

FORM 51-102F3

MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF  
NATIONAL INSTRUMENT 51-102 – CONTINUOUS DISCLOSURE OBLIGATIONS

**Item 1**      **Name and Address of Company**

Avalon Advanced Materials Inc. (the "**Company**")  
Suite 1901 - 130 Adelaide Street West  
Toronto, Ontario M5H 3P5

**Item 2**      **Date of Material Change**

November 2 and 9, 2023.

**Item 3**      **News Releases**

Two news releases relating to the material changes described herein were disseminated on November 2 and 9, 2023 through the services of Canada Newswire and was subsequently filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Item 4**      **Summary of Material Change**

On November 2, 2023, the Company entered into a Tripartite Purchase and Sale Agreement (the "Purchase and Sale Agreement") with SCR-Sibelco NV ("Sibelco") and Separation Rapids Ltd., a joint venture entity ("SRL", and together with the Company and Sibelco, the "Parties"), to provide for the transfer of the Company's Separation Rapids and Lilypad projects to SRL. On November 9, 2023, the Parties completed the transfer of the Separation Rapids and Lilypad projects to SRL pursuant to the terms of the Purchase and Sale Agreement, and the Parties concurrently entered into a Joint Venture and Shareholders Agreement (the "JVSA"). SRL is jointly owned by Sibelco (60%) and the Company (40%), with Sibelco as the operator.

**Item 5.1**      **Full Description of Material Change**

On November 2, 2023, the Parties entered into the Purchase and Sale Agreement, and on November 9, 2023, the Company transferred its Separation Rapids and Lilypad project to SRL pursuant to the terms of the Purchase and Sale Agreement, and the Parties concurrently entered into the JVSA, with SRL jointly owned by Sibelco (60%) and the Company (40%), with Sibelco as the operator.

Pursuant to the terms of the Purchase and Sale Agreement, the Company transferred the Separation Rapids and Lilypad properties to SRL, including all personal property, assumed contracts, permits, books and records in consideration for approximately €23.2 million (C\$34.1 million), representing a 40% interest in SRL entity together with reimbursements of approximately C\$903,000 plus HST in funds expended by the Company on the joint venture properties since the signing of a binding joint venture term sheet in June, 2023. Sibelco's original commitment to the joint venture of €35.0 million was reduced by approximately

€134,000 in connection with an additional subscription of common shares of the Company by Sibelco for this same amount in July, 2023.

Pursuant to the terms of the JVSA, which provide for, among other things, the governance and funding of SRL, the ownership of the Separation Rapids and Lilypad properties, the conduct of operations, and the relationship among the Parties, SRL will work to commercialize the mineral assets at Separation Rapids and Lilypad. Sibelco has the sole funding responsibility for up to the first €34.8 million (approximately C\$50 million) of joint venture operations expenditures.

The initial participating interest of SRL by Sibelco and the Company is 60% and 40%, respectively, however such participating interests may change to 65% and 35%, respectively, if the Company fails to repay the full principal and accrued interest owed to Sibelco on the maturity date of a previously issued principal amount C\$3,000,000 convertible debenture (the "Debenture"), and Sibelco elects to exercise its right to receive a further 5% equity interest in SRL in lieu of receiving common shares of the Company issuable upon conversion of the Debenture.

Copies of the Purchase and Sale Agreement and the JVSA are available under the Company's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Item 5.2**      **Disclosure of Restructuring Arrangements**

Not applicable.

**Item 6**      **Reliance on Subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7**      **Omitted Information**

Not applicable.

**Item 8**      **Executive Officer**

For further information, please contact Zeeshan Syed, President, at (647) 300-4706 or via email at [ir@AvalonAM.com](mailto:ir@AvalonAM.com).

**Item 9**      **Date of Report**

November 13, 2023

**Forward-Looking Statements**

This material change report 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 the development of the Company's material lithium projects, including the construction of the Company's lithium processing facility, success of the joint venture, expected capital expenditures, operations outlook, expected benefits from the facility, the transition to a green economy, job creation, successful development of a lithium supply chain, governmental support, sustainable processing practices, environmental benefits, requirements for additional capital, the Company's capital allocation, 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, uncertainty with respect to the ability to successfully construct and develop the Company's lithium processing facility, 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, 2022, (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.