



Avalon Advanced Materials Inc.

Management's Discussion and Analysis of Financial Statements for the three and six months ended February 28, 2026

This Management's Discussion and Analysis ("MD&A") of Avalon Advanced Materials Inc. (the "Company" or "Avalon") is an analysis of the Company's financial results for the three and six months ended February 28, 2026 (the "Period"). The following information should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the Period and the consolidated financial statements and Annual Information Form for the year ended August 31, 2025. This MD&A is prepared as of April 7, 2026.

Land Acknowledgement

Avalon Advanced Materials Inc. acknowledges that our work takes place within the ancestral and traditional territories of First Nations and Métis people. We respect Indigenous rights and are committed to deepening our existing relationships while forging new and lasting ties which will ensure we and future generations benefit from the positive social and economic opportunities related to our operations.

Nature of Business and Overall Performance

The Company is a Canadian critical minerals developer focused on building domestic supply chains for both lithium and rare earth elements, supporting North America's transition to electric vehicles, clean energy, and advanced manufacturing. Shares of Avalon trade on the Toronto Stock Exchange (TSX:AVL), the OTCQB® Venture Market (OTCQB:AVLNF) in the United States and the Frankfurt Stock Exchange in Germany.

The Company's management team is deeply focused on commercializing the assets that Avalon has acquired over the past two decades that are aligned with rare earth and lithium. As nations increasingly prioritise resilience and independence in sourcing rare earths and lithium, Avalon is positioning itself to emerge as a key North American partner and enabler on that journey. Avalon's strategic focus is the development of the lithium processing facility envisioned for Thunder Bay, Ontario and its Nechalacho Rare Earth Elements and Zirconium Project ("Nechalacho"). The Company's lithium strategy is expected to be advanced via securing diversified feedstock supply from third-party producers within Ontario and other jurisdictions, enabled by strategic supply and off-take agreements. The Company's rare earth strategy is expected to be advanced via the continued validation and development of its Nechalacho deposit, underpinned by strategic partnerships, processing initiatives, and off-take agreements.

In 2023, Avalon established a joint venture with Belgium-based Sibelco, a global leader in materials solutions, to develop the Company's lithium deposit at Separation Rapids. A strategic partnership was also signed with Metso Corp. of Finland, a market leader in sustainable lithium processing. In addition, in June, 2023, the Company acquired a 377-acre industrial property on Strathcona Avenue in Thunder Bay that is supplied by municipal power, gas and water, and is accessible by road, rail and water via a deep-water port. As described under the Lake Superior Lithium Project, Avalon intends to develop the Strathcona property into a lithium conversion and processing facility.

Subsequent to February 28, 2026, the Company completed a reorganization of its joint venture arrangement with Sibelco, resulting in Avalon's exit from Separation Rapids Ltd. and the recovery of 100% ownership of the Lilypad project (see "Subsequent Events").

Following the successful completion of an equity offering for aggregate gross proceeds of approximately C\$18.65 million in October 2025, the Company significantly advanced its rare earth and lithium strategy, funding key development activities at its Nechalacho and Lake Superior Lithium projects while strengthening its balance sheet.

In November 2025, the Company strengthened its balance sheet by repaying all outstanding convertible notes, concluding its convertible security funding agreement with Lind Global Fund II, LP, managed by The Lind Partners.

In January 2026, a Feasibility Study ("FS") has commenced for its Lake Superior Lithium Project in Thunder Bay, Ontario, with Nordmin Engineering Ltd. engaged as lead engineering consultant, supported by process technology and engineering providers including Metso Corporation. The FS is expected to build upon the 2024 Preliminary Economic Analysis ("PEA") and incorporate updated engineering, process design, and capital and operating cost estimates reflecting current market conditions. The FS is intended to provide the level of technical definition, cost accuracy, and risk assessment required to support project financing, offtake arrangements, and strategic partnership discussions.

In parallel, the Company has also commissioned a Preliminary Economic Assessment ("PEA") with Wood Canada Limited for its Nechalacho Rare Earths and Zirconium Project in the Northwest Territories. The PEA is expected to update the project's 2013 Definitive Feasibility Study ("DFS"), incorporating advancements in processing technology and updated capital and operating cost assumptions reflecting current market conditions. Following completion of the PEA, the Company intends to proceed to a DFS as the next phase of project development, providing the level of engineering, cost definition, and risk assessment required to support project financing, offtake, and strategic partnership discussions.

In February 2026, the Company engaged SCP Resource Finance as a strategic capital advisor to support the development of a long-term capital and partnership strategy in connection with its lithium and rare earth projects. SCP is expected to assist the Company in identifying and engaging potential strategic investors, industrial partners, and other sources of capital, with a focus on project-level financing initiatives. The engagement reflects the Company's ongoing efforts to evaluate capital formation alternatives and advance its critical minerals assets in alignment with its development timeline and funding requirements.

These initiatives are expected to advance the definition and development of the Company's lithium and rare earth projects and support ongoing engineering, financing, and strategic partnership activities as the Company progresses toward project execution.

Corporate Social Responsibility

The Company has embraced the principles of sustainability as core to its business practices and is committed to implementing corporate social responsibility best practices. Its most recent Sustainability Report is available for download at: <https://www.avalonadvancedmaterials.com>. Avalon's annual Sustainability Report is based on International Sustainability Standard Board (ISSB) reporting structure, which is aligned with the International Accounting Standard Board. The ISSB is the most popular reporting structure in Canada.

Advancing projects with sustainable characteristics facilitates good relationships with all stakeholders, including Indigenous communities, which can help reduce the risk of experiencing lengthy delays in receiving operating permits and approvals. Additionally, Avalon believes that responsible users of our critical minerals will require increasingly sustainable sources.

Lake Superior Lithium Project

With both the Ontario and Federal Governments confirming their interest in establishing new battery materials supply chains in the Province and potentially providing financial support. Avalon continues to work towards establishing its lithium processing facility in Thunder Bay, Ontario. The planned facility would be adaptable and expandable to increase output and accept concentrates from other producers of the various deposits that occur in Ontario and globally. In June 2023, Avalon acquired an industrial site in Thunder Bay, Ontario (the “Thunder Bay Property”) for the purchase price of \$8,300,000. The Thunder Bay Property consists of approximately 377 acres of which approximately 150 acres are on land and approximately 220 acres are in Lake Superior and shoreline land. The property also includes a 24,000 square-foot office building and a 55,000 square-foot warehouse. It has existing road, rail, and deep-water port access, as well as existing utilities services adequate for supporting the Company’s planned lithium-hydroxide (LiOH) processing facility (the “LSLi Facility”).

