AVALON
ADVANCED MATERIALS

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INFORMATION CIRCULAR

As at and dated August 25, 2025
(unless otherwise noted)

GENERAL PROXY INFORMATION

Solicitation of Proxies

This information circular ("Information Circular") is furnished in connection with the solicitation of proxies by the management and the directors of Avalon Advanced Materials Inc. ("Avalon" or the "Company") for use at the special meeting of the shareholders of the Company (the "Meeting") to be held at 10:00 a.m. (Toronto time) on Tuesday, October 7, 2025, and at all adjournments thereof for the purposes set forth in the accompanying notice of the Meeting (the "Notice of Meeting"). The solicitation of proxies will be made primarily by mail, using notice and access for Non-registered Shareholders (as defined below), and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Company. Directors, officers and employees of the Company will not receive any extra compensation for such activities. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Company in favour of the matters set forth in the Notice of Meeting. The Company may pay brokers or other persons holding common shares of the Company ("Common Shares") in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Information Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of the solicitation will be borne directly by the Company.

No person is authorized to give any information or to make any representation other than those contained in this Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

Non-Registered Shareholders

Only registered shareholders of the Company, or the persons they duly appoint as their proxyholder, are entitled to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "Non-registered Shareholder") are registered either:

(a) in the name of an intermediary (an "Intermediary") with whom the Non-registered Shareholder deals in respect of the Common Shares (Intermediaries include, among others: banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or

(b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited, in Canada, and the Depository Trust Company, in the United States) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101") of the Canadian Securities Administrators (the "CSA"), the Company is generally required to distribute copies of the Notice of Meeting, this Information Circular and its form of proxy or voting instruction form, as applicable, (collectively the "Meeting Materials") to the Intermediaries and clearing agencies for onward distribution to Non-registered Shareholders. The Company has elected to deliver this Information Circular to Non-registered Shareholders by distributing a notification of meeting, along with the form of proxy or voting instruction form, as applicable, (together, the "Mailed Materials") to the Intermediaries and clearing agencies for onward distribution to Non-registered Shareholders, and posting this Information Circular on the website maintained by TSX Trust Company ("TSX Trust") at https://docs.tsxtrust.com/2525. See "Notice and Access" below for further information. Intermediaries are required to forward the Mailed Materials to Non-registered Shareholders unless the Non-registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Mailed Materials to Non-registered Shareholders. Notwithstanding the foregoing, there are two kinds of Non-registered Shareholders, namely: (i) those who object to their name being made known to the issuers of the securities they own (called "OBOs" for Objecting Beneficial Owners); and (ii) those who do not object to their name being made known to the issuers of the securities they own (called "NOBOs" for Non-Objecting Beneficial Owners). Subject to the provisions of NI 54-101, issuers can request and obtain a list of their NOBOs from Intermediaries via their transfer agents and use the NOBO list for distribution of proxy-related materials directly to NOBOs. The Company intends to take advantage of those provisions of NI 54-101 that permit it to deliver the Mailed Materials directly to its NOBOs, through TSX Trust, who have not waived the right to receive them. As a result, NOBOs in Canada can expect to receive the Mailed Materials from TSX Trust. The voting instruction forms are to be completed and returned to TSX Trust in accordance with the instructions provided by TSX Trust either in the envelope provided by TSX Trust or by facsimile. In this regard, TSX Trust is required to follow the voting instructions properly received from NOBOs. TSX Trust will tabulate the results of the voting instruction forms received from NOBOs with respect to the Common Shares represented by the voting instruction forms they receive.

The Meeting Materials are being sent to both registered shareholders and Non-registered Shareholders. If you are a Non-registered Shareholder, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding the Common Shares on your behalf.

By choosing to send these materials to registered shareholders directly, the Company has assumed responsibility for (i) delivering these materials to registered shareholders and (ii) executing their proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Generally, OBOs who have not waived the right to receive Mailed Materials will either:

(a) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the OBO and **returned to the Intermediary or its service company**, will constitute voting instructions which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the OBO must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

(b) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the OBO but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the OBO when submitting the proxy. In this case, the OBO who wishes to submit a proxy should properly complete the form of proxy and deposit it with **TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada M5H 4H1**.

