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AVALON ADVANCED MATERIALS INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

ONLY REGISTERED SHAREHOLDERS AND/OR THEIR DULY APPOINTED PROXYHOLDERS MAY ATTEND THE MEETING. HOWEVER, IN ORDER THAT AS MANY SHARES AS POSSIBLE ARE REPRESENTED AT THE MEETING, WE ARE REQUESTING THAT SHAREHOLDERS VOTE THEIR COMMON SHARES BY PROXY PRIOR TO THE MEETING, AS PER THE VOTING AND PROXY INSTRUCTIONS THAT ARE SET OUT IN THE ACCOMPANYING INFORMATION CIRCULAR.

NOTICE IS HEREBY GIVEN that the special meeting (the "Meeting") of the shareholders of Avalon Advanced Materials Inc. (the "Company") will be held in the Ontario Boardroom, Dentons Canada LLP, 77 King Street West, 4th floor, Toronto, Ontario, M5K 0A1, at 10:00 a.m. (Toronto time) on Monday, June 29, 2026, for the following purposes:

- (1) to consider and, if deemed advisable, to pass a special resolution, the full text of which is set out in the accompanying information circular, authorizing the Company to consolidate the common shares of the Company (each, a "Common Share") at a share consolidation ratio to be selected by the board of directors of the Company between a range of one hundred thirty (130) pre-consolidation Common Shares for one (1) post-consolidation Common Share and one hundred eighty (180) pre-consolidation Common Shares for one (1) post-consolidation Common Share, if, and at such time following the date of the Meeting, as may be determined by the board of directors of the Company in its sole discretion, provided that such consolidation occurs prior to the earlier of the twelve (12) month anniversary of the Meeting and the next annual meeting of shareholders of the Company, as more particularly described in the accompanying information circular; and
- (2) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The accompanying information circular is also available on SEDAR at www.sedarplus.ca and on the Company's website at http://www.avalonadvancedmaterials.com/investors/regulatory_filings/. Shareholders may request paper copies of the accompanying information circular at no cost online at <https://docs.tsxtrust.com/2525> or by calling toll-free at 1-866-600-5869 or by emailing tsxtis@tmx.com.

Particulars of the foregoing matters are set forth in the accompanying information circular. The directors of the Company have fixed the close of business on May 29, 2026 as the record date for the determination of the shareholders of the Company entitled to receive notice of, and to vote at, the Meeting.

Regardless of whether you are able to attend the Meeting in person, registered shareholders are encouraged to complete, date, sign and return the accompanying form of proxy in the enclosed return envelope, or to vote their shares online in advance of the Meeting. All instruments appointing proxies to be used at the Meeting or at any adjournment thereof must be deposited with TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada M5H 4H1, fax number: (416) 595-9593 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. 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.

If you are a non-registered shareholder of the company and received these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.

DATED at Toronto, Ontario this 29th day of May, 2026.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Scott Monteith"

Scott Monteith

President and Chief Executive Officer



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INFORMATION CIRCULAR

As at and dated May 29, 2026

(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 (the “**Meeting**”) of the holders (“**Shareholders**”) of common shares in the capital of the Company (“**Common Shares**”) to be held at 10:00 a.m. (Toronto time) on Monday, June 29, 2026, 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 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 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 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 Shareholders either directly or through Intermediaries and clearing agencies for onward distribution in the case of certain Non-registered Shareholders as described in more detail herein. Intermediaries are required to forward the Meeting 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 Meeting 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 Meeting 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 Meeting 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.**

The Company will not be providing the Notice of Meeting, this Information Circular or the form of proxy to registered Shareholders or Non-registered Shareholders through the use of notice-and-access, as such term is defined in NI 54-101.

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 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 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 or the duly appointed attorney of the Shareholder authorized in writing or, if the Shareholder 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 or in some other representative capacity, including an officer of a corporation which is a Shareholder, 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 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 835,628,796 Common Shares outstanding as at May 29, 2026. 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 May 29, 2026.