With its existing infrastructure, strategic geographic location and multi-channel accessibility, the Thunder Bay property is uniquely suited to host the LSLi Facility and represents a material advantage for Avalon that the Company intends to widen through the adoption of market leading processing and recycling technologies, as well as the construction of an on-site Technology and Innovation Centre (“TIC”), in partnership with regional stakeholders and Qualcomm. The latter’s involvement flows from the formalization, in the Fall of 2024, of a Memorandum of Understanding (the “MOU”) between Avalon and Qualcomm, a U.S. technology giant. The MOU establishes the parameters of a strategic partnership aimed at introducing world-class technology tools and applications into the LSLi Facility and demonstrate the parties’ joint leadership in mining innovation - a sizeable objective for both levels of Government in Canada.

In October 2023, the Company expanded a strategic partnership with Metso to advance the development of the LSLi Facility. Metso agreed to provide testing and engineering equipment procurement and related services, as well as co-develop a laboratory for research and development on lithium and clean technology solutions. Avalon and Metso also agreed to cooperate on the recycling of used batteries and the refining of battery chemicals for recycle use. The expanded partnership agreement followed a memorandum of understanding entered into in July 2023 that enabled Metso and Avalon to develop an innovative, sustainable methodology to economically produce commercial lithium hydroxide from spodumene.

Avalon’s focus is also on building upon its relations with First Nations partners, the local community and local government. Deepening this collaboration is key to ensuring members of the regional ecosystem all benefit from the project and that all parties prioritize environmental stewardship. First Nations communities are valued partners, and the Company looks forward to an ongoing dialogue of mutual respect and seeking innovative partnerships in the new green economy.

The Company also continues to advance discussions with a range of other parties interested in participating in the project and helping contribute to the province’s industrial competitiveness.

When complete, the integrated project will:

- Create a significant number of jobs in the City of Thunder Bay, Ontario and surrounding regions.
- Enable broader development of northwestern Ontario's lithium assets by producers seeking to utilize the proximity of Avalon's processing capacity.
- Create tangential socioeconomic and educational benefits, including the planned creation of a regional critical-minerals innovation and technology hub in partnership with local university and college stakeholders.
- Create new economic development opportunities for local and regional First Nations and Métis communities.
- Demonstrate best-in-class environmental and sustainability process innovation and enable novel Canadian IP.

- Create supply chain efficiencies by connecting lithium assets in the north with regional processing capacity, thus leading to a decreased life-cycle carbon footprint compared to producers who ship raw materials to processing facilities overseas.
- Incorporate renewable energy integration, including a proposed solar energy installation, to further enhance the project's sustainability profile.

A study was completed in early June 2024 on an order of magnitude site infrastructure valuation (the "Site Valuation Report") for the Thunder Bay property. The report highlights that the replacement cost of the infrastructure at Avalon's Thunder Bay site, factoring in its current condition, is estimated to be \$46 million. In addition, the land value is estimated at between \$11 to \$16 million, which brings the total estimate of the site value to be between \$57 to \$62 million. The findings highlight the value proposition inherent in Avalon's Thunder Bay site including existing buildings, underground services, electrical services, rail spurs and a deep-water port.

A preliminary economic assessment study (the "PEA") has been completed on the planned lithium hydroxide conversion facility at Avalon's Thunder Bay site. Avalon engaged DRA Americans Inc., a 100% owned subsidiary of DRA Global to lead the study and which featured the environmentally friendly Metso lithium conversion technology. The PEA also included the full infrastructure layout with lithium concentrate reagent receiving and storage, processing, and site infrastructure as well as shipping/handling of product and a means to remove the byproduct off site. As well, a preliminary environmental permitting pathway and timeline was outlined within the study. The financial economics of the project was assessed, and the results were positive with an after-tax net present value ("NPV") at 8% discount rate of \$4.1 billion over a 30-year processing life and an after-tax internal rate of return ("IRR") of 48%.

The study assumes a spodumene concentrate price of \$1,360/tonne (USD\$1,000/tonne) over the 30-year life of the project. Initial feedstock supply is expected to be secured through global trading counterparties, supplemented over time by purchases from regional producers.

The long-term pricing of lithium hydroxide is assumed to be \$35,360/tonne (USD\$26,000/tonne). A Clean Technology Manufacturing Industrial Tax Credit of 30% was applied against the initial capital cost.

Table 1: Project Summary Financial Outcomes

Items	Units	PEA Sept. 2024
Operating Life	years	30
Steady State Annual Spodumene Feed	tpa	196,000
Spodumene Concentrate Pricing @ 6%	\$ per tonne	1,360
Annual LiOH Production	tpa	30,000
LiOH Sale Price (long term) Life of Project	\$ per tonne	35,360
Total Capital Cost	\$Billion	1.3
After-Tax Net Present Value (NPV) @ 8% discount rate	\$Billion	4.1
After-Tax Rate of Return (IRR %)	%	48
Steady State LiOH Conversion Costs	\$/t LiOH	3,898
Spodumene Purchase Cost Delivered to Site	\$/t LiOH	9,131
After-Tax Payback	years	2.5

Avalon is currently considering a solar farm on its Thunder Bay property. The site includes approximately 46 acres of land on a former landfill that may be suitable as a solar facility. Avalon is exploring the possibility of behind-the-meter generation for its own use as a direct source of power for

the lithium conversion facility or as a participant in a future Independent Electricity System Operator (IESO) procurement that would see the on-site generation used to supply power to the bulk electricity system or grid.

During Fiscal 2025, the Company was awarded a grant of up to \$500,000 from the Government of Ontario's Critical Minerals Innovation Fund ("CMIF") to support a new research project focused on analcime, an inert sand byproduct of the Metso Lithium Hydroxide Process. The analcime project will be part of a broader initiative led by Avalon's wholly owned subsidiary, Lake Superior Lithium Inc. ("LSLi") and will be an important component of the planned LSLi Facility. The CMIF supports projects that help strengthen Ontario's critical minerals sector. The analcime project will explore innovative solutions for extracting additional value from the byproduct generated during lithium hydroxide production at the LSLi Facility. Analcime is a zeolite mineral comprised of hydrated sodium aluminum silicate. Initial research suggests that analcime's pozzolanic properties (its ability to react with calcium hydroxide in cement) may help improve the durability and carbon profile of concrete. The funding from CMIF will accelerate research and development efforts, facilitate lab-scale and pilot testing to assess analcime's performance, environmental benefits, and commercial potential in the construction sector. The analcime project also aligns with the Ontario Ministry of Transportation's efforts to explore and implement low-carbon construction materials and techniques, particularly for concrete construction.