The Company intends to pay for an Intermediary to deliver the Mailed Materials to OBOs.

In either case, the purpose of these procedures is to permit Non-registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-registered Shareholder), the Non-registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **In either case, Non-registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies, TSX Trust or Broadridge Financial Solutions, Inc., as applicable, including those regarding when and where the voting instruction form or the proxy is to be delivered.**

Notice and Access

Under the notice and access rules adopted by the CSA, public companies are permitted to advise their shareholders of the availability of their information circulars on an easily-accessible website, rather than mailing paper copies.

The use of this alternative means of delivery is more environmentally friendly as it will help reduce paper use and the Company's carbon footprint, and it will also reduce the Company's printing and mailing costs. The Company has therefore decided to deliver this Information Circular to Non-registered Shareholders by posting it on TSX Trust's website at https://docs.tsxtrust.com/2525. This Information Circular will also be available under the Company's profile on SEDAR+ at www.sedarplus.ca and on the Company's website at http://www.avalonadvancedmaterials.com/investors/regulatory_filings/. Non-registered Shareholders who wish to receive paper copies of this Information Circular may request paper copies online at https://docs.tsxtrust.com/2525 or by calling toll-free at 1-866-600-5869 or by emailing tsxtis@tmx.com.

Requests for paper copies must be received at least five business days in advance of the Proxy Deposit Deadline (as defined below) in order to receive this Information Circular in advance of the Proxy Deposit Deadline and the Meeting. This Information Circular will be sent to such shareholders within three business days of their request, if such requests are made before the Proxy Deposit Deadline. Those shareholders with existing instructions on their account to receive a paper copy of the Meeting Materials will receive a paper copy of this Information Circular.

Due to certain requirements of the *Canada Business Corporations Act* (the "Act" or the "CBCA"), the Company is sending a paper copy of the Meeting Materials, including the Notice of Meeting and this Information Circular, to registered shareholders.

Appointment and Revocation of Proxies

The persons named in the form of proxy accompanying this Information Circular are directors and/or officers of the Company. A shareholder of the Company has the right to appoint a person or company (who need not be a shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either striking out the names of the persons specified in the form of proxy and inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada M5H 4H1 in time for use at the Meeting in the manner specified in the Notice of Meeting.

A registered shareholder of the Company who has given a proxy may revoke the proxy at any time prior to use by: (a) depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by their attorney authorized in writing or by electronic signature or, if the registered shareholder is a corporation, by an officer or attorney thereof properly authorized, either: (i) at the principal office of the Company, 130 Adelaide Street West, Suite 2060, Toronto, Ontario, Canada M5H 3P5, not less than 48 hours, Saturdays, Sundays and holidays in the Province of Ontario excepted, prior to the time of the holding of the Meeting or any adjournment thereof (the "Proxy Deposit Deadline"), (ii) with TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada M5H 4H1, by the Proxy Deposit Deadline, or (iii) with the Chair of the Meeting on the day of the Meeting or any adjournment thereof; (b) transmitting, by telephone or electronic means, a revocation that complies with paragraphs (i), (ii) or (iii) above and that is signed by electronic signature, provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of their attorney, as the case may be; or (c) in any other manner permitted by law including attending the Meeting in person. Late proxies may be accepted or rejected by the Chair of the Meeting in their discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

A Non-registered Shareholder who has submitted a proxy may revoke it by contacting the Intermediary through which the Non-registered Shareholder's Common Shares are held and following the instructions of the Intermediary respecting the revocation of proxies.

