



AVALON ADVANCED MATERIALS INC.
(the "Company")

MANDATE OF THE BOARD OF DIRECTORS

Mandate

The Board of Directors (the "Board") of the Company is responsible for, on behalf of the shareholders, the stewardship of the Company and, in particular, for the supervision of the management of its business and affairs.

The Board discharges its responsibilities directly and through delegation to the various committees of the Board.

Directors of the Company are to exercise their business judgement in a manner consistent with their fiduciary duties. In particular, directors are required to act honestly and in good faith, with a view to the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Duties and Responsibilities

1. Managing the Affairs of the Board

Subject to their legal obligations and to the Articles and By-laws of the Company, the Board retains the responsibility for managing its own affairs, including:

- a. planning its composition and size;
- b. selecting its Chair;
- c. nominating candidates for election to the Board;
- d. creating committees and appointing the members of such committees; determining director compensation; and
- e. determining director compensation.

2. Oversight of Management and Human Resources

The Board has the responsibility for:

- a. the appointment and succession of the Chief Executive Officer (the "CEO") and other officers of the Company, the monitoring of the performance of the CEO and other officers of the Company, and the providing of advice and counsel to the CEO and other officers of the Company in the execution of their duties;
- b. approving decisions relating to senior management, including:
 - i. the appointment of officers;
 - ii. the compensation, including incentive compensation, of the officers of the Company;
 - iii. succession planning; and
 - iv. the employment contracts, termination and other special arrangements with executive officers, or other employee groups;
- c. approving and/or reviewing certain matters relating to all employees, including:
 - i. annual salary policies and/or programs;
 - ii. benefit and incentive programs;

3. Business Strategy and Objectives

The Board has the responsibility to:

- a. participate with management in the development of, and ultimately approve, the Company's strategic plan and objectives;
- b. approve the entering into, or withdrawing from, areas of business that are, or are likely to be, significant or material to the Company;
- c. approve material investments, acquisitions and divestitures by the Company;
- d. approve major transactions and contracts and other arrangements or commitments that may have a significant or material impact on the Company; and
- e. review management's implementation of appropriate community and environmental stewardship and safety and health management systems and programs.

4. Financial and Corporate Issues

The Board has the responsibility to:

- a. approve the annual and quarterly financial statements of the Company, including the notes thereto, and the release thereof by management;
- b. under the auspices of the Audit Committee:
 - i. oversee the processes implemented to ensure that the financial performance and results of the Company are reported fairly, accurately and in a timely manner in accordance with generally accepted accounting standards and in compliance with legal and regulatory requirements; and
 - ii. monitor the implementation, reliability and integrity of the Corporation's internal control and management information systems;
- c. approve an annual budget and operating plan for the Company and monitor the Company's performance against such budget and plan; and
- d. approve debt and equity financings, listings of securities and other matters related to the capital of the Company.

5. Business and Risk Management

The Board has the responsibility to:

- a. review with management (a) the processes utilized by management to identify, assess and manage risk and (b) review the implementation by management of appropriate systems to manage such risks; and
- b. receive regular reports from management on matters relating to health, safety, community relations and the environment.

6. Policies and Procedures

The Board has the responsibility to:

- a. direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards and promote a culture of integrity throughout the Company consistent with the Company's Code of Business Conduct and Ethics;

- b. review management's implementation of appropriate community and environmental stewardship and safety and health management systems;
- c. develop the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are applicable to the Company; and
- d. develop and/or approve all requisite or appropriate Board charters, policies and procedures and review regularly the content thereof.

7. Compliance Reporting and Corporate Communications

The Board has the responsibility to:

- a. oversee the implementation of policies to foster the timely disclosure of any developments that have a significant and/or material impact on the value of the Company and/or its shares;
- b. approve the Management Proxy Circular, Annual Information Form, Management's Discussion and Analysis, the Annual Report and all other corporate disclosure documents;
- c. ensure the Company has in place effective communication processes with shareholders and other stakeholders, with financial, regulatory and other recipients and with the media; and
- d. approve interaction with shareholders on all items requiring shareholder response or approval.

Approved by the Board of Directors on January 29, 2013.