The Nechalacho Property, Thor Lake, NWT, Canada, is a rich polymetallic rare metals resource, with potential for economic recovery of the heavy rare earth elements (REE), neodymium, praseodymium, lithium, zirconium, beryllium, niobium and tantalum. Avalon initially focused on the heavy REE-rich Basal Zone deposit (2008-2013), which was the subject of the Company's positive 2013 Feasibility Study.

Presence of high grade, near surface neodymium-praseodymium (Nd-Pr) and dysprosium resources in the T-Zone and Tardiff Zones of the property provide the potential for near term, small scale development to produce Nd-Pr-rich concentrates for export. In January 2019, Avalon and Cheetah Resources Pty Ltd. announced the signing of a binding terms sheet under which Cheetah would acquire ownership of the T-Zone and Tardiff Zone resources for C$5 million. Avalon will continue to manage Nechalacho work programs and retain its 3% NSR type royalty. The formal agreement is expected to be completed in late March 2019, following which a new work program will be initiated focusing on the near surface T-Zone rare earth resources.

Environmental Studies and Permitting
In 2018, Avalon renewed its Land Use Permit and completed the process of converting the remaining mining claims to lease.

Following engagement with key communities of interest, the application to extend the Early Works Land Use Permit and Water Licence were submitted in December 2018.

Lithium Potential
- The S-Zone and North and South T-Zones at Thor Lake are all polyolithionite ("lepidolite" - a lithium mineral) bearing.
- The North T-Zone has polyolithionite, with 6.97% Li$_2$O predominantly in the Upper Intermediate Zone.
- The South T-Zone has reported 2.39Mt of low grade beryllium mineralization with no analyses for lithium - but abundant polyolithionite reported.
- R and S-Zones have polyolithionite (6.6% Li$_2$O in mineral) on surface, but not drilled. The S-Zone trench samples average 1.0% Li$_2$O.

Thor Lake is located approximately 100km southeast of Yellowknife, Northwest Territories. The site is accessible by air transport, barge in the summer and ice roads in the winter. Hay River is a port with an existing barging terminal and the Hay River railhead is accessible year round by an all-season highway.

A proposed expansion of hydro power generation and transmission capacity in the NWT potentially offers Nechalacho a low-cost alternative to diesel-generated power at the site.

Mine and processing facilities have been designed to significantly minimize impacts to water, land and air and reduce the project’s carbon footprint.

Operations Management Team
- Dave Marsh, FAusIMM (CP), SVP, Metallurgy & Technology Development
- Bill Mercer, Ph.D., P.Geo., VP Exploration
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Known Mineralized Zones on Nechalacho Property

Previous Work

1982-85: Highwood Resources discovered and attempted to develop the T-Zone rare metals resource as a producer of beryllium concentrates. Also discovered rare earths and tantalum niobium mineralization in the Lake Zone.

2005-07: Avalon acquired the property and completed an initial compilation on the North-T deposit, which included recognition of a small, high grade, neodymium resource in the F-Subzone, averaging 6.5% Total Rare Earth Oxides including 1.5% Nd$_2$O$_3$.

2008-13: Discovery and definition of the Basal Zone heavy REE resource led to preparation of a positive Feasibility Study contemplating large scale production of a mixed rare earth precipitate and enriched zirconium concentrate, containing by-products tantalum and niobium. Project then put on hold following dramatic decline in REE prices.

2018: With rising prices for Nd-Pr, Avalon re-activated the project, completing a field program to begin assessing the near term, small scale development potential of the T-Zone and Tardiff Zones as a source of Nd-Pr rich bastnaesite concentrates. Sampling was also done in the T-Zone to begin assessing its lithium potential due to widespread occurrence of the lithium mica polythionite.

2019: Avalon and Cheetah Resources Pty Ltd. announced the signing of a binding terms sheet under which Cheetah would acquire ownership of the T-Zone and Tardiff Zone resources for $5 million. Avalon will continue to manage Nechalacho work programs and retain its 3% NSR type royalty. The formal agreement is expected to be completed in late March 2019, following which a new work program will be initiated focusing on the near surface T-Zone rare earth resources.

REE Markets

Demand for the REE used in the manufacture of high strength permanent magnets – particularly neodymium, praseodymium and dysprosium - is increasing, and prices for these three REE in China rose by approximately 50% in 2017 before traders and Chinese producers released inventory back into the market. Concerns about security of supply of these critical elements are growing, as the trade dispute between China and the United States continues and demand for the magnet rare earths accelerates with the growing demand for electric vehicles.

2019 Plans

- Complete scoping study on East Arm-Youngknife Road / Hydro infrastructure corridor (in progress)
- Re-sample old drill cores to analyze for lithium and establish initial T-Zone lithium resource estimate (in progress)
- Prepare scoping study on small scale development model for F-Zone and Tardiff Zones Nd-Pr resources
- Resume permitting process and community engagement toward identifying local Indigenous business partners
- Compilation work toward preparing scope and budget for 2019 work program on the T-Zone and Tardiff Zones, including:
  - New block model from historical data for the T-Zone resources (in progress)
  - Initial test work on the application of ore-sorting technology on the North T Nd-Pr-rich bastnaesite mineralization

The technical information contained in this document has been reviewed and approved by Donald Buble, P. Geo., (ON), President and CEO of Avalon, the qualified person for the purposes of National Instrument 43-101.

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