

AVALON ADVANCED MATERIALS INC.
Insider Trading Policy

1. PURPOSE OF THE INSIDER TRADING POLICY (THE “POLICY”)

Canadian securities laws prohibit “**insider trading**” and impose restrictions on trading in securities while in possession of material undisclosed information. The rules and procedures outlined in this Policy have been implemented in order to prevent improper trading in securities of Avalon Advanced Materials Inc. (the “**Company**”). This Policy is also intended to ensure that the directors, officers and employees of the Company act, and are perceived to act, in accordance with applicable laws and the highest standards of ethical and business conduct. This Policy supplements, and does not replace, applicable securities laws in respect of insider trading. A summary of trading restrictions under applicable laws and a more detailed explanation of such restrictions is attached as Appendix A.

2. APPLICATION OF THIS POLICY

This Policy applies to all directors, officers, employees and consultants of the Company and to any other employee of the Company and its subsidiaries who may be in possession of or have access to confidential, material information regarding the Company.

For purposes of this, “**senior management**” means the heads of the business units and regional chief financial officers in each business unit, whether or not officers of the Company.

This Policy applies to the purchase or sale of any shares or other securities of the Company or securities convertible into shares or other securities of the Company. This Policy also applies to any exercise of outstanding stock options.

3. INSIDER TRADING PROCEDURES

(a) Prior Notification of Trades by Directors, Officers and Senior Management

To assist in preventing even the appearance of an improper insider trade, the following procedures must be followed by all directors, officers and senior management of the Company.

Written approval to carry out a trade (including the exercise of any stock option or any other purchase or sale of any securities of the Company) must be received from the Chief Executive Officer of the Company prior to carrying out such a trade.

Notwithstanding any notice of a trade as provided above, the ultimate responsibility for complying with this Policy and applicable laws and regulations rests with the individual.

(b) Blackout Periods

Blackout periods may be imposed from time to time as a result of special circumstances relating to the Company. All directors, officers, senior management and employees with knowledge of such special circumstances will be covered by the blackout, subject to the terms and conditions of this Policy. Notice of any such blackout may or may not be communicated by issuance of a written notice. In some circumstances, such blackout may be communicated on a case-by-case basis. Accordingly, it is imperative that directors, officers and senior management observe the pre-clearance procedures set out in section 3.1. Subject to Section 3.2(b), during any such unscheduled blackout period, all directors, officers, senior management and employees of the Company are prohibited from trading in securities of the Company during the period commencing at the time that communication of such blackout period is disseminated until the date which is two (2) full trading days after the earlier of: (i) the unscheduled material announcement being made; and (ii) the dissemination of an e-mail from the Chief Executive Officer, the Chief Financial Officer or another individual as may be designated by the Chief Executive Officer, confirming that the information in question is no longer material.

Notwithstanding any other provisions of this Policy, waivers from the blackout provisions of the Policy may be granted by the Chair of the Compensation, Governance and Nominating Committee from time to time where he or she is of the opinion that it is warranted in the circumstances and the director, officer, senior management or employee in question is not in possession of material undisclosed information concerning the Company.

(c) Restriction on Trading

All those with access to material confidential information are prohibited from using such information in trading in the Company's securities until the information has been fully disclosed and a reasonable period of time has passed for the information to be disseminated. In general, the Company has stipulated that a minimum of two (2) full trading days be allowed after the release of all such disclosures (or the date that confirmation is made that the information in question is no longer material), including after the release of financial statements.

A trading blackout will be issued two (2) weeks prior to the release of quarterly financial statements and year-end financial statements.

Exercise of Stock Options

Different considerations apply to the exercise of Company stock options during blackout periods since this involves a trade between the Company and the insider. If the expiry date of Company stock options would otherwise occur during or within two (2) business days following a blackout period, the expiry date of such option is extended to the date, which is the tenth (10th) business day after the end of such

blackout period. The exercise of Company stock options during a blackout period is permitted as long as the insider does not sell any of the Company shares.

