

Form 62-103F1

Required Disclosure under the Early Warning Requirements

This report amends the information disclosed in the previous early warning report filed by Sibelco on June 16, 2023 (the “**Previous Report**”).

Item 1 – Security and Reporting Issuer

1.1 *State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.*

This report relates to a secured convertible debenture of Avalon Advanced Materials Inc. (“**Avalon**”).

The head office address of Avalon is 130 Adelaide Street West, Suite 2060, Toronto, Ontario, M5H 3P5.

1.2 *State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.*

The transaction took place by private agreement between Sibelco and Avalon.

Item 2 – Identity of the Acquiror

2.1 *State the name and address of the acquiror.*

SCR-Sibelco NV (“**Sibelco**”)
Plantin en Moretuslei 1A
2018 Antwerpen, Belgium

Sibelco is a material solutions company incorporated under the laws of Belgium that mines, processes and sells specialty industrial minerals and engages in glass recycling.

2.2 *State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.*

By way of background, on June 14, 2023, Sibelco entered into a subscription agreement with Avalon pursuant to which Sibelco (i) subscribed for 109,692,764 common shares of Avalon (“**Common Shares**”) at a price of approximately C\$0.091164 per share for total consideration of C\$10,000,000, and (ii) purchased a secured convertible debenture of Avalon with a principal amount of C\$3,000,000, a maturity date of June 14, 2025 and bearing interest at 7.115% per annum (the “**Original Debenture**”). Sibelco and Avalon also agreed to establish a joint venture with respect to certain Avalon lithium mining projects located in northwestern Ontario (the “**Joint Venture**”), with Sibelco as the operator. Upon the subsequent execution of definitive agreements, Avalon contributed its

Separation Rapids and Lilypad projects to the joint venture company, Separation Rapids Ltd. (“**SRL**”), and Sibelco provided approximately €4,865,809 of initial funding and committed to advance a further €30,000,000 in tranches to fund the development of the Joint Venture’s mineral projects, including facilities and related infrastructure. The initial participating interests of Sibelco and Avalon in SRL are 60% and 40%, respectively.

On July 14, 2023, Sibelco entered into a further subscription agreement pursuant to which Sibelco subscribed for an additional 1,793,722 Common Shares at a price of C\$0.11 per share for total consideration of approximately C\$197,309.

On November 18, 2024, pursuant to an amendment and restatement of the Original Debenture (the “**Amended and Restated Debenture**”), Sibelco advanced an additional C\$3,500,000 to Avalon thereunder. Upon the closing of this advance on such date (the “**Closing Date**”), the Amended and Restated Debenture has an aggregate principal amount of C\$6,500,000, a maturity date of November 18, 2026 (the “**Maturity Date**”) and bears interest from and after the Closing Date at 7.5% per annum. The Amended and Restated Debenture continues to be secured by a pledge of Avalon’s 40,000 shares of SRL (the “**Pledged SRL Shares**”).

In the event that Avalon has not paid the outstanding principal amount of the Amended and Restated Debenture and all accrued interest thereon on or prior to the Maturity Date (or in certain other circumstances involving the acceleration of Avalon’s obligations thereunder), Sibelco shall have the right to convert the outstanding principal amount and all accrued and unpaid interest thereon into either: (i) additional Common Shares at a conversion price per share (the “**Conversion Price**”) equal to the greater of (A) the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the “**TSX**”) over the 15 consecutive trading days immediately preceding Sibelco’s exercise of the conversion right, and (B) the minimum conversion price permitted by the TSX; or (ii) up to 30,000 of the Pledged SRL Shares, based on the proportion that the actual principal and accrued interest outstanding at the time that Sibelco exercises the conversion right is of C\$6,500,000 plus all the interest that would have accrued and be outstanding if no repayments of principal or interest had been made prior to the time of such conversion. If the entire C\$6,500,000 principal amount and all accrued interest were converted into the maximum 30,000 Pledged SRL Shares, this would result in a change in the participating interests of Sibelco and Avalon in SRL to 90% and 10%, respectively.

2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in

the acquiror's securityholding percentage in the class of securities.

