

PFIC Annual Information Statement

U.S. Shareholders should be aware that the Company expects to be a passive foreign investment company ("PFIC") for its current fiscal year, expects that it was a PFIC in its taxable year ended August 31, 2023 and expects that it may also be a PFIC in subsequent years.

This information statement is provided in connection with the preparation of US Internal Revenue Service form 8621 for any U.S. shareholder who held shares in Avalon Advanced Materials Inc. ("Avalon" or the "Company") and had a QEF election in effect while Avalon was a passive foreign investment company ("PFIC").

1. This Information Statement applies to the taxable year of the Company beginning on September 1, 2022 and ending on August 31, 2023.
2. Each shareholder of the Company has the following pro-rata per share of the ordinary earnings and net capital gain of the Company for the taxable year of the Company specified in paragraph (1):

Ordinary Earnings: USD nil
Net Capital Gain: USD nil
3. The amount of cash and fair market value of other property distributed or deemed distributed by the Company to each shareholder of the Company during the taxable year specified in paragraph (1) is USD nil.
4. Avalon will permit its US shareholder to examine its permanent books of account, records, and such other documents as may be maintained that are necessary to establish that PFIC ordinary earnings and net capital gain, as defined in section 1293(e) of the U.S. Internal Revenue Code, are computed in accordance with U.S. income tax principles.

THE PFIC RULES ARE COMPLEX, AND THE COMPANY STRONGLY URGES ITS U.S. SHAREHOLDERS TO CONSULT WITH THEIR OWN TAX ADVISOR CONCERNING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX RULES GOVERNING PFICs. ANY DECISION TO MAKE (OR REFRAIN FROM MAKING) ANY ELECTION THAT MAY BE AVAILABLE TO THEM WILL DEPEND UPON THEIR OWN PARTICULAR TAX SITUATION AND MAY HAVE SIGNIFICANT AND CONTINUING U.S. TAX CONSEQUENCES. THE COMPANY IS UNABLE TO GIVE ADVICE IN THIS REGARD.

Avalon Advanced Materials Inc.
(Signed) Jim Andersen, Chief Financial Officer, Avalon Advanced Materials Inc.
Date: November 28, 2023