

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. **Name and Address of Company**

Avalon Works Corp. (the “**Company**”)
237 Argyle Avenue, Suite 100
Ottawa, Ontario
K2P 1B8

2. **Date of Material Change**

September 24, 2019

3. **News Release**

A press release disclosing the material change was released on September 24, 2019, through the facilities of Newsfile.

4. **Summary of Material Change**

The Company announced that it was successful in its applications to the Ontario Securities Commission, British Columbia Securities Commission and Alberta Securities Commission (collectively, the “**Commissions**”) to revoke cease trade orders issued by each the above noted Commissions (the “**Cease Trade Orders**”).

Continuous Disclosure Filings & Undertaking

The Cease Trade Orders were issued as a result of the Company’s failure to file the following continuous disclosure materials within the timeframe stipulated by the applicable legislation:

- a) Interim financial statements for the nine-month period ended May 31, 2010;
- b) management’s discussion and analysis relating to the interim financial statements for the nine-month period ended May 31, 2010; and
- c) certification of the foregoing filings as required by National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings (“**NI 52-109**”) (collectively, the “**Interim Filings**”).

Subsequent to the issuance of the Cease Trade Orders, the Applicant also failed to file, within the timeframe stipulated by the applicable legislation: (a) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2010 (collectively, the “**2010 Annual Filings**”) (b) interim financial statements, interim management discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2010, February 28, 2011 and May 31, 2011 (collectively, the “**2011 Interim Filings**”); (c) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2011 (collectively, the “**2011 Annual Filings**”); (d) interim financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2011, February 29, 2012 and May 31, 2012 (collectively, the “**2012 Interim Filings**”); (e) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2012 (collectively, the “**2012 Annual Filings**”); (f) interim financial statements, interim management discussion and analysis

and certifications required by NI 52-109 for the periods ended November 30, 2012, February 28, 2013 and May 31, 2013 (collectively, the “**2013 Interim Filings**”); (g) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2013 (collectively, the “**2013 Annual Filings**”); (h) interim financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2013, February 28, 2014 and May 31, 2014 (collectively, the “**2014 Interim Filings**”); (i) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2014 (collectively, the “**2014 Annual Filings**”) (j) interim financial statements, interim management discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2014, February 28, 2015 and May 31, 2015 (collectively, the “**2015 Interim Filings**”); (k) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2015 (collectively, the “**2015 Annual Filings**”); (l) interim financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2015, February 29, 2016 and May 31, 2016 (collectively, the “**2016 Interim Filings**”); (m) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2016 (collectively, the “**2016 Annual Filings**”); (n) interim financial statements, interim management discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2016, February 28, 2017 and May 31, 2017 (collectively, the “**2017 Interim Filings**”); (o) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2017 (collectively, the “**2017 Annual Filings**”); (p) interim financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2017, February 28, 2018 and May 31, 2018 (collectively, the “**2018 Interim Filings**”); (q) audited annual financial statements, management’s discussion and analysis and certifications required by NI 52-109 for the financial year ended August 31, 2018 (collectively, the “**2018 Annual Filings**”) (r) interim financial statements, interim management discussion and analysis and certifications required by NI 52-109 for the periods ended November 30, 2018 (collectively, the “**2019 Interim Filing**”).

Remedial action was taken by Company management on February 11, 2019, March 26, 2019 and September 16 2019, whereby the Company filed its 2017 Annual Filings, 2018 Annual Filings, 2018 Interim Filings and 2019 Interim Filing and in the absence of the Company having filed a management information circular, Form 52-110F2 Audit Committee Disclosure (Venture Issuers), Form 51-102F6V Statement of Executive Compensation (Venture Issuers) as required by National Instrument NI-51-102 and Form 58-101F2 Corporate Governance Disclosure (Venture Issuers) as required by National Instrument NI-58-101 on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”).

Additionally, as a condition of revoking the Ontario cease trade order, the Ontario Securities Commission requested that the Company undertake not to complete a restructuring transaction, significant acquisition or reverse takeover of a business not located in Canada unless the Company first receives a receipt for a final prospectus in respect of such business. The Company has given such undertaking.

Shareholder Meeting & Audit Committee

The Company has given an undertaking to the Ontario Securities Commission to hold a shareholder meeting within three months of the date hereof. The Company is in the process of reviewing and adjusting its current business strategies in seeking out new opportunities that best suit the Company and its shareholders.

Additionally, the Company has added the following directors to Avalon's Board of Directors. These additions bring further knowledge and experience to Avalon's board and Audit Committee.

