

Dear Shareholders,

As we begin the new year, I want to express my heartfelt gratitude for your continued support and trust in Avalon Advanced Materials Inc. We begin this year anticipating new and exciting opportunities in the critical minerals sector. As we look forward to 2025, we must also consider past experiences to effectively plan for our future.

Across the globe, 2024 was a year of uncertainty. Lithium faced multiple challenges including slowing demand for electric vehicles, low commodity prices, and the impact of political and geopolitical developments. Rare earths also encountered significant issues, such as supply chain disruptions, export restrictions, and fluctuating demand driven by global economic and geopolitical uncertainties.

Despite these challenges, the importance of both lithium and rare earths in driving the transition to clean energy and advanced technologies remains undeniable and so we remain focused and optimistic for a strong recovery. Critical minerals, including rare earth elements and lithium have been instrumental in driving rapid technological advancements due to their unique properties. These elements are increasingly more important as scientific research and innovation continues to evolve. We believe that military and national security concerns will present new opportunities, and Avalon is ready to support our continent's efforts at fortifying our supply chain.

In response to the evolving market conditions, we have taken steps to manage our development work and implement organizational changes. We are laser focused on advancing our current projects and working to develop relationships within our communities.

Looking forward to 2025 we are eager to continue the work necessary to advance our Thunder Bay Lithium Processing Facility. The completion of the Preliminary Economic Assessment marked a milestone in 2024, the assessment yielded highly positive results, with a net present value (NPV) of \$4.1 billion at an 8% discount rate over a 30-year processing life and an after-tax internal rate of return (IRR) of 48%. Preparations are currently underway to continue study efforts, aiming to advance through a feasibility study, based on alignment with necessary financing.

Avalon is focused on commercializing our assets at the Separation Rapids Project with our joint-venture partner, SCR-Sibelco NV. As we await the upgraded Mineral Resource Estimate following the 2024 winter drilling campaign at Separation Rapids, we are pleased to share that areas have been identified as having potential to upgrade and expand the mineral resources. In conjunction with Sibelco, we are working toward to the commencement of drilling at the Lilypad Project to test other prospective and promising targets.

We are committed to carefully analyzing the most effective strategies to advance our Nechalacho Project. As part of this effort, Avalon is planning a new testing program pending financial support. The program will focus on minerals from the Basal Zone, to produce carbonate products of LREE, HREE, and zirconium concentrates, as well as further refining separation methods for specific oxides. The outcomes of the testing program will help Avalon assess how to pursue the development of the project both structurally and financially.

There may be innovative and promising options that are yet to be explored. Avalon is committed to carefully evaluating all alternatives and leveraging both our team and board on every aspect as we move forward. I want to reaffirm our guiding principle: to do what is in the best interest for building long-term value for our shareholders.

Once again, I want to extend my appreciation for our shareholders, partners, and dedicated team for their support and commitment. We look forward to the future as we continue to unlock the potential of our assets, and to delivering results beneficial to all of us.

Warm regards,

(signed) "Scott Monteith"

Scott Monteith
President & CEO
Avalon Advanced Materials Inc.

This document contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to Avalon's project plans and future market opportunities, the results of the PEA, the potential expansion of mineral resource estimates, the planned drilling at the Lilypad Project and the planned testing for the Nechalacho Project. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "add" or "additional", "advancing", "anticipates" or "does not anticipate", "appears", "believes", "can be", "conceptual", "confidence", "continue", "convert" or "conversion", "deliver", "demonstrating", "estimates", "encouraging", "expand" or "expanding" or "expansion", "expect" or "expectations", "forecasts", "forward", "goal", "improves", "increase", "intends", "justification", "plans", "potential" or "potentially", "promise", "prospective", "prioritize", "reflects", "robust", "scheduled", "suggesting", "support", "top-tier", "updating", "upside", "will be" or "will consider", "work towards", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved".

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including risks associated with mineral exploration and development operations such as: environmental hazards and economic factors as they affect the cost and success of the Company's capital expenditures, the ability of the Company to obtain required permits and approvals, the ability of the Company to obtain financing, uncertainty in the estimation of mineral resources, the price of lithium, no operating history, no operating revenue and negative cash flow, land title risk, the market price of the Company's securities, the economic feasibility of the Company's mineral resources and the Company's commercial viability, inflation and uncertain global economic conditions, uncertain geo-political shifts and risks, successful collaboration with indigenous communities, future pandemics and other health crises, dependence on management and other highly skilled personnel, title to the Company's mineral properties, the ongoing war in Ukraine, extensive government and environmental regulation, reliance on artificial intelligence technology to influence mining operations, volatility in the financial markets, uninsured risks, climate change, threat of legal proceedings, as well as those risk factors discussed or referred to in the annual information form of the Company dated November 28, 2024 (the "AIF") under the heading "Description of the Business – Risk Factors". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions identified in the AIF, assumptions have been made regarding, among other things: management of certain of the Company's assets by other companies or joint venture partners, the Company's ability to carry on its exploration and development activities without undue delays or unbudgeted costs, the ability of the Company to obtain sufficient qualified personnel, equipment and services in a timely and cost-effective manner, the ability of the Company to operate in a safe, efficient and effective manner, the ability of the Company to obtain all necessary financing on acceptable terms and when needed, the accuracy of the Company's resource estimates and geological, operational and price assumptions on which these are based and the continuance of the regulatory framework regarding environmental matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.