

**Dear Shareholders,**

As 2025 draws to a close, I want to express my sincere gratitude for your continued confidence and support in Avalon Advanced Materials Inc. This has been a year of meaningful progress, renewed momentum, and steady execution across our portfolio, positioning Avalon for significant growth as we move into 2026.

Geopolitical developments around the world have underscored the importance of secure supply chains. With China tightening restrictions on rare earth exports to the United States, critical minerals have become a focal point of national security and economic independence. Avalon is proud to be advancing projects that strengthen Canada's leadership in this vital sector and contribute to a more resilient North American supply chain.

This year we advanced our Analcime Utilization Project through Avalon's wholly owned subsidiary, Lake Superior Lithium Inc. (LSLi), with support from Ontario's Critical Minerals Innovation Fund through a \$500,000 grant. This initiative focuses on developing innovative uses for analcime, a byproduct of lithium hydroxide production, at our future Thunder Bay processing facility. Early research indicates that analcime's pozzolanic properties could enhance the durability and sustainability of concrete, supporting the Ontario Ministry of Transportation's efforts to adopt low-carbon construction materials. Working closely with our technology partner Metso and academic collaborators, we are validating these results and positioning Avalon at the forefront of circular economy innovation in the critical minerals space.

In October 2025, we closed a brokered listed issuer financing of approximately C\$18.65 million to accelerate advancement of our rare earth and lithium assets, fortify our balance sheet, and support updated feasibility work and strategic priorities. This capital raise strengthens our financial position and positions Avalon to pursue additional financing and partnership opportunities.

A localized wildfire previously affected Nechalacho earlier this year, and Avalon continues to work toward appropriate resolutions, with further updates expected in the new year. In parallel, we made meaningful progress at our Nechalacho project in the Northwest Territories through a successful processing technology assessment with Engina Corporation. This work confirmed the potential of a new extraction approach that demonstrated high rare earth recoveries in early testing, while significantly reducing environmental impact compared with conventional methods. The results strengthen Nechalacho's long-term development potential and support



Avalon's strategy of advancing responsible, made-in-Canada solutions for critical mineral supply.

Lastly, this year marked an important evolution in Avalon's leadership team, bringing new perspectives and expertise to guide our next phase of growth. We welcomed Mr. Lorin Crenshaw as Chief Financial Officer, strengthening our senior management team with nearly three decades of experience in capital markets, investor relations, and financial strategy within the critical minerals and energy sectors. Lorin's leadership will be integral to accelerating our value creation strategy and deepening Avalon's engagement with investors and partners across North America. More recently, appointed Ms. Vienna Psihos as Director, Public Affairs & Government Relations, adding senior-level expertise at the intersection of government decision-making, regulatory processes, and strategic communications. With experience supporting major funding initiatives and high-priority mining and infrastructure projects, Vienna strengthens Avalon's ability to advance its critical minerals portfolio and align the Company's growth with evolving provincial and federal policy priorities.

While the global critical minerals landscape continues to evolve rapidly, Avalon remains firmly positioned to lead. With the right projects, partnerships, and strategy, we are advancing responsibly, creating long-term value for shareholders, and contributing to a more sustainable and secure supply chain for North America's clean energy and defence future. Our progress this year reflects a disciplined approach to project development and a clear vision of Avalon's role in enabling Canada's critical minerals leadership.

On behalf of the Board of Directors and the entire Avalon team, thank you for your continued trust and support. We look forward to sharing more of our progress in the year ahead.

**Sincerely,**



**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, statements and information with respect to Avalon Advanced Materials Inc.'s project development plans, research and development initiatives including the Analcime Utilization Project, financing activities, anticipated market opportunities, and the advancement of its critical minerals portfolio. 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 manners. 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.