(d) Short Selling and Other Speculation Trading

No person who is subject to this Policy shall knowingly engage, directly or indirectly, in short-term, speculative transactions involving the Company's securities. This would include short sales and buying or selling put or call options or other derivative securities relating to the Company's shares. For the purpose of this Policy, the word "speculate" means the purchase or sale of securities with the intention of reselling or buying back in a relatively short period of time in the expectation of a rise or fall in the market price of such securities. Speculating in such securities for a short-term profit is distinguished from purchasing and selling securities as part of a long-term investment program. Insiders should not at any time sell securities of the Company short or buy or sell a call or put option in respect of securities of the Company or any of its affiliates.

(e) Anti-hedging

Directors, officers or employees of the Company or any of its subsidiaries or affiliates and, to the extent practicable, any other person (or their associates) in a special relationship with the Company (as defined by securities laws), should not hedge or monetize transactions to lock in the value of holdings in the securities of the Company. Such transactions, that would allow the holder to own the Company's equity securities without the full risks and rewards of ownership, potentially separate the holder's interests from those of the public shareholders of the Company. The objective of this Policy is therefore to prohibit those who are subject to it from directly or indirectly engaging in hedging against future declines in the market value of any securities of the Company through the purchase of financial instruments designed to offset such risk.

Therefore, unless otherwise previously approved by the Compensation, Governance and Nominating Committee, directors, officers or employees of the Company or its subsidiaries, and, to the extent practicable, any other person (or their associates) in a special relationship (within the meaning of applicable securities laws) with the Company, may not, at any time, purchase financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds that are based on price fluctuations of the Company's securities and that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company. A violation of this Policy will be regarded as a serious offence, with the person subject to disciplinary action, which may include, but is not limited to, termination of employment and/or restrictions on future participation in the Company's incentive equity plans.

4. INSIDER TRADING LAWS

The following is a summary of applicable insider trading restrictions, reporting requirements and penalties. A more detailed description of insider trading laws is attached as Appendix A to this Policy, which is qualified in its entirety to the full text of applicable legislation, as it may be amended from time to time.

(a) Trading and “Tipping” Prohibitions

Under applicable securities laws, directors, officers and employees of the Company and its subsidiaries are in a “special relationship” with the Company and, as a result, are prohibited from purchasing or selling shares or other securities of the Company (including exercises of stock options where the underlying shares are sold) while in possession of material information with respect to the Company that has not been generally disclosed to the public. Passing on such information to a third party (known as “**tipping**”), other than in the necessary course of business, is also prohibited.

(b) Material Information

Information relating to the Company is material if:

- (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company’s shares;
- (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or
- (iii) it would significantly alter the total mix of information available to investors.

Although not intended to be a comprehensive list, the following are examples of information that could be material, depending on scale and magnitude:

- (i) quarterly or annual earnings or operational results or projections;
- (ii) mergers, acquisitions, joint-ventures or divestitures;
- (iii) management changes or changes in control of the Company;
- (iv) public or private sales of the Company securities;
- (v) deterioration/improvement in the Company’s credit status with rating agencies;
- (vi) new discoveries or developments regarding projects or operating mines;
- (vii) changes in auditors and agreements/disagreements with auditors;
- (viii) litigation pending or threatened;
- (ix) labour disputes or disputes with major contractors or suppliers;
- (x) changes in capital or corporate structure; and
- (xi) monthly production and/or sales results which are materially inconsistent with the guidance previously publicly disclosed by the Company.

Material information about the Company should be considered to be non-public unless there is a certainty that it is publicly available. As a general rule, information will be considered public after there has been two (2) clear trading days following its broad dissemination.

(c) **Insider Reporting Requirements**

All directors, certain senior executive officers, and certain others listed in National Instrument 55-104 Insider Reporting Requirements and Exemptions (each a “reporting insider”) are required to file an insider trading report in Canada within ten (10) days after initially becoming a reporting insider, disclosing such person’s beneficial ownership of or control or direction over securities of the Company, including shares, debt securities, stock options, and security-based awards under the Company’s compensation plans. Each such reporting insider is also required to file an insider trading report with securities regulators any time such beneficial ownership of or control or direction changes within five (5) days of the date on which the change occurs.