During the Period, the Company announced the successful demonstration of a key processing milestone using Metso Corporation's proprietary alkaline leach process at bench scale. Test work confirmed the conversion of lithium-bearing mineral concentrate into lithium hydroxide while simultaneously producing analcime, an inert by-product with potential industrial applications. The process eliminates the use of sulfuric acid and sulfate reagents, reducing environmental risk, effluent management requirements, and operational complexity relative to conventional acid-based flowsheets. The results represent an important technical de-risking step toward further engineering work, process optimization, and potential scale-up in support of the Company's proposed Thunder Bay lithium processing facility. The Company continues to evaluate the commercial implications of the process, including sustainability benefits and potential by-product utilization opportunities.

During the Period, the Company incurred \$3,400,355 (2025 - \$299,161) in project development costs on the Lake Superior Lithium Project. The expenditures were incurred primarily for the analcime project and financing initiatives. These costs were offset by the recognition of \$205,826 (2025 - \$Nil) from the CMIF grant as described above.

The Company incurred property holding costs of \$49,030 (2025 - \$57,610) during the Period relating to its Thunder Bay Property. These expenditures include primarily property taxes and repair and maintenance costs.

Strategic Partnership with SCR-Sibelco NV (Reorganized Subsequent to Period End)

In June 2023, the Company entered into a strategic partnership with SCR-Sibelco NV ("Sibelco"), a global leader in materials solutions. Sibelco currently owns approximately 13.4% of Avalon's common shares and is the Company's largest shareholder.

Avalon has granted to Sibelco, for so long as Sibelco holds not less than 10% of the issued and outstanding Common Shares on a non-diluted basis, the right to nominate one member to the board of directors of Avalon ("Board") (or up to two nominees if the size of the Board is increased to nine directors or more), and the right to participate in future equity offerings so that it can maintain its pro rata percentage ownership in Avalon.

In November 2023, Avalon and Sibelco closed a joint venture transaction with Avalon transferring its Separation Rapids Lithium Project ("Separation Rapids") and Lilypad Cesium-Tantalum Project ("Lilypad") into a new joint venture company, Separation Rapids Ltd. ("SRL"), in exchange for a 40% interest in SRL.

Separation Rapids Ltd. (Joint Venture Reorganization and Exit Subsequent to Period End)

Sibelco, which acted as the operator of SRL, had committed to invest €34.8 million (approximately C\$51.3 million) into the joint venture. Of this amount, €4.8 million was advanced concurrently with the contribution by Avalon of its interests in the Separation Rapids and Lilypad projects, with an additional €30 million to be advanced in tranches to fund the development of the joint venture mineral projects, including facilities and related infrastructure. After total cash contributions of €34.8 million by Sibelco, each of the parties will make any further cash contributions on a pro-rata basis (with dilution to a non-contributing party's interest).

The Company recognized an equity income from associate for the Period with respect to SRL's operations of \$718,283 (2025 - loss of \$664,494).

SRL completed an updated mineral resource estimate for Separation Rapids during the year ended August 31, 2025.

Prior to the disposition, other highlighted work on Separation Rapids included:

- Geotechnical & mineralogical studies were advanced through the year to facilitate a higher of understanding.
- Environmental fieldwork as part of the baseline and permitting process was completed mid-summer.
- Engagement with local communities was ongoing.
- Preparation for exploration had commenced.

On April 2, 2026, as part of a reorganization of its joint venture arrangement with Sibelco, the Company disposed of its entire equity interest in SRL, which was previously carried as an investment with a total carrying amount of \$23,391,412. The disposal was completed through two related transactions: A portion of the SRL shares was transferred to Sibelco in settlement of a debenture with a carrying value of \$7,417,311. The remaining SRL shares were redeemed in exchange for the Lilypad property, recognized at its fair value of \$1,799,400 based on an independent valuation. The Company recognized a loss on disposal of \$14,174,698 in profit or loss. Following the disposition, the Company has no remaining ownership interest in SRL.

Resource Development Activities

Resource property expenditures for the Period totalled \$859,268, a 507% increase from the level of expenditures in the comparative period in Fiscal 2025 (\$169,383). This increase was primarily related to the increased activities on the Nechalacho Rare Earth Elements and Zirconium Project ("Nechalacho"). Of these expenditures, 100% were incurred on Nechalacho.

No properties were abandoned or impairment losses recorded during the Period.

a. Nechalacho Rare Earth Elements and Zirconium Project

The Nechalacho Rare Earth Elements and Zirconium Project is located at Thor Lake in the Mackenzie Mining District of the Northwest Territories ("NWT"), approximately 100 kilometres southeast of the City of Yellowknife. The property is comprised of eight contiguous mining leases totalling 5,786 hectares (14,297 acres), after three mining claims totalling 332 hectares on the southwest side of the original five leases were converted to mining leases. The original five leases are subject to one independently owned 2.5% Net Smelter Returns ("NSR") royalty agreement. Avalon has the contractual right to buy out this royalty on the basis of a fixed formula, which is currently approximately \$2.0 million, and which will increase at a rate equal to the Canadian prime rate until the royalty is bought out.

During Fiscal 2020, Avalon sold the rights to the near-surface dominantly light rare earth mineral

resources above a depth of 150 metres above sea level (“Upper Zone Resources”) to Cheetah Resources Pty Ltd. (“Cheetah”). Avalon retained a 3.0% NSR royalty (the “3.0% NSR Royalty”) and will continue to have access to the property for development and mining of its 100% owned Basal Zone heavy rare earth resource. Avalon has also agreed to waive the 3.0% NSR Royalty for the first five years of Cheetah’s commercial production and to grant Cheetah the option to pay the Company \$2 million within eight years of the transaction closing to extend the waiver of this royalty in perpetuity. Cheetah also has the option to purchase the Company’s option in the 2.5% NSR Royalty, provided that, upon exercising the option, it extinguishes this royalty. The eight mining leases are jointly recorded in the names of Cheetah 50% and the Company 50%, while the beneficial ownership is held in trust by Cheetah and Avalon as to their respective beneficial ownership entitlement in and to the Upper Zone Resources and the Basal Zone Resources, respectively.