Exercise of Discretion by Proxies

The Common Shares represented by an appropriate form of proxy will be voted for, against or withheld from voting, as applicable, on any ballot that may be conducted at the Meeting, or at any adjournment thereof, in accordance with the instructions of the shareholder thereon, and if the shareholder specifies a choice on any matter to be acted upon, the Common Shares of such shareholder will be voted accordingly. **In the absence of instructions, such Common Shares will be voted FOR each of the matters referred to in the Notice of Meeting as specified thereon.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date hereof, management of the Company knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Company should properly be brought before the Meeting, or any adjournment thereof, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy therein.

Signing of Proxy

The form of proxy must be signed by the shareholder of the Company or the duly appointed attorney of the shareholder of the Company authorized in writing or, if the shareholder of the Company is a corporation, by a duly authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Company or in some other representative capacity, including an officer of a corporation which is a shareholder of the Company, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority to act of such person, unless such instrument has previously been filed with the Company. A shareholder of the Company or their attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of their attorney, as the case may be.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Description of Share Capital

The Company is authorized to issue an unlimited number of Common Shares without par value. There are 643,458,498 Common Shares outstanding as at August 25, 2025. Each Common Share entitles the holder thereof to one vote per Common Share.

The Company is also authorized to issue up to 25,000,000 preferred shares, in series, without par value, of which 950 have been issued and none are outstanding as at August 25, 2025.

At the Meeting, on a show of hands or a vote by ballot, every registered holder of Common Shares present in person and entitled to vote and every proxyholder duly appointed by a registered shareholder who would have been entitled to vote shall have one vote and, on a poll, every registered shareholder present in person or represented by proxy or other proper authority and entitled to vote shall have one vote for each Common Share of which such shareholder is the registered holder. Common Shares represented by proxy will only be voted if a ballot is called for. A ballot may be requested by a registered shareholder or proxyholder present at the Meeting or required because the number of votes attached to Common Shares represented by proxies that are to be voted against a matter is greater than 5% of the votes that could be cast at the Meeting.

Record Date

The directors of the Company have fixed August 25, 2025 as the record date for the determination of the shareholders of the Company entitled to receive notice of, and to vote at, the Meeting. Registered shareholders of the Company as of the close of business on August 25, 2025 will be entitled to vote at the Meeting.

Ownership of Securities of the Company

To the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the outstanding voting rights of the Company, other than SCR-Sibelco NV ("Sibelco"), which owns 111,486,486 Common Shares, which represent 17.3% of the issued and outstanding Common Shares as of August 25, 2025. The directors and officers of the Company own or control, directly or indirectly, in the aggregate, 3,069,500 Common Shares, representing approximately 0.5% of the outstanding Common Shares as at August 25, 2025.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Approval of the Shareholder Rights Plan

On April 8, 2025 the Company's Board of Directors (the "Board") approved the adoption of a shareholder rights plan (the "Rights Plan") pursuant to a shareholder rights plan agreement dated April 8, 2025 (the "Rights Plan Agreement") that the Company entered into with TSX Trust Company, as rights agent under the Rights Plan.

The purpose of the Rights Plan is to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any unsolicited take-over bid and to protect against "creeping bids," which involve the accumulation of more than 20% of the Company's issued and outstanding Common Shares, on an aggregate basis, through purchases exempt from applicable take over-bid rules.

The Rights Plan is like other recently adopted plans by other Canadian companies and approved by their shareholders. It has not been implemented in response to any specific proposal or intention to acquire control of the Company. Pursuant to the Rights Plan, one right will be issued in respect of each common share of the Company. Subject to the terms of the Rights Plan, in the event that rights become exercisable under the Rights Plan, holders of the rights (other than the acquiring person and its related parties) will be permitted to exercise their rights to purchase additional common shares of the Company at a 50% discount to the then prevailing market price of the common shares.

