

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. (“**Avalon**” or the “**Company**”)
Suite 2060 - 130 Adelaide Street West
Toronto, Ontario M5H 3P5

Item 2 **Date of Material Change**

November 18, 2024

Item 3 **News Release**

A news release relating to the material change described herein was disseminated on November 18, 2024 through the services of Newsfile Corp. and was subsequently filed on the System for Electronic Data Analysis and Retrieval (“**SEDAR+**”) at www.sedarplus.ca.

Item 4 **Summary of Material Change**

On November 18, 2024, the Company and SCR-Sibelco NV (“**Sibelco**”) amended and restated the secured convertible debenture originally issued by the Company to Sibelco on June 14, 2023 (the “**A&R Convertible Debenture**”) to, among other things, increase the principal amount of the A&R Convertible Debenture to C\$6,500,000 (the “**Transaction**”).

Item 5.1 **Full Description of Material Change**

The A&R Convertible Debenture is a secured convertible note, of which C\$500,000 was advanced on June 14, 2023, C\$2,500,000 was advanced on June 20, 2023 and C\$3,500,000 was advanced on November 18, 2024 (the “**Closing Date**”). The A&R Convertible Debenture bore interest at 7.115% per annum up to and including the Closing Date and from and after the Closing Date bears interest at a rate of 7.5% per annum. The principal and interest are payable on maturity, being two years from the Closing Date (the “**Maturity**”). To the extent not repaid at Maturity by the Company, Sibelco will have the right to convert the outstanding principal and accrued interest of the A&R Convertible Debenture into either (i) additional common shares in the capital of the Company (“**Common Shares**”), at a price equal to the greater of (a) the 15-day volume-weighted average price of the Common Shares on the Toronto Stock Exchange (“**TSX**”) immediately prior to the exercise of this right and (b) the minimum price allowed by the TSX, or (ii) additional common shares of the Avalon-Sibelco joint venture company, Separation Rapids Ltd. (“**SRL**”), based on a pro-rated formula. If the entire amount of the A&R Convertible Debenture and accrued interest is converted at maturity into shares of SRL, then Sibelco’s JV interest in SRL will be increased by 30%. This would result in a change in the participating interests of Sibelco and Avalon in SRL to 90% and 10%, respectively. Sibelco will also have the right to exercise

its conversion rights prior to Maturity if Avalon does not make certain reductions in its corporate and administrative costs.

No Common Shares may be issued pursuant to the A&R Convertible Debenture unless approval is obtained from the shareholders of the Company in accordance with the policies of the TSX. The A&R Convertible Debenture will continue to be secured by a pledge of Avalon's shares in SRL.

The proceeds from the Transaction are expected to be used to fund the advancement of the Company's Lake Superior Lithium Project in Thunder Bay, Ontario, the Nechalacho REE and Zirconium Project and for general working capital and administrative purposes. Pursuant to the terms of the A&R Convertible Debenture, the proceeds of the Transaction will not be used to repay or buy back any principal amount or face value of existing indebtedness of the Company.

Under the terms of the A&R Convertible Debenture, the Company has granted Sibelco rights of first refusal on any future loan or debt financing to the Company and the Company may not enter into loan or debt financing, including loan or debt financing that is convertible into Common Shares, without first notifying Sibelco and giving Sibelco the right to provide such loan or debt financing.

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 Andrew Ramcharan, Vice-President Corporate Development, at (416) 364-4938 or via email at ir@AvalonAM.com.

Item 9 Date of Report

November 27, 2024

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 statements about the expected use of proceeds, and that we are preparing our new Mineral Resource Estimate at the Separation Rapids JV project and will be advancing studies on our Lake Superior Lithium Project. 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 project development 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, , the ability to source feedstock for the Company's proposed lithium processing facility at reasonable prices or at all, the price of lithium hydroxide, no operating history, no operating revenue and negative cash flow, land title risk, the market price of the Company's securities, 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, , 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 project 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 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.