Avalon and Cheetah have formed a jointly owned corporation (“NWT Rare Earths Ltd.”) to hold the exploration permits and related authorizations related to Nechalacho and have also entered into a co-ownership agreement governing each party’s activities and management at site. On November 30, 2020, a new Land Use Permit, expiring November 29, 2025, (which is currently being renewed), and Water License, expiring November 29, 2027, were approved for both the Cheetah Demonstration Project and the previously approved Basal Zone early works construction activities. During Q4 fiscal 2025, a Land Use Permit expiring on June 19, 2025, was renewed. This new permit expires on May 26, 2030.

Rare earth elements (“REE”) belong to the lanthanide series of metals and are important in an expanding array of applications in technology related to energy efficiency and a cleaner environment. Common uses of these metals are in magnets for electric vehicles and wind turbines, solar panels, and cell phones. REEs are also a critical component in numerous military defense systems, making a reliable supply chain of these elements an important strategic matter for many governments, including Canada and the US. Currently China produces about 60% of the world’s REEs and supplies about 80% of REE imports into the US.

The Basal Zone heavy rare earth elements (“HREE”) resource also contains abundant zirconium mineralization averaging over 3% ZrO₂. Zirconium cladding is usually an alloy of zirconium, tin, iron, nickel and chromium and is used in the fuel rods of commercial nuclear electric generator plants as well as military reactors including nuclear submarines. China currently has a dominant position in the supply and processing of zirconium as well as rare earths.

Recent geopolitical developments and evolving government policies in North America and allied jurisdictions continue to underscore the strategic importance of secure and diversified supply chains for critical minerals, including rare earth elements. Ongoing policy initiatives in the United States and Canada, including measures to support domestic production and restrict reliance on foreign entities of concern, have reinforced the importance of developing projects located within stable, allied jurisdictions.

The Company’s Nechalacho deposit is distinguished by its scale, unique blend of rare earth and zirconium minerals, and location in the Northwest Territories, Canada. Its proximity to the United States and position within a secure North American jurisdiction are expected to support its relevance in the context of these evolving supply chain dynamics.

In the days preceding September 8, 2025, a wildfire impacted the Nechalacho site. The cores were significantly damaged. The Company is of the view that Vital Metals is legally responsible for the damage, the financial impact of which is still being evaluated. On November 24, 2025, the Company notified Vital Metals of its position, with a view to resolving the matter as required by the parties’ contractual arrangements.

Expenditures during the Period were \$859,268 (2025 - \$169,383), which were incurred primarily on financing initiatives, preparatory work on updating certain metallurgical test work, and ongoing site holding and sample storage costs.

b. East Kemptville Tin-Indium Project

The 100% owned East Kemptville Tin-Indium Project is located 55 km northeast of Yarmouth, Nova Scotia, Canada. The property consists of an exploration licence covering 1,165 hectares (2,880 acres). East Kemptville was an operating tin mine from 1985-1992 and was North America's only large primary tin producer, before closing prematurely in 1992 due to a collapse in tin prices. Increasing global demand for tin and tightening supplies has resulted in significantly improved tin prices, creating an opportunity for Avalon to reactivate the site, initially by processing a large historical stockpile of tin ore using low-impact sensor-based ore-sorting technology.

The Company completed a preliminary economic assessment during fiscal 2018 with a development model of utilizing the existing tailings management area ("TMA") and had been in negotiation with the surface rights owner to secure full tenure to the project site. An agreement in principle was reached in fiscal 2019, however, the surface rights owner subsequently refused to sign the agreement and denied Avalon access to the site after putting a hold on any new work on all of its closed mine sites.

No significant expenditures were incurred during the Period on the East Kemptville Tin-Indium Project. The Company continues to retain the mineral rights through its exploration licence, and management remains optimistic that the Company will eventually be able to secure access to the site again to resume reactivation plans.

c. Warren Township Anorthosite Project

The Warren Township Anorthosite Project is a mineral development opportunity located near the Village of Foleyet, 100 kilometres west of Timmins, Ontario. The project consists of a mining lease totalling 688 hectares (1,699 acres) that includes an aggregate permit over the historical quarry site and which is 100% owned by the Company. The lease covers a portion of the Shawmere Anorthosite Complex hosting a historic resource (not prepared in accordance with NI 43-101) of a high purity calcium feldspar. The calcium feldspar product is used in the manufacture of reinforcing glass fibre and other industrial products, such as mineral fillers.

There has also been demand for small quantities of the crushed anorthosite rock for use as a "lunar simulant" due to its mineralogical similarity with dust on the surface of the moon. During the year ended August 31, 2025, a 20-tonne test sample of anorthosite was successfully extracted and shipped to a third party company for testing with the NASA moon rover. If successful, there may be larger future quantities based on their needs.

No significant expenditures were incurred on the property during the Period on the Warren Township Anorthosite Project.

Selected Annual Information

The following selected financial data for each of the three most recently completed fiscal years are derived from the audited annual financial statements of the Company, which were prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB").

For the Years Ended August 31,	2025	2024	2023
	\$	\$	\$
Revenue	49,940	109,832	124,258
Net loss	5,196,726	634,576	3,317,059
Net loss, per share basic and diluted	0.009	0.001	0.007
Total assets	137,206,462	136,378,561	131,053,334
Total non-current liabilities	7,887,773	3,881,533	3,549,419

The Company has recorded losses in each of its three most recently completed fiscal years and

expects to continue to record losses until such time as an economic mineral deposit is developed and brought into profitable commercial operation on one or more of the Company's properties or is otherwise disposed of at a profit. Since the Company has no ongoing revenue from operations, annual operating losses typically represent the sum of business expenses, any gains or losses realized on disposition of its assets, any impairment losses recognized on its mineral properties and adjustments to the fair value for the derivative liabilities and convertible notes payable. The Company may increase or decrease its level of business activity in coming years and if it does, investors can anticipate that the Company's annual operating losses will also increase or decrease until an economic operation is brought into profitable commercial production, or one or more of the Company's properties are disposed of at a profit.

