

MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

Avalon Works Corp. ("Avalon" or the "Company")
Suite 310, 1101 Prince of Wales Drive
Ottawa, Ontario K2C 3W7

2. **Date of Material Change:**

March 8, 2005

3. **News Release**

A press release dated March 10, 2005, disclosing in detail the material summarized in this material change report was disseminated on March 10, 2005 and would have been received by the securities commissions where the company is a reporting issuer and the stock exchanges on which the securities of the Company are listed and posted for trading in the normal course of their dissemination.

4. **Summary of Material Change:**

On March 8, 2005, the Company entered into an agreement (the "Agreement") with an arm's length third party (the "Purchaser") to sell a portion of the Company's business (the "ISP Business") for total aggregate consideration of \$2,500,000 (the "Transaction").

The Purchaser has agreed to purchase the ISP Business of the Company, which represents approximately 50% of the assets of Avalon, for total consideration of \$2,500,000, plus or minus an adjustment for the specific net working capital items and other assets related to the ISP Business. The binding Agreement is subject to conditions customary for a transaction of this nature.

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

Please see the attached press release.

6. **Reliance on Confidentiality Provisions:**

N/A

7. **Omitted Information:**

N/A

8. **Senior Officers:**

For further information, please contact Jirka Danek, Chairman and Chief Executive Officer and a director of Avalon at Suite 310, 1101 Prince of Wales Drive, Ottawa, Ontario, K2C 3W7, (613) 274-2200.

DATED at the City of Ottawa, in the Province of Ontario, as of the 10th day of March, 2005.