At the Meeting, on a show of hands or a vote by ballot, every registered Shareholder 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 May 29, 2026 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 May 29, 2026 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, which, based on information obtained from the System for Electronic Disclosure by Insiders, owns 111,486,486 Common Shares, representing 13.3% of the issued and outstanding Common Shares as of May 29, 2026. The directors and officers of the Company collectively own or control, directly or indirectly, in the aggregate, 1,514,000 Common Shares, representing approximately 0.2% of the outstanding Common Shares as at May 29, 2026.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Approval of the Share Consolidation

At the Meeting, Shareholders will be asked to consider and, if thought advisable, pass a special resolution (the “**Share Consolidation Resolution**”) authorizing a consolidation of the Common Shares at a share consolidation ratio (the “**Share Consolidation Ratio**”) to be selected by the board of directors of the Company (the “**Board**”) between a range of one hundred thirty (130) pre-consolidation Common Shares for one (1) post-consolidation Common Share and one hundred eighty (180) pre-consolidation Common Shares for one (1) post-consolidation Common Share (the “**Share Consolidation**”), if, and at such time following the date of the Meeting, as may be determined by the Board in its sole discretion, provided that the Share Consolidation occurs prior to the earlier of the twelve (12) month anniversary of the Meeting and the next annual meeting of Shareholders of the Company.

A. Background to and Reasons for the Share Consolidation

The Board believes that it is in the best interests of the Company to effect the Share Consolidation. The Share Consolidation is intended to support the Company’s broader capital markets strategy by providing greater flexibility as the Company evaluates potential U.S. capital markets alternatives, including a possible future listing of the Common Shares on The Nasdaq Stock Market LLC (“**Nasdaq**”) or another major U.S. stock exchange. Among the potential benefits of the Share Consolidation include:

- (i) Potential U.S. Listing and Capital Markets Repositioning. The Company is evaluating the possibility of a future listing of the Common Shares on a major U.S. stock exchange. The higher anticipated trading price of the post-consolidation Common Shares may help position the Company to satisfy applicable minimum bid price or similar listing requirements that may apply in connection with such a listing. The Board believes that a U.S. exchange listing, if completed, could improve the Company's visibility with a broader base of U.S. institutional and strategic investors, support access to deeper capital markets over time, and better align the Company's public market profile with the North American scope and strategic relevance of its critical minerals assets. There can be no assurance that the Company will proceed with or complete any U.S. exchange listing.
- (ii) Enhanced Investor Appeal. The Board believes that the Company's current share structure and low nominal trading price may limit the Company's appeal to a range of potential investors and market participants, including institutional investors, retail investors, investment banks, research platforms, financial advisors and other capital markets participants. Certain investors and market participants may be constrained, formally or informally, in their ability or willingness to invest in, recommend, finance or otherwise support securities that trade below certain price levels. The Share Consolidation may result in a higher trading price for the Common Shares on a proportionate basis, which could make the Common Shares more attractive to investors who view securities trading above certain price levels as more suitable from an investment perspective. The Board believes that a higher anticipated post-consolidation trading price for the Common Shares may improve the Company's ability to broaden investor interest, support future capital markets initiatives and present Avalon as a more investable public company as it advances its critical minerals strategy.
- (iii) Reduced Volatility. The higher anticipated price of the post-consolidation Common Shares may result in less volatility as a result of small changes in the share price of the Common Shares. For example, a nominal price movement will result in a less significant change (in percentage terms) in the market capitalization of the Company. However, there can be no assurance that the Share Consolidation will reduce volatility, improve trading liquidity or result in a sustained increase in the market price of the Common Shares.
- (iv) Reduced Shareholder Transaction Costs. Certain investors pay commissions on a per share basis on a purchase or sale of Common Shares. The Share Consolidation would raise the price per Common Share and, as a result, certain investors may pay lower trading commissions when trading a fixed dollar value of Common Shares. However, the actual impact on transaction costs will depend on each investor's brokerage arrangements and trading practices.

The Board recognizes that the Share Consolidation could affect trading liquidity. However, the Board believes that any potential near-term effects from a reduced number of outstanding Common Shares should be considered in the context of the Company's broader strategic objective of positioning Avalon to access a larger and more institutionally oriented capital markets platform if a U.S. exchange listing is pursued and completed.