The Rights Plan has been conditionally approved by the Toronto Stock Exchange ("TSX") and is subject to ratification by the shareholders of the Company within six months of its effective date. If the Rights Plan is approved at the Meeting, it will be effective until the close of business of the annual general meeting of the Company to be held in 2028, unless it is reconfirmed at such meeting or it is otherwise terminated in accordance with its terms. If the Rights Plan is not approved at the Meeting, it will expire and cease to have effect as of the close of the Meeting. A summary of certain material terms of the Rights Plan is attached as Appendix A and is qualified in its entirety by reference to the full text of the Rights Plan, which is available on the Company's website at http://www.avalonadvancedmaterials.com and under the Company's issuer profile on SEDAR+ at www.sedarplus.ca.

The Board unanimously recommends that shareholders vote FOR the following ordinary resolution (the "Rights Plan Resolution"), with or without variation, to approve the Company's Rights Plan. **Unless a shareholder directs that their Common Shares are to be voted against the Rights Plan Resolution, the persons named in the enclosed form of proxy intend to vote FOR the following Rights Plan Resolution:**

"BE IT RESOLVED THAT:

1. the Rights Plan, as set forth in the Rights Plan Agreement, is hereby approved, confirmed and ratified, and

2. Any one director or officer of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as such director or officer may deem necessary or desirable in connection with this resolution."

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

The management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. However, if other matters not known to the management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or an executive officer of the Company at any time since the beginning of its last financial year, no person or company by whom, or on whose behalf, directly or indirectly, solicitation has been made, nor any associate or affiliate of the aforementioned persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no informed person (within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Company, nor any associate or affiliate of any of the foregoing has or had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found at www.sedarplus.ca and on the Company's website at www.avalonadvancedmaterials.com.

A copy of this Information Circular may be obtained, without charge, upon request to the Corporate Secretary of the Company at Suite 2060, 130 Adelaide Street West, Toronto, Ontario, Canada, M5H 3P5, Telephone: (416) 364-4938, Fax: (416) 364-5162.

APPROVAL

The contents of this Information Circular and the sending thereof to the shareholders of the Company have been approved by the directors of the Company.

DATED at Toronto, Ontario this 25th day of August, 2025.

By ORDER of the Board of Directors

(signed) "Scott Monteith"
Scott Monteith
President and Chief Executive Officer

APPENDIX A

Summary of Shareholder Rights Plan

The following is a summary of certain key provisions of the Rights Plan adopted by the Board on April 8, 2025. This summary is intended to provide shareholders with a general understanding of the Rights Plan in connection with its submission for approval at the Meeting. This summary is qualified in its entirety by reference to the full text of the Rights Plan, which is available on the Company's website at www.avalonadvancedmaterials.com and under the Company's issuer profile on SEDAR+ at www.sedarplus.ca. A Shareholder or interested party may obtain a copy of the agreement governing the Rights Plan by request to the Corporate Secretary of the Company by telephone at (416) 364-4938 or by email to info@avalonam.com.

Capitalized terms used in this Appendix A and not defined in the Information Circular (including this Appendix A) have the meaning given to such term in the full text of the Rights Plan.

Purpose

The Rights Plan is intended to encourage fair treatment of all shareholders in the event of any take-over bid for the Company. It seeks to ensure the Board has adequate time to consider and evaluate any unsolicited bid, to explore and develop alternatives that could maximize shareholder value, and to allow shareholders to properly assess a bid without undue pressure. The Plan aims to encourage potential bidders to comply with the Permitted Bid provisions, ensuring equal treatment for all shareholders.

By encouraging bids to comply with Canadian take-over bid rules, Avalon's Shareholder Rights Plan is designed (i) to provide the Board and shareholders with adequate time to consider and evaluate any unsolicited Take-over Bid (as defined in the Rights Plan), (ii) to allow the Board time to identify, solicit, develop, and negotiate value-enhancing alternatives to such a bid, and (iii) to encourage potential bidders to treat all shareholders fairly and to provide full and fair value for their shares.

The Rights Plan seeks to ensure that any party wishing to acquire control of Avalon proceeds either by way of a "Permitted Bid" – a bid meeting certain minimum standards intended to promote fair and equal treatment of all shareholders – or with the prior agreement of the Board.