Mr. Andrew O'Neil

Andrew O'Neil is a wholesale dealer in the automotive industry, importing and exporting within both the American and Canadian markets. Mr. O'Neil is also quite active in the Forex market, in the Canada-US border trade consulting and he is an advisor in the Canadian residential real estate development business.

Mr. Éric Latrémouille

Eric Latrémouille is an IT Consultant in the arena of Computer security, cybersecurity and information technology security. With over 25 years of experience in the private consulting with SME in the field of Information Technology in Canada, Mr Latrémouille has added value in its field by optimizing IT processes to maximize and utilize digitizing methods to increase profitability and minimize cyber risks.

Me. Michel Lebeuf Jr

Me Michel Lebeuf Jr, lawyer, practices primarily in securities, particularly in the areas of natural resources, institutional and corporate financing, and public and private mergers and acquisitions. He represents public companies, securities brokers, buyers, sellers, bankers, and financial advisors. He provides strategic advice on access to public capital markets, securities, and structured products. Over the past years, Me Lebeuf has worked for many mining projects in Africa (Democratic Republic of Congo, Ethiopia, Angola, etc.) and his services are regularly used by mining developers, mining companies, and investment banking companies eager to develop mining projects in these countries. Michel Lebeuf who serves as lawyer to the Corporation, has been determined to not be independent within the meaning of NI 58-101.

Mrs. Véronique Laberge

After obtaining a Bachelor of Business Administration with a major in accounting, Mrs Laberge began her career in 2005 working in an accounting firm. In this role, she provided assurance services to various private sector companies. She subsequently accepted a management position in the professional services field, where she gained insight into the world of business. Mrs Laberge decided to return to professional accounting in 2018, setting up her own practice. She is a chartered professional accountant and auditor with more than 12 years of hands-on experience. Véronique Laberge, who serves as internal CPA of the Corporation, has been determined to not be independent within the meaning of NI 58-101.

Mrs. Sabrina Lesage

Sabrina Lesage is the CFO of FX Capital Ltd and related companies. With a business degree from University of Ottawa, Ms Lesage is a senior advisor in the areas of residential real estate investment, mezzanine financing and hospitality accounting. Sabrina Lesage who serves as employee of an affiliate of the Corporation has been determined to not be independent within the meaning of NI 58-101.

Furthermore, the Board of Directors established the composition of the Audit Committee to be comprised of Michael Paul Clemann, Andrew O'Neil and Éric Latrémouille.

5. Full Description of Material Change

The material change is fully described in the Company's press release which is attached as Schedule "A" and is incorporated herein.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

7. **Omitted Information**

No significant facts have been omitted from this Material Change Report.

8. **Executive Officer**

For further information, contact Michael Clemann, Chief Executive Officer of the Company at 819 685-9333.

9. **Date of Report**

This report is dated at Ottawa, this 24 day of September, 2019.

AVALON WORKS CORP.

Per: _____

Michael Clemann
President and Chief Executive Officer

SCHEDULE "A"

AVALON ANNOUNCES REVOCATION OF CEASE TRADE ORDERS AND APPOINTMENT OF DIRECTORS

Toronto, Ontario – September 24, 2019– Avalon Works Corp. ("**Avalon**" or the "**Company**") is pleased to announce that it has been successful in its applications to the Ontario Securities Commission, British Columbia Securities Commission and Alberta Securities Commission (collectively, the "**Commissions**") to revoke cease trade orders issued by each the above noted Commissions (the "**Cease Trade Orders**").

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SME in the field of Information Technology in Canada, Mr Latremouille has added value in its field by optimizing IT processes to maximize and utilize digitizing methods to increase profitability and minimize cyber risks.

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For more information, please contact:

Michael Clemann
President & Chief Executive Officer
Tel: 819 685-9333

Important Information About Forward-Looking Statements

All statements in this news release that are other than statements of historical facts are forward-looking statements, which contain our current expectations about our future results. Forward-looking statements involve numerous risks and uncertainties. We have attempted to identify any forward-looking statements by using words such as "anticipates," "believes," "could," "expects," "intends," "may," "should" and other similar expressions. Although we believe that the expectations reflected in all of our forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct.

A number of factors may affect our future results and may cause those results to differ materially from those indicated in any forward-looking statements made by us or on our behalf. Such factors

include our limited operating history; our need for significant capital to finance internal growth as well as strategic acquisitions; our ability to attract and retain key employees and strategic partners; our ability to achieve and maintain profitability; fluctuations in the trading price and volume of our stock; competition from other providers of similar products and services; and other unanticipated future events and conditions.