17, 2002, at the time of Avalon's acquisition of Texar, and provided Centara with recourse to Texar technology only in event of default and specifically excluded Texar or Avalon corporate covenant. Texar has defaulted on the loan, by, among other things, not making the initial interest and capital payment on December 31, 2002 and remains ready to transfer the technology to Centara in full satisfaction of the loan in accordance with the terms of the loan agreement.

On June 2, 2003, the Board of Directors of Avalon unanimously voted to suspend Texar activities and has directed its management to focus Avalon's resources on the continuing IT consulting and internet access provision activities of the company, which are not directly affected by Centara litigation.

Avalon's management strongly believes that the claims in the plaintiff's lawsuit are without merit and will be defended against.

6. Reliance on Provision:

Not applicable.

7. Omitted Information:

Not applicable.

8. Senior Officer:

Vitold Jordan
Avalon Works Corp.
Suite 200, 1101 Prince of Wales Drive
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 12th day of June, 2003.

AVALON WORKS CORP.

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

cc: TSX Venture Exchange

MEDIA RELEASE

AVALON ANNOUNCES COURT PROCEEDINGS

Symbol: AWB: TSX Venture

June 9, 2003

Ottawa, June 9, 2003 - Avalon Works Corp. ("Avalon" or the "Corporation") (TSX Venture: AWB) has been advised that a Statement of Claim has been filed in the Ontario Superior Court of Justice by Centara Holdings Inc ("Centara") against Avalon, its subsidiary Texar Corporation and certain officers of the Corporation claiming, among other things, damages in the amount of \$10 million for various claims, including breach of contract in connection with Centara's technology only recourse loan to Texar Corporation.

Avalon's management strongly believes that the claims in the plaintiff's lawsuit are without merit and will be defended against.

Avalon is an e-business facilitator company. Avalon 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.

For further information, please contact Vitold Jordan, President, Chief Operating Officer, Chief Financial Officer and Director of Avalon, or Jirka V. Danek, Chairman, Chief Executive Officer and a director of Avalon, at Phone: (613) 274-2200 or Fax: (613) 274-2204.

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