As set forth in more detail in the Rights Plan, a "Take-over Bid" means an offer to acquire Common Shares, or securities convertible into, exchangeable for, or carrying the right to purchase Common Shares, or both, where the securities subject to the offer, together with the securities Beneficially Owned by the person making the bid, would constitute 20% or more of the Company's then-outstanding Voting Shares.

Effective Date and Issuance of Rights

The Rights Plan was adopted by Avalon's Board on April 8, 2025 (the "Effective Date"), subject to shareholder ratification and TSX acceptance. On the Effective Date, the Board authorized the issuance of one right ("Right") in respect of each Common Share issued and outstanding at the close of business on that date.

From the Effective Date, one Right has been, and will continue to be, attached to each Common Share issued by the Company. Rights are issued with and represented by the share certificates (or book-entry statements) for the Common Shares and trade together with such shares until the Separation Time.

The issue of the Rights was not initially dilutive. However, if a Flip-In Event occurs and the Rights separate from the Common Shares in accordance with the Rights Plan, certain financial metrics that are reported on a per-share basis may be affected. Further an Acquiring Person and holders of Rights that do not exercise their rights following a Flip-In Event may suffer substantial dilution.

Term

The Rights Plan must be confirmed by an ordinary resolution passed by a simple majority of the votes cast by Independent Shareholders at the Meeting, in accordance with the rules and policies of the TSX and the terms of the Rights Plan. If the Rights Plan is not approved at the Meeting, the Rights Plan will expire and cease to have effect (and all Rights issued thereunder shall be void) as at the close of the Meeting. If the Rights Plan is approved at the Meeting, the Rights Plan will require reconfirmation by Shareholders at the 2028 annual meeting of Shareholders, in accordance with the rules and policies of the TSX and the terms of the Rights Plan.

Rights Exercise

Each Right entitles the holder, after the Separation Time and prior to the Expiration Time, and upon payment of the Exercise Price, to purchase from the Company one Common Share. The Exercise Price is equal to three times the Market Price of the Common Shares (as calculated under the Rights Plan) and is subject to adjustment following certain events as described in this Appendix A and set forth in more detail in the Rights Plan.

The Rights are not exercisable until the Separation Time and will expire at the close of business on the date the Rights Plan terminates, unless earlier redeemed, exchanged, or terminated in accordance with the Rights Plan.

Separation Time

The “Separation Time” is the time at which the Rights will separate from the common shares of the Company and begin trading independently. Under the Rights Plan, the Separation Time generally occurs on the tenth trading day after the earlier of: (i) the first public announcement by a person or the Board that a person has become an Acquiring Person; (ii) the commencement of, or announcement of an intention to commence, a Take-Over Bid (other than a Permitted Bid or Competing Permitted Bid); and (iii) the date on which a Permitted Bid or a Competing Permitted Bid ceases to qualify as such.

The Board may, in its discretion, defer the Separation Time in accordance with the provisions of the Rights Plan.

Flip-in Event

A “Flip-in Event” occurs when any person becomes an Acquiring Person.

Upon the occurrence of a Flip-in Event, each Right – other than Rights beneficially owned by the Acquiring Person, its Affiliates, Associates, or any person acting jointly or in concert with any of them, which will become null and void – will entitle the holder to purchase, for the Exercise Price, common shares having an aggregate Market Price on the date of the occurrence of the Flip-In Event equal to twice the Exercise Price, effectively allowing the holder to acquire such shares at a 50% discount.

This substantial dilution effect is intended to discourage acquisitions of 20% or more of the Company’s outstanding voting shares other than through a Permitted Bid or with the prior approval of the Board. The

Flip-in Event mechanism is the central protective feature of the Rights Plan, ensuring that any party seeking to acquire control of the Company does so in a manner that is fair and equitable to all shareholders.

Acquiring Person

An "Acquiring Person" is generally a person (including individuals, companies, partnerships, or other entities) who, together with their affiliates and joint actors, beneficially owns 20% or more of the Company's outstanding Voting Shares, whether the threshold is reached in a single transaction or through multiple acquisitions.