Administration and Other

Three Months Ended February 28, 2026

Net loss and comprehensive loss for the quarter totalled \$16,179,017 compared to \$1,783,019 in the same quarter in Fiscal 2025. The difference is mainly due to the following:

- Interest income for the quarter totalled \$99,428 compared to \$19,656 in the same quarter in Fiscal 2025, due to increased cash balances.
- Corporate and Administrative expenses totalled \$698,268 during the quarter, a 30% increase from the amount incurred during the comparative quarter in Fiscal 2025 (2025 - \$537,417). The main area of increased expenses for the quarter was consulting and professional.
 - Consulting and professional fees increased by \$82,655 (51%) to \$245,435 during the quarter compared to the same quarter in Fiscal 2025 (\$162,780). The increase is primarily related to financial services and legal services.
- Project development totalled \$1,817,881 during the quarter, a \$1,759,445 increase from the amount incurred during the comparative quarter in Fiscal 2025 (2025 - \$58,436) as the Company initiated a new preliminary economic assessment for its Nechalacho Rare Earths and Zirconium Project during the quarter.
- Share based compensation decreased by \$108,792 to \$72,394 for the quarter compared to \$181,186 for the same quarter in Fiscal 2025. The decrease is primarily related to DSU and RSU grants during Fiscal 2025.
- Finance costs decreased to \$135,494 for the quarter compared to \$270,108 for the same quarter in Fiscal 2025. The decrease is mainly related to the write off of the deferred financing costs related to the convertible note payable in Fiscal 2025.
- Equity in income of associate increased to \$746,142 for the quarter compared to a loss of \$640,994 for the same quarter in Fiscal 2025. Equity in income of associate varies depending the activities in SRL.
- Impairment of investment in associate increased to \$14,174,698 for the quarter compared to \$nil for the same quarter in Fiscal 2025. The impairment relates to the Company's disposal of its interest in SRL.

Six Months Ended February 28, 2026

Net loss and comprehensive loss for the Period totalled \$18,167,223 compared to \$3,461,747 in the same period in Fiscal 2025. The difference is mainly due to the following:

- Interest income for the Period totalled \$156,445 compared to \$26,791 in the same Period in Fiscal 2025, due to increased cash balances.

- Corporate and Administrative expenses totalled \$1,418,551 during the Period, a 3% increase from the amount incurred during the comparative period in Fiscal 2025 (2025 - \$1,382,449). The main area of increased expenses for the period was consulting and professional fees.
 - Consulting and professional fees increased by \$246,536 (113%) to \$464,021 during the Period compared to the same period in Fiscal 2025 (\$217,485). The increase is primarily related to financial services and legal services.
- Project development totalled \$1,940,223 during the Period, a \$1,641,062 increase from the amount incurred during the comparative period in Fiscal 2025 (2025 - \$299,161) as the Company initiated a new preliminary economic assessment for its Nechalacho Rare Earths and Zirconium Project during the quarter.
- Finance costs increased to \$992,216 for the Period compared to \$492,225 for the same period in Fiscal 2025. The increase is mainly related to the write off of the deferred financing costs related to the convertible note payable.
- Equity in income of associate increased to \$718,283 for the Period compared to a loss of \$664,494 for the same period in Fiscal 2025. Equity in income of associate varies depending on the activities in SRL.
- Impairment of investment in associate increased to \$14,174,698 for the Period compared to \$nil for the same period in Fiscal 2025. The impairment relates to the Company's disposal of its interest in SRL.

At each reporting period date, the fair values of the Company's outstanding derivative liabilities (which included the warrants with exercise prices that are subject to adjustment from time to time in the event of certain common share rights offerings) were remeasured using the Black-Scholes pricing model, which resulted in a gain of \$331 for the Period, compared to a gain of \$632 in the comparable period in Fiscal 2025. The changes in the estimated value of these warrants are mainly caused by the fluctuation in the trading price of the Company's common shares between the beginning and end of the reporting periods.

Summary of Quarterly Results

The following selected financial data is derived from the consolidated financial statements and financial information of the Company.

Fiscal Year	2026		2025				2024	
	Feb. 28	Nov. 30	Aug. 31	May 31	Feb. 28	Nov. 30	Aug. 31	May 31
For the Quarters Ended	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	99,428	57,017	14,543	8,606	19,656	7,135	13,684	19,468
Net income (Loss)	(16,179,017)	(1,988,206)	(1,025,311)	(709,668)	(1,783,019)	(1,678,728)	(1,808,873)	(1,353,168)
Income (Loss) per share, basic	(0.019)	(0.003)	(0.002)	(0.001)	(0.003)	(0.003)	(0.003)	(0.002)
Income (Loss) per share, diluted	(0.019)	(0.003)	(0.002)	(0.001)	(0.003)	(0.003)	(0.003)	(0.002)

The fluctuation in quarterly net loss is primarily due to the recognition of share based compensation expenses as stock options, DSUs and RSUs granted to directors, officers, employees and consultants of the Company are earned, the impairment losses recognized on resource properties, changes in the fair value of derivative liabilities, write-off of business acquisition costs and expensed financing transaction costs, and any gain/loss realized on disposition of its assets. The costs of resource properties are written down at the time the properties are abandoned or considered to be impaired in value.

Liquidity and Capital Resources

In management's view, given the nature of the Company's operations, which consist mainly of the exploration and development of mineral properties, among the most relevant financial information relates primarily to its current liquidity, planned project expenditures and financing strategy. The Company's financial success will be dependent on the economic viability of its resource projects, the development of its lithium-hydroxide processing facility and the extent to which it can develop its mineral resources. Such development may take several years to complete, and the amount of resulting income, if any, is difficult to determine until adequate funding and firm offtake commitments with third parties have been secured. The sales value of any mineralization discovered by the Company is highly dependent on factors beyond the Company's control, including the negotiated value of the critical minerals products to be produced.

The Company manages its capital structure and adjusts it based on the funds available to it, taking into account changes in general economic conditions, the Company's short-term working capital requirements, and its planned exploration and development program expenditures.

As the Company is in the development stage, its principal source of capital is from the issuance of equity securities although the Company is now trying to access debt financing to fund the Nechalacho and LSLi Facility developments. In order to achieve its objectives, the Company expects to spend its existing working capital and raise additional funds as required, via equity and debt offerings.

In October 2025, the Company completed a brokered private placement under the listed issuer financing exemption, issuing an aggregate of 133,218,180 non-flow-through units of the Company ("Non-FT Units") and an aggregate of 30,769,231 flow-through units of the Company ("FT Units") for total proceeds of \$18,654,000.

Each Non-FT Unit is comprised of (i) one common share of the Company (each a "Common Share") and (ii) one common share purchase warrant of the Company (each a "Warrant"). Each FT Unit is comprised of (i) one Common Share, each of which will qualify as a "flow-through share" within the meaning of subsection 66(15) of the Income Tax Act (Canada) (the "Tax Act"), and (ii) one Warrant, each of which will qualify as a "flow-through share" within the meaning of subsection 66(15) of the Tax Act. Each Warrant will entitle the holder to acquire one Common Share (each, a "Warrant Share") at an exercise price of \$0.17 per Warrant Share and are exercisable until October 24, 2028.

In November 2025, the Company concluded its convertible security funding agreement with Lind Global Fund II, LP, managed by The Lind Partners, a New York-based institutional fund manager, having satisfied all obligations due under the agreement. The balance of the 2024 note was converted into common shares and the face value of the 2025 note was repaid.