Immediately prior to the Closing Date, Sibelco owned: (i) 111,486,486 Common Shares (the "**Owned Shares**"), representing approximately 18.89% of the issued and outstanding Common Shares on a non-diluted basis; and (ii) the Original Debenture. If Sibelco were to have converted the full C\$3,000,000 principal amount of the Original Debenture and all accrued interest thereon at its original maturity date (being June 14, 2025) in accordance with the terms thereof, Sibelco would have acquired an additional 37,590,496 Common Shares. These additional Common Shares, together with the Owned Shares, would represent approximately 23.76% of the then issued and outstanding Common Shares on a non-diluted basis (after giving effect to the conversion, and otherwise assuming no further issuances of Common Shares prior to such time).

Immediately after the Closing Date, Sibelco owns: (i) the Owned Shares, representing approximately 18.89% of the issued and outstanding Common Shares on a non-diluted basis; and (ii) the Amended and Restated Debenture. By way of example, assuming the Conversion Price was the same as the closing price on the TSX of the Common Shares on November 15, 2024 (being C\$0.045 per Common Share), if Sibelco were to convert the full C\$6,500,000 principal amount of the Amended and Restated Debenture and all accrued interest thereon into Common Shares instead of the Pledged SRL Shares at the Maturity Date, Sibelco would acquire an additional 172,907,722 Common Shares (the "**Conversion Shares**"). The Conversion Shares, together with the Owned Shares, would represent approximately 37.28% of the then issued and outstanding Common Shares on a non-diluted basis (after giving effect to the conversion, and otherwise assuming no further issuances of Common Shares prior to such time).

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

Sibelco has ownership and control of the Amended and Restated Debenture, and, if Sibelco chooses to convert the Amended and Restated Debenture into Common Shares instead of the Pledged SRL Shares, would acquire ownership and control of the Conversion Shares upon the conversion of the Amended and Restated Debenture into Common Shares on the Maturity Date.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

See Items 2.2 and 3.1 above.

3.5 State the designation and number or principal amount of securities and the

acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) *the acquiror, either alone or together with any joint actors, has ownership and control,*

See Items 2.2 and 3.1 above.

- (b) *the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and*

Not applicable.

- (c) *the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.*

Not applicable.

- 3.6 *If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.*

Not applicable.

- 3.7 *If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.*

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 *If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.*

See Items 5 and 6 below.

Item 4 – Consideration Paid

- 4.1 *State the value, in Canadian dollars, of any consideration paid or received per*

security and in total.

See Item 2.2 above.

- 4.2** *In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.*

See Item 2.2 above.

- 4.3** *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.*

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;*
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;*
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;*
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;*
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;*
- (f) a material change in the reporting issuer's business or corporate structure;*
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;*
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;*
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;*

- (j) *a solicitation of proxies from securityholders;*
- (k) *an action similar to any of those enumerated above.*

Sibelco acquired the Amended and Restated Debenture for investment purposes. Subject to the provisions of the Investor Rights Agreement (as hereinafter defined), Sibelco may from time to time acquire additional Common Shares or other securities of Avalon or dispose of some or all of the Common Shares or other securities of Avalon that it owns at such time. Other than the transactions described herein including its ongoing participation in the Joint Venture described in Item 2.2 above, Sibelco currently has no other plans or intentions that relate to or would result in any of the actions listed in items (a) to (k) above, but depending on market conditions, general economic and industry conditions, and trading prices of Avalon's securities, among other factors, Sibelco may develop such plans or intentions in the future and may from time to time engage in discussions with Avalon or third parties with respect thereto.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

For further information on the Amended and Restated Debenture, see Items 2.2 and 3.1.

On June 14, 2023, Sibelco and Avalon entered into an investor rights agreement (the “**Investor Rights Agreement**”) pursuant to which, as long as Sibelco beneficially owns, or exercises control or direction over, 10% or more of the issued and outstanding Common Shares of Avalon, it will have the right to: (i) participate in certain equity financings by Avalon in order to maintain its proportionate ownership of Common Shares, calculated in accordance with the terms of the Investor Rights Agreement; and (ii) nominate one person (and in the case of an increase in the size of the board of directors of Avalon to nine or more directors, two persons) to the board of directors of Avalon.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Since the filing of the Previous Report, the Original Debenture was amended, and

replaced in its entirety, by the Amended and Restated Debenture. For further information, see Items 2.2 and 3.1.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

The acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Date: November 18, 2024

Signature: "*Frédéric Deslypere*"

Name/Title: Frédéric Deslypere, Chief Financial Officer