Subject to the terms of the Rights Plan, certain persons and acquisitions are excluded from this definition, including, among others:

(i) The Company or any Subsidiary;

(ii) Underwriters or members of a banking group holding shares in connection with a distribution of securities of the Company pursuant to an underwriting agreement;

(iii) Persons who become beneficial holders of 20% or more of the Voting Shares solely due to a reduction in the number of outstanding shares (e.g., buybacks), provided they do not acquire additional shares;

(iv) Persons who become beneficial holders of 20% or more of the Voting Shares pursuant to a Permitted Bid, Competing Permitted Bid or the exercise of Convertible Securities; and

(v) Any person determined by the Board not to be an Acquiring Person or to have triggered a Flip-In Event under specific provisions of the Rights Plan.

Beneficial Ownership

Under the Rights Plan, a person is generally considered to "Beneficially Own" voting shares that they actually hold, as well as, in certain circumstances, voting shares held by others. A person is deemed to "Beneficially Own" voting shares if they, or any of their Affiliates (a person or entity that, directly or indirectly, controls, is controlled by, or is under common control with the person) or Associates (including a spouse, child, or other relative living in the same household), directly or indirectly:

(i) Own the securities outright;

(ii) Have the right to acquire the securities within 60 days, whether through conversion, exchange, option, or other means, except where such rights arise:

- Under customary agreements between underwriters or members of a banking or selling group in connection with a distribution of securities by the Company;
- As collateral taken in the ordinary course of business by a lender for bona fide indebtedness; or
- Under an agreement between Avalon and a person relating to a statutory arrangement, amalgamation, or similar transaction that is subject to prior shareholder approval.

In addition, a person will be deemed to Beneficially Own any securities of the Company that are Beneficially Owned by a person acting jointly or in concert with such person, as determined in accordance with the Rights Plan.

Exemptions for Certain Institutional Holders

The Rights Plan also provides specific exemptions for certain institutional holders acting in the ordinary course of business. These exemptions apply, provided the holder is not making or intending to make a Take-over Bid, and is not acting jointly or in concert with someone who is making or intending to make such a bid. Institutions and other persons that qualify include:

(i) Investment Managers holding securities on behalf of Clients;

(ii) Licensed Trust Companies acting as trustee, administrator, or in a similar fiduciary capacity;

(iii) Fund Managers of Mutual Funds;

(iv) Crown agencies or Statutory Bodies that manage certain types of investment funds and hold securities for that purpose; and

(v) Administrators or trustees of pension funds or plans registered under applicable pension legislation.

Permitted Lock-Up Agreement Exemption

In addition, a person will not be deemed to "Beneficially Own" voting shares if the holder of those shares has agreed to tender them to a Take-over Bid under a Permitted Lock-Up Agreement. Such an agreement must be between a bidder (or its affiliates, associates, or joint actors) and one or more holders of voting shares (the "Locked-Up Persons") and generally provide, among other things, that the Locked-Up Persons agree to deposit or tender Voting Shares or Convertible Securities to a Take-Over Bid. A Permitted Lock-Up Agreement must be publicly disclosed and made available within the timeframes set out in the Rights Plan, and it must allow Locked-Up Persons to withdraw their shares to tender to another bid or to support another transaction if:

(i) The other bid or transaction offers a higher price or value per Voting Share or Convertible Security, or offers to purchase a greater number of Voting Shares or Convertible Securities, than the Lock-Up Bid; or

(ii) The other bid or transaction offers a price or value that is at least a specified amount (no greater than 7%) higher or proposes to purchase at least a specified amount (no greater than 7%) more shares than under the Lock-Up Bid, provided the price per Voting Share or Convertible Security is not less than that in the Lock-Up Bid.

A Permitted Lock-Up Agreement may include a right of first refusal or a matching right for the original bidder, but it cannot require the Locked-Up Persons to pay break fees, penalties, or similar amounts exceeding the greater of: (i) 2.5% of the total consideration payable under the Lock-Up Bid, or (ii) 50% of the amount by which the consideration under another transaction exceeds that of the Lock-Up Bid.