In November 2024, the Company completed \$3,500,000 in debenture financing with Sibelco. Sibelco provided additional funding of \$3,500,000 to the Company by way of an amended and restated debenture (the "2024 Debenture"). The 2024 Debenture had a principal amount of \$6,500,000 and replaced an earlier debenture (the "2023 Debenture"), which had a principal amount of \$3,500,000 and accrued interest at 7.115% per annum. The 2024 Debenture bore interest at 7.5% per annum, with the principal and accrued interest payable on maturity, being November 18, 2026.

Prior to its extinguishment, the 2024 Debenture provided Sibelco with the right, upon maturity, to (a) convert the outstanding principal and accrued interest into additional common shares of Avalon at a price equal to the greater of (i) the 15 day VWAP of the Company's common shares on the TSX immediately prior to the exercise of this right and (ii) the minimum price allowed by the TSX or (b) convert the outstanding principal and interest into additional common shares of SRL, based on a pro-rated formula.

If the entire amount of the 2024 Debenture and accrued interest had been converted to common shares of SRL at maturity, Sibelco's equity interest in SRL would have increased by up to 90%, with

the Company owning the remaining 10%. Sibelco also had the right to exercise its conversion rights prior to maturity under certain conditions. The 2024 Debenture was secured by a pledge of Company's shares in SRL.

As at February 28, 2026, the Company has current assets of \$23,432,545 and current liabilities of \$11,185,447. The Company's working capital was \$12,247,101 as at February 28, 2026 (August 31, 2025 - working capital deficit of \$2,536,598).

The Company's operating expenditures, excluding expenditures on property work programs, currently average approximately \$300,000 per month. Any significant future capital, resource property and other project expenditures will depend on the requisite financing being in place.

The development of the Company's planned midstream lithium-hydroxide processing facility and the Nechalacho Project will require additional capital, which is expected to be pursued through a combination of strategic partnerships and project-level financing initiatives. The Company continues to engage with potential strategic and industrial partners to support these funding requirements, with the objective of aligning capital sources with long-term asset development while minimizing shareholder dilution.

In February 2026, SCP Resource Finance was engaged as a strategic capital advisor to support the development and execution of a structured capital and partnership strategy across the Company's lithium and rare earth projects. SCP is assisting in identifying and engaging potential strategic investors, industrial partners, and other sources of capital, with an emphasis on project-level financing solutions.

The Company continues to maintain flexibility in the timing and scope of certain discretionary exploration and development expenditures, enabling alignment of capital deployment with funding progress and market conditions.

The Company continues to work on attracting more substantial project financing through the participation of one or more strategic partners, a long term construction debt financing facility, and/or through the equity markets. If the Company is not able to secure financing on satisfactory terms, expenditures on the development of its projects will need to be delayed.

All of the Company's resource properties are owned, leased or licenced with minimal holding costs. The most significant holding costs being annual lease rental fees on Nechalacho of \$24,841 (which are shared 50/50 with Cheetah). The Company also incurs holding costs with respect to its Thunder Bay property. The most significant cost being property tax of approx. \$65,000. The Company has a lease for its premises. As at the date of this MD&A, the minimum lease commitments under this lease are as follows:

Fiscal year ending August 31,	2026	\$ 121,199
	2027	245,358
	2028	249,846
	2029	56,926

Off Balance Sheet Arrangements

As at February 28, 2026, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed here. Details of the transactions between the Company and other related parties are disclosed below:

a) Trading transactions

There have been no material trading transactions with related parties during each of the periods ended February 28, 2026 and 2025, other than the participation by certain related parties in the October 2024 Private Placement whereby Mr. Zeeshan Syed, former Vice President, External Affairs and Partnerships and Mr. Andrew Ramcharan, former Vice President, Corporate Development each subscribed for 200,000 Units at \$0.05 per unit.

b) Compensation of key management personnel

The remuneration of directors and other key members of the Company's senior management team during the three and six months ended February 28, 2026 and 2025 are as follows:

	Three Months Ended February 28, 2026	Three Months Ended February 28, 2025	Six Months Ended February 28, 2026	Six Months Ended February 28, 2025
Salaries, benefits and directors' fees ⁽¹⁾	\$ 252,177	\$ 363,795	\$ 718,241	\$ 1,168,733
Share based compensation ⁽²⁾	39,909	184,067	219,971	263,128
	<u>\$ 292,086</u>	<u>\$ 547,862</u>	<u>\$ 938,212</u>	<u>\$ 1,431,861</u>

⁽¹⁾ Salaries and benefits of key management personnel capitalized to PPE and E&E assets for the three and six months ended February 28, 2026 totaled \$46,036 and \$97,035, respectively (2025 - \$57,957 and \$84,400, respectively).

Salaries and benefits of key management personnel expensed to project development and general exploration for the three and six months ended February 28, 2026 totaled \$25,756 and \$109,850, respectively (2025 - \$83,660 and \$219,366, respectively).

⁽²⁾ Fair value of stock options, DSUs & RSUs earned and recognized as share based compensation during the respective reporting period.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, debenture payable, convertible note payable and warrants with exercise prices that are subject to adjustment from time to time.

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, debenture payable and convertible notes payable approximate their carrying values.

Interest income from cash and cash equivalents are recorded in the statement of comprehensive loss.

Outstanding Share Data

The Company's share capital structure including its common shares and any potentially dilutive instruments outstanding as at the date of this MD&A are as follows:

Common shares	834,993,796
Warrants	211,412,411
Broker warrants	9,839,245
Stock options	25,540,000
DSUs	3,675,000
RSUs	1,370,000
Total	<u>1,086,830,452</u>

The Company is also committed to issue 20,000 warrants to the Northwest Territory Métis Nation in two equal installments of 10,000 warrants upon the Nechalacho Project meeting certain milestones.

a) Common and Preferred Shares

The Company is presently authorized to issue an unlimited number of common shares without par value. The Company is also authorized to issue up to 25,000,000 preferred shares without par value, of which 950 have been issued and none is outstanding as at February 28, 2026.

