

**Dear Shareholders,**

Look how far Avalon Advanced Materials has come in a year. As we look to the next transformative phase for Avalon 2.0, it is worth reviewing the tremendous milestones that have been achieved in previous quarters. In only a matter of months, we have begun an evolution into a leading Canadian advanced materials and technology company.

I joined Avalon as Chief Executive Officer in May 2023, charged by the board of directors with undertaking a fundamental transformation in our corporate strategy. The first step was clear: begin the commercialization of our flagship lithium mineral deposit at Separation Rapids. With our revamped management team and board, we moved with speed to do just that—while also laying a foundation for a lithium hydroxide processing facility to serve the growing regional electric vehicle (“EV”) battery market.

EV battery manufacturing continues to see billions of dollars of net new investment from the world’s largest automakers, including Stellantis, Volkswagen and General Motors. Canadian and U.S. governments have also earmarked substantial financial support for the development of battery supply chains and EV manufacturing capacity across North America. To that end, we are pleased to have initiated constructive discussions with the Province of Ontario and Innovation, Science and Economic Development Canada for funding that will materially advance our vision. Avalon presently has an application under review with the Strategic Innovation Fund which, if successful, represents a key catalyst for the company.

In 2023, Avalon took multiple strides in achieving our vision of a vertically integrated lithium supply chain in Ontario. We entered into new strategic partnerships with SCR-Sibelco NV and Metso Corporation—with much more to come next year. We purchased a unique industrial property in Thunder Bay, giving us a strong competitive advantage in the race for midstream capacity. And in collaboration with Metso, we pioneered new lithium-hydroxide conversion processes that work with a feedstock of petalite ore. With all of

these tailwinds at Avalon's back, our future at the intersection of advanced materials and technology innovation has never looked brighter.

We look forward to updating shareholders in 2024 with new developments.

Sincerely,

*(signed) "Scott Monteith"*

Scott Monteith  
Interim Chief Executive Officer


January 9, 2024

For more information, please refer to Avalon's website at [www.AvalonAdvancedMaterials.com](http://www.AvalonAdvancedMaterials.com).

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#### **Forward-Looking Information**

This document contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to Avalon Advanced Materials Inc.'s ("Avalon or the "Company") mineral resource estimates, the potential expansion of mineral resource estimates, the potential for the economics of the Company's material lithium projects to improve, the development of the Company's material lithium projects, the advancement of projects towards a development decision, the Company's plans with respect to the exploration and development of its properties, the continued exploration and drilling initiatives and having the necessary funding required to complete these initiatives, the prospectivity of exploration targets, costs of production, expected capital expenditures, operations outlook, expected benefits from the joint venture with SCR-Sibelco NV ("Sibelco"), the expected receipt of permits; permitting timelines, the future price of commodities, foreign exchange rates and currency fluctuations, requirements for additional capital, the Company's capital allocation; the estimation of mineral reserves and mineral resources; the realization of mineral reserve and mineral resource estimates, obligations to consult with indigenous communities, and government regulation of mining operations. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "add" or "additional", "advancing", "anticipates" or "does not anticipate", "appears", "believes", "can be", "conceptual", "confidence", "continue", "convert" or "conversion", "deliver", "demonstrating", "estimates", "encouraging", "expand" or "expanding" or "expansion", "expect" or "expectations", "forecasts", "forward", "goal", "improves", "increase", "intends", "justification", "plans", "potential" or "potentially", "promise",



“prospective”, “prioritize”, “reflects”, “robust”, “scheduled”, “suggesting”, “support”, “top-tier”, “updating”, “upside”, “will be” or “will consider”, “work towards”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with mineral exploration and development operations such as: environmental hazards and economic factors as they affect the cost and success of the Company’s capital expenditures, the ability of the Company to obtain required permits and approvals, the ability of the Company to obtain financing, uncertainty in the estimation of mineral resources, the price of lithium, no operating history, no operating revenue and negative cash flow, land title risk, the market price of the Company’s securities, the economic feasibility of the Company’s mineral resources and the Company’s commercial viability, inflation and uncertain global economic conditions, uncertain geo-political shifts and risks, successful collaboration with indigenous communities, future pandemics and other health crises, dependence on management and other highly skilled personnel, title to the Company’s mineral properties, the ongoing war in Ukraine, extensive government and environmental regulation, reliance on artificial intelligence technology to influence mining operations, volatility in the financial markets, uninsured risks, climate change, threat of legal proceedings, as well as those risk factors discussed or referred to in the annual information form of the Company dated November 28, 2023 (the “AIF”) under the heading “Description of the Business – Risk Factors”. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions identified in the AIF, assumptions have been made regarding, among other things: management of certain of the Company’s assets by other companies or joint venture partners, the Company’s ability to carry on its exploration and development activities without undue delays or unbudgeted costs, the ability of the Company to obtain sufficient qualified personnel, equipment and services in a timely and cost-effective manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain all necessary financing on acceptable terms and when needed, the accuracy of the Company’s resource estimates and geological, operational and price assumptions on which these are based and the continuance of the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