This structure ensures that bidders can use lock-up agreements without automatically triggering the Rights Plan, provided the agreements meet these fairness and flexibility requirements, which are designed to protect the interests of all shareholders.

Rights Certificates and Transferability

Prior to the Separation Time, the Rights are evidenced by the share certificates representing the Common Shares (or by the book-entry statement for Common Shares issued in uncertificated form) and are not to be transferred separately from the Common Shares. After the Separation Time, the Company will determine wither it wishes to issue Rights Certificates or whether it will maintain the Rights in Book Entry Form. In the event the Company decides to issue Rights Certificates, the Rights Agent will mail Rights Certificates to holders of record of Common Shares (other than any Acquiring Person, or a transferee of an Acquiring Person, whose Rights will become void) as of the Separation Time. Rights may be transferred only in conjunction with the transfer of the Voting Shares prior to the Separation Time. After the Separation Time, Rights may be transferred upon compliance with the provisions of the Rights Plan.

Permitted Bid and Competing Permitted Bid

A Permitted Bid is a Take-over Bid made in compliance with the Shareholder Rights Plan. To qualify as a Permitted Bid, the offer must be made to all holders of Voting Shares other than the Offeror. It must remain open for at least 105 days, or for a shorter period if permitted under applicable Canadian securities laws (the "Bid Period"). No Voting Shares may be taken up or paid for before the end of the Bid Period, and Voting Shares may only be taken up after the expiry of the Bid Period if, as of the close of business on the date Voting Shares are first taken up or paid for pursuant to the Take-Over Bid, more than 50% of the outstanding Voting Shares held by Independent Shareholders have been deposited and not withdrawn. If the 50% minimum tender requirement is satisfied, the bid must then remain open for at least an additional 10 days.

A Competing Permitted Bid is a Take-over Bid that meets all the requirements of a Permitted Bid, except that it may remain open for a period of not less than 35 days, or for a shorter period if permitted under applicable law. It must also be made after a Permitted Bid or another Competing Permitted Bid has been launched and before the expiry of that earlier bid.

Waiver

The Rights Plan empowers the Board to waive the application of the Rights Plan in the following circumstances:

(i) **Inadvertent Acquisition** – If the Board determines that a person became an Acquiring Person inadvertently and without intent or knowledge, it may waive the Rights Plan provided that the person reduces its Beneficial Ownership of Common Shares, or agrees to do so within 14 days so that they are no longer an Acquiring Person.

(ii) **Discretionary Waiver** – Non-Take-over Bid Circular – Subject to prior approval by holders of Voting Shares or Rights, the Board may waive the Rights Plan before a Flip-in Event occurs if the event would result from an acquisition of Shares not effected through a Take-over Bid made by means of a Take-over Bid circular sent to all holders of record of Voting Shares, and is not covered by the inadvertent acquisition provision above.

(iii) **Waiver of Certain Bids & Concurrent Bids** – Before a Flip-in Event caused by a Take-over Bid made by way of a Take-over Bid circular to all holders of record of Voting Shares, the Board may waive the Rights Plan with prior written notice to the Rights Agent. If it does so, the waiver automatically applies to any other Qualified Bid made before or during the term of that bid.

Redemption of Rights

The Rights Plan provides for the redemption (or deemed redemption) of Rights in the following circumstances:

(i) **Board-initiated redemption before a Flip-In Event** – At any time prior to the occurrence of a Flip-In Event, provided the application of the Flip-In provisions has not been waived, the Board, acting in good faith and with the prior consent of either the holders of Voting Shares or the holders of Rights (as required under the Plan), may elect to redeem all, but not less than all, of the outstanding Rights at the Redemption Price.

(ii) **Automatic redemption following certain bids** – The Rights are automatically deemed to be redeemed at the Redemption Price on the date a person making a Permitted Bid, a Competing Permitted Bid, or a Take-Over Bid (for which the Flip-In provisions have been waived) takes up and pays for Voting Shares under such bid.