The Company is available to assist reporting insiders in completing and filing the required insider trading reports. Any individual desiring such assistance should contact the Corporate Secretary or other officer of the Company. Insiders are reminded that they remain personally responsible for the timely disclosure of their trading activities and the content and timely filing of applicable reports.

(d) **Potential Civil and Criminal Penalties**

The consequences of prohibited insider trading, tipping or a failure to file an insider report where required on a timely basis can be severe and may include dismissal, fines and criminal sanctions. In Canada, penalties for violations of insider trading laws include possible imprisonment for a term of up to five years and fines of up to the greater of \$5,000,000 and three times any profit made or loss avoided.

5. COMMUNICATION OF THE POLICY

A copy of this Policy will be placed on the Company’s website so that it will be available for inspection by all directors, officers, employees and consultants of the Company. Directors, officers, employees and consultants will be informed of the Policy and of any significant changes to it.

Approved by the Board of Directors on October 21, 2020

Appendix A

SUMMARY OF PROHIBITIONS AGAINST INSIDER TRADING

1. Introduction

1.1 This memorandum briefly summarizes the prohibitions against insider trading contained in the *Securities Act* (Ontario) (the "OSA"). Insider trading legislation has also been enacted in most other provinces of Canada and other international jurisdictions. Reference should be made to the full text of applicable laws.

2. Prohibitions against Insider Trading

2.1 The OSA prohibits a person or company in a "**special relationship**" with a reporting issuer from purchasing or selling securities of the issuer with knowledge of a material fact or material change with respect to that issuer that has not been generally disclosed. For the purposes of the OSA, a fact or change is material if it would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer.

2.2 The OSA also prohibits a person or company in a special relationship with a reporting issuer from informing another person or company (other than in the necessary course of business) of a material fact or material change with respect to a reporting issuer before it has been generally disclosed.

2.3 The OSA also prohibits a person or company that proposes to make a take-over bid for the securities of a reporting issuer or to become a party to a reorganization, amalgamation or other business combination with the reporting issuer or that proposes to acquire a substantial portion of its property from informing another person or company of undisclosed material information with respect to the issuer except in the necessary course of business to effect the take-over bid, business combination or acquisition.

2.4 The OSA also prohibits a person or company (a "**tippee**") who learns of undisclosed material information regarding a reporting issuer from any other person or company in a special relationship with that issuer, including another tippee, and who knows or ought reasonably to have known that the other person or company was in a special relationship with the issuer, from purchasing or selling securities of the issuer or from informing another person or company of the undisclosed material information.

2.5 The prohibitions contained in the OSA against insider trading only apply to persons or companies that are in a special relationship with the reporting issuer. The concept of a special relationship with the reporting issuer is defined broadly in the OSA to include, among others, any director, officer or employee of the reporting issuer, any person or company who beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attaching to the outstanding voting securities of the reporting issuer (a "**10% shareholder**"), any director or senior officer of any of the subsidiaries or 10% shareholders of the reporting issuer, any "tippee" and every person or company (and its directors, officers and

employees) that is engaging in or proposes to engage in any business or professional activity with or on behalf of the reporting issuer.

3. Penalties and Civil Liability for Insider Trading Violations

3.1 The OSA provides that every person or company who contravenes the insider trading provisions of the OSA may be liable for a fine in an amount not less than the profit made or loss avoided by the person or company by reason of the contravention and not more than the greater of \$5,000,000 and three times the profit made or loss avoided. A violation of the insider trading provisions also may result in imprisonment for a term of up to five years less a day.

3.2 The OSA also provides that a person or company in a special relationship with a reporting issuer who purchases or sells securities of that reporting issuer while in the possession of undisclosed material information with respect to that issuer also may be liable to compensate the seller or purchaser of the securities, as the case may be, for damages suffered as a result of the trade. In addition, certain persons in a special relationship with a reporting issuer who violate the insider trading rules are accountable to the reporting issuer for any benefit or advantage received or receivable by them.

3.3 Any person or company who contravenes the tipping provisions of the OSA is liable to compensate any person or company that thereafter sells securities of the reporting issuer to, or purchases securities of the reporting issuer from, the person or company that received the information.

Approved by the Board of Directors on October 21, 2020