As at February 28, 2026, the Company has 834,993,796 common shares issued and outstanding.

b) Options

As at February 28, 2026, the Company had an aggregate 25,540,000 incentive stock options outstanding with a weighted average exercise price of \$0.11 (of which 16,505,000 were vested and 9,035,000 were unvested).

c) Deferred and Restricted Share Units

As at February 28, 2026, and at the date of this MD&A the Company had 3,675,000 fully vested DSUs and 1,370,000 unvested RSUs outstanding and no fully vested RSUs outstanding.

d) Warrants

As at February 28, 2026, the Company has the following common share purchase warrants outstanding:

- i. 9,000,000 warrants with an exercise price of \$0.26 per common share and are exercisable until May 9, 2026;
- ii. 2,125,000 warrants with an exercise price of \$0.15 per common share which are exercisable until January 31, 2027, or, if at any time following January 31, 2024, the closing price of the common shares on the TSX is \$0.30 or higher for a period of twenty consecutive trading days, the Company may, by notice to the holder (supplemented by a news release of general dissemination) reduce the expiry date to not less than thirty days from the date of such notice;;
- iii. 15,800,000 warrants with an exercise price of \$0.13 per common share and are exercisable until March 27, 2029;
- iv. 6,400,000 warrants with an exercise price of \$0.075 per common share which are exercisable until October 25, 2027, or, if at any time following October 25, 2024, the closing price of the common shares on the TSX is \$0.15 or higher for a period of twenty consecutive trading days, the Company may, by notice to the holder

(supplemented by a news release of general dissemination) reduce the expiry date to not less than thirty days from the date of such notice;

- v. 3,500,000 common share purchase warrants with an exercise price of \$0.0625 per common share and are exercisable until November 18, 2029;
- vi. 10,600,000 common share purchase warrants with an exercise price of \$0.09 per common share and are exercisable until July 25, 2030; and
- vii. 163,987,411 common share purchase warrants with an exercise price of \$0.17 per common share and are exercisable until October 24, 2028.

The Company is also committed to issue 20,000 warrants to the Northwest Territory Métis Nation in two equal installments of 10,000 warrants upon the Nechalacho Project meeting certain milestones. These warrants will have a contractual term of five years and will have an exercise price based on the then current market price of the Company's common shares at the date of issue of the warrants.

e) Broker Warrants

As at February 28, 2026 and the date of this MD&A the Company has the following common share purchase broker warrants outstanding:

- i. 9,839,245 warrants with an exercise price of \$0.11 per common share and are exercisable until October 24, 2028

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure.

Management, including the CEO and CFO, has designed or caused to be designed under their supervision, disclosure controls to provide reasonable assurance that the information required to be disclosed in annual filings, interim filings, or other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules.

Internal Control over Financial Reporting

The CEO and CFO are also responsible for the design of the Company's internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements.

There have been no changes to the Company's design of internal controls over financial reporting that occurred during the Period that materially affected, or are reasonably likely to affect, the Company's ICFR.

Critical Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial

statements and the related notes thereto. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following significant areas where critical accounting judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the consolidated financial statements.

Key Sources of Estimation Uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the financial results or the financial positions reported in future periods are included in the following notes:

Recoverability of Exploration and Evaluation Assets, Investment in Associate and Property, Plant and Equipment

The Company assesses its long-lived assets, specifically all exploration and evaluation assets, its investment in associate and property, plant and equipment ("PPE") at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, foreign exchange rates, years to commencement of production, future capital requirements, exploration potential and operating performance.

Determination of Reserve and Resource Estimates

Mineral reserves and resources are estimates of the amount of ore that can be economically and legally extracted from the Company's exploration and development properties. The estimation of recoverable reserves for non-traditional mineral commodities, like lithium and rare earths, is based primarily upon demand for the product as well as estimates of commodity prices, production costs, production techniques, future capital requirements and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and quality of the resource. Changes in the resource estimates may impact the carrying value of exploration and evaluation assets, development assets, PPE, site closure plans as well as the scale of the operations.

Fair Value of Share Based Payments and Warrants

The Company follows IFRS 2, Share based Payment, in determining the fair value of share-based payments. This calculated amount is not based on historical cost but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

Critical Judgments

Information about critical judgments in applying accounting policies that have most significant effect on the consolidated financial statements are as follows:

Capitalization of Exploration and Evaluation Costs

Exploration and evaluation costs incurred during the year are recorded at cost. Capitalized costs include costs directly attributable to exploration and evaluation activities, including salaries and benefits of employees who are directly engaged in the exploration and evaluation activities. Administrative and other overhead costs are expensed. Exploration and evaluation costs incurred that have been determined to have future economic benefits and can be economically recoverable are capitalized. In making this judgment, management assesses various sources of information including, but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Changes in Accounting Policies Including Initial Adoption

The Company did not adopt any new accounting standard during the Period.

Recent Accounting Pronouncements

The following pronouncements are issued but not yet effective and have not been applied in preparing the Company's consolidated financial statements. Management believes that other new IFRS accounting pronouncements not yet effective do not have a significant impact on the Company's present or near future consolidated financial statements.

IFRS 18 - Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure of Financial Statements ("IFRS 18"). IFRS 18 is effective for periods beginning on or after January 1, 2027 (which will become effective on September 1, 2027, for the Company) and will apply retrospectively. IFRS 18 will replace IAS 1. IFRS 18 is expected to improve the quality of financial reporting by requiring defined subtotals in the statement of profit or loss, requiring disclosure about management-defined performance measures, and adding new principles for aggregation and disaggregation of information. The Company has not yet determined the impact of this standard on its disclosures.

Forward-Looking Information, Risk Factors and Qualified Persons

Certain of the statements that are not historical facts contained in this MD&A are forward-looking information and forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Such forward-looking statements reflect the Company's current views with respect to future events and include, among other things, statements regarding targets, estimates and/or assumptions in respect of reserves and/or resources, and are based on estimates and/or assumptions related to future economic, market and other conditions that, while considered reasonable by management, are inherently subject to risks and uncertainties, including significant business, economic, competitive, political and social uncertainties and contingencies. These estimates and/or assumptions include, but are not limited to:

- grade of ore;
- mineral product and commodity prices;
- metallurgical recoveries;
- operating costs;

- achievement of current timetables for development;
- strength of the global economy;
- availability of additional capital;
- availability of supplies, equipment and labour; and
- market and sector trends.