(iii) Redemption following withdrawal or termination of a non-Permitted Take-Over Bid – If a Take-Over Bid that is not a Permitted Bid or a Competing Permitted Bid is withdrawn or otherwise terminated after the Separation Time but before a Flip-In Event occurs, the Board may elect to redeem all outstanding Rights at the Redemption Price. In this case, the Plan is treated as if the Separation Time had never occurred, the Rights remain attached to the Common Shares, and any mailed Rights Certificates are disregarded.

If the Board redeems or is deemed to redeem Rights, and, where applicable, after the required shareholder or Rights holder approval is obtained, the right to exercise the Rights immediately terminates without further action or notice. After redemption, the only remaining entitlement of Rights holders is to receive the Redemption Price.

Within 10 business days after the Board elects (or is deemed to have elected) to redeem Rights (or within 10 business days after shareholder or Rights holder approval, if applicable), the Corporation must provide written notice to all Rights holders, setting out the method of payment for the Redemption Price. Notices given in accordance with the Plan are deemed effective whether or not the holder actually receives them.

Anti-Dilution Adjustments

Subject to the provisions of the Rights Plan, the Exercise Price, the number and kind of securities issuable upon exercise of Rights and the number of Rights outstanding are subject to adjustment upon the occurrence of certain events prior to the Expiration Time to preserve their value, including:

(i) **Share Dividends and Splits** – If the Corporation issues Common Shares as a dividend, subdivides or consolidates its Common Shares;

(ii) **Issuances Below Market Value** – If the Corporation issues or distributes shares (or securities convertible into shares) at less than market price (other than under certain exempt transactions); and

(iii) **Cash/Asset/Other Securities Distributions** – Distributions of cash, shares of the Company that are not Common Shares, assets, debt securities, or rights/options to purchase shares (in certain cases).

The Board may also adjust the Exercise Price, number of Rights and/or securities purchasable upon the exercise of Rights following the occurrence of certain events if the Board determines that the adjustments otherwise contemplated by the Rights Plan would not appropriately protect the interests of the holders of Rights.

No adjustment shall be made under the Rights Plan unless the change in the Exercise Price would be at least 1% of the current price, but deferred adjustments are carried forward and aggregated until they meet the threshold.

Adjustments made under the Rights Plan will be effective immediately after the record date for the event causing them, or immediately after the event itself if no record date is set.

Supplements and Amendment

The Rights Plan may be amended without the prior approval of the holders of Voting Shares or Rights to (i) correct any clerical or typographical errors; or (ii) make amendments that are required to maintain the validity or effectiveness of the Rights Plan Agreement as a result of any change in applicable legislation or regulations or rules made thereunder. Subject to the foregoing and the provisions of the Rights Plan, any supplement, amendment, variation, rescindment or deletion of the provisions of the Rights Plan Agreement and the Rights following the approval of the Rights Plan at the Meeting: (i) prior to the Separation Time, shall require the approval of the holders of Voting Shares; and (ii) after the Separation Time and before the Expiration Time, shall require the approval of the holders of Rights.

Rights Agent

The Rights Plan contains customary provisions concerning the appointment, duties, liabilities, indemnification, and potential replacement of the Rights Agent. The Rights Agent is responsible for acting on behalf of the Company and the holders of Rights in accordance with the terms of the Rights Plan, including the issuance of Rights Certificates (if elected by the Company after the Separation Time), recordkeeping, and processing exercises, transfers, redemptions, and exchanges of Rights.

The foregoing description of the Rights Plan summarizes certain material provisions and is presented in a manner intended to enhance readability and comprehension. This summary is qualified in its entirety by reference to the full text of the Rights Plan, which is available on the Company's website at www.www.avalonadvancedmaterials.com the Company's issuer profile on SEDAR+ at www.sedarplus.ca. In the event of any discrepancy between this summary and the Rights Plan, the terms of the Rights Plan will prevail.