Factors that could cause the Company's actual results, performance, achievements, developments or events to differ materially from those expressed or implied by forward-looking statements include, among others, the factors described or referred to under "Description of the Business - Risk Factors" in the Company's Annual Information Form for the year ended August 31, 2025, and:

- risks related to the Company's history of losses, lack of operating history, ability to generate material revenues and continue as a going concern;
- risks related to the Company's joint venture with Sibelco, including dilution and control risks;
- risks related to establishing new operations in the event that the Company elects to proceed with the development of one of its projects;
- risks related to the Company's need for additional financing;
- risks related to any joint venture or strategic alliances that may be entered into by the Company;
- risks related to either Avalon's or Cheetah's development plans of the Nechalacho Project negatively impacting the other's development plans;
- risks related to securing product off-take agreements on a timely basis;
- risks related to the unique ore type at the Nechalacho Project and for which known metallurgical processes have not previously been applied;
- uncertainty related to title to the Company's properties as well as the risk of delays in obtaining licenses and permits as a result of local opposition, including uncertainty related to any challenges in connection with Indigenous land title claims and Indigenous rights;
- risks related to the possible existence of rights and interests of Indigenous groups, which may limit the Company's ability to develop its properties;
- risks related to the need to acquire properties for the hydrometallurgical plant and potentially a rare earth refinery for the Nechalacho Project;
- risks that actual capital costs, production schedules and economic returns for the Nechalacho Project may differ significantly from those anticipated by the Company;
- risks related to the demand for technology metals and minerals and fluctuations in their pricing;
- risks related to the demand for lithium and fluctuations in its pricing;
- risks related to competition and the actions of competitors;
- risks related to costs or delays in the commercialization of rare earth products;
- uncertainties related to the fact that the Company's mineral resources and mineral reserves are only estimates;
- risks related to obtaining, maintaining and renewing licenses and permits, and the material costs, liabilities and obligations in connection therewith;
- risks that the Company will be subject to material costs, liabilities and obligations in connection with environmental laws, regulations and approvals and that approvals will not be available;
- uncertainties involving uninsured risks;
- risks related to possible shortages of supplies, equipment and labour;
- risks related to the Company's ability to attract and retain qualified management and technical personnel;
- uncertainty whether the Company will acquire commercially mineable ore deposits or whether the current mineral deposits identified by the Company can be developed as commercially viable ore bodies;
- risks inherent to the competitive nature of the mineral industry;
- risks related to the extensive federal, state, provincial, territorial and local laws and regulations to which the Company's activities are subject;
- risks related to the availability and reliability of adequate infrastructure;
- risks and hazards inherent to the mining industry;
- risks related to any changes in critical accounting estimates that adversely affect the Company's financial results;
- risks related to potential conflicts of interest of the Company's directors and officers who may have involvement with other resource companies;

- risks related to cybersecurity;
- risks due to being a “passive foreign investment company” for U.S. purposes;
- risks related to fluctuations of currency exchange rates;
- risks related to share price volatility;
- risks related to dilution of existing shareholders;
- risks related to not paying cash dividends;
- risks related to international conflicts;
- risks related to global financial conditions; and
- risks related to there being no market for the Company’s warrants.

Most of the foregoing factors are beyond the Company’s ability to control or predict. Although the Company has attempted to identify important factors that could cause actual results, performance, achievements, developments or events to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements, developments or events not to be as anticipated, estimated or intended. There can be no assurance that the estimates and/or assumptions upon which these forward-looking statements are based will occur.

Readers can identify many of these statements by looking for words such as “believe”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur.

The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management’s plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances, except as required by applicable law.

The technical information included in this MD&A, unless otherwise stated, has been reviewed and approved by Dr. Andrew Ramcharan, Vice-President, Corporate Development. Dr. Ramcharan is a qualified person under National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”).

Cautionary Note to U.S. Persons

This MD&A was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ in some respects from United States standards. In particular, and without limiting the generality of the foregoing, the terms “mineral resources,” “inferred mineral resources,” “indicated mineral resources,” “measured mineral resources,” “mineral reserves,” “proven mineral reserves,” and “probable mineral reserves” used or referenced in this MD&A are Canadian mineral disclosure terms as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards. These definitions differ from the definitions in Subpart 1300 of Regulation S-K (“Subpart 1300”), based on the Committee for Mineral Reserves International Reporting Standards (“CRIRSCO”), which replaced the United States Securities and Exchange Commission’s (the “SEC”) Industry Guide 7 as part of the SEC’s amendments to its disclosure rules to modernize the mineral property disclosure requirements. These amendments became effective February 25, 2019 and registrants were required to comply with the Subpart 1300 provisions by their first fiscal year beginning on or after January 1, 2021. Readers are cautioned not to assume that all or any part of mineral reserves and mineral resources determined in accordance with NI 43-101 and CIM Standards will qualify as, or be identical to, mineral reserves and mineral resources estimated under the standards of the SEC applicable to U.S. companies under Subpart 1300. While the definitions in Subpart 1300 are more similar to the definitions in NI 43-101 and the definitions in the CIM Standards than were the Industry Guide 7 provisions due to the adoption in Subpart 1300 of terms describing mineral reserves and mineral resources that are “substantially similar” to the corresponding terms under the definitions in the CIM Standards, including the SEC now recognizing estimates of “measured mineral resources”,

“indicated mineral resources” and “inferred mineral resources” and amending its definitions of “proven mineral reserves” and “probable mineral reserves” to be “substantially similar” to the corresponding definitions under the CIM Standards that are required under NI 43-101, the definitions in Subpart 1300 still differ from the requirements of, and the definitions in, NI 43-101 and the CIM Standards. Investors are cautioned that while the above terms are “substantially similar” to the corresponding definitions in the CIM Standards, there are differences in the definitions in Subpart 1300 and the CIM Standards. Accordingly, there is no assurance any mineral resources or mineral reserves that the Company may report as “inferred mineral resources,” “indicated mineral resources,” “measured mineral resources,” “proven mineral reserves,” and “probable mineral reserves” under NI 43-101 would be the same had the Company prepared the mineral resource or mineral reserve estimates under the standards adopted under the standards of the SEC applicable to U.S. domestic companies under Subpart 1300. Investors are also cautioned that while the SEC recognizes “inferred mineral resources,” “indicated mineral resources,” and “measured mineral resources” under Subpart 1300, investors should not assume that any part or all of the mineralization in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. Mineralization described using these terms has a great amount of uncertainty as to its existence, and great uncertainty as to its economic feasibility than mineralization that has been characterized as reserves. Accordingly, investors are cautioned not to assume that any measured mineral resources, indicated mineral resources, or inferred mineral resources that the Company reports are or will be economically or legally mineable. Under Canadian rules, estimates of “inferred mineral resources” may not form the basis of feasibility or other economic studies, except in limited circumstances. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists. The term “resource” does not equate to the term “reserves”. Accordingly, information contained herein containing descriptions of the Company’s mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Other Information

Additional information on the Company is available on SEDAR at www.sedarplus.com and on the Company’s website at www.avalonadvancedmaterials.com.