Approval of the Share Consolidation does not mean that the Company will proceed with any U.S. exchange listing, Nasdaq application, SEC registration statement, financing, reverse merger, business combination, direct listing or other transaction. No final decision has been made with respect to any such initiative. Any potential U.S. listing would remain subject to a number of conditions, including further Board approval, approval of the TSX, acceptance by the applicable U.S. exchange, satisfaction of all applicable listing standards, regulatory review, market conditions and other customary considerations. There can be no assurance that any U.S. listing or related capital markets initiative will be pursued or completed.

The Company believes that providing the Board with the authority to select within a range of ratios provides the flexibility to implement the Share Consolidation in a manner intended to maximize the anticipated benefits of the Share Consolidation for the Company and the Shareholders.

The Share Consolidation is subject to certain conditions, including the approval of the Shareholders and acceptance by the Toronto Stock Exchange (“**TSX**”). If the requisite approvals are obtained and the Board elects to proceed with the Share Consolidation, the Share Consolidation will take place at a time to be determined by the Board. No further action on the part of Shareholders would be required in order for the Board to implement the Share Consolidation. Shareholders will be notified and registered Shareholders will receive a letter of transmittal (a “**Letter of Transmittal**”) containing instructions for exchange of their share certificates in connection with the Share Consolidation. Non-registered Shareholders will receive further instructions from their Intermediary. The special resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time, whether or not the requisite approvals for the Share Consolidation are received, if it determines, in its sole discretion, to do so.

Following a vote by the Board to implement the Share Consolidation, the Company will file articles of amendment with the Director under the Canada Business Corporations Act (“**CBCA**”) to amend the Company’s articles. The Share Consolidation will become effective on the date shown in the certificate of amendment issued by the Director under the CBCA in connection with the Share Consolidation or such other date indicated in the articles of amendment.

B. Effects of the Share Consolidation

General

If the Share Consolidation is implemented, its principal effect will be to proportionately decrease the number of issued and outstanding Common Shares by a factor equal to the Share Consolidation Ratio selected by the Board. At the close of business on the Record Date, there were 835,628,796 Common Shares issued and outstanding. For illustrative purposes only, the following table sets forth, based on the number of Common Shares as at the Record Date, the number of Common Shares that would be issued and outstanding (disregarding any resulting fractional Common Shares and subject to any issuances occurring after the Record Date) following the implementation of the Share Consolidation:

Share Consolidation Ratio	Expected Common Shares Outstanding
130 pre-consolidation Common Shares for 1 post-consolidation Common Share	6,427,913
150 pre-consolidation Common Shares for one (1) post-consolidation Common Share	5,570,858
180 pre-consolidation Common Shares for one (1) post-consolidation Common Share	4,642,382

The Company does not expect the Share Consolidation itself to have any economic effect on holders of Common Shares or securities convertible into or exercisable to acquire Common Shares, except to the extent the Share Consolidation will result in fractional Common Shares. See "No Fractional Common Shares" below.

The Share Consolidation will not affect the listing of the Common Shares on the TSX or the Frankfurt Stock Exchange (the “**FSE**”) or the quotation of the Common Shares on the OTCQB® Venture Market (“**OTCQB**”). Following the Share Consolidation, it is expected that the Common Shares will continue to be listed on the

TSX under the symbol “AVL”, on the OTCQB under the symbol “AVLNF” and on the FSE under the symbol “OU5”, except that for approximately twenty (20) trading days after the implementation of the Share Consolidation, the Company’s symbol on the OTCQB may display as AVLNFD. Following the Share Consolidation, the Common Shares will be assigned new CUSIP and ISIN numbers.

Voting rights and other rights of the holders of Common Shares prior to the implementation of the Share Consolidation will not be affected by the Share Consolidation, other than as a result of the creation and disposition of fractional Common Shares as described below. For example, a holder of 2% of the voting power attached to the outstanding Common Shares immediately prior to the implementation of the Share Consolidation will generally continue to hold 2% of the voting power attached to the Common Shares immediately after the implementation of the Share Consolidation. The number of registered Shareholders is not expected to be affected by the Share Consolidation (except to the extent resulting from the elimination of post-consolidation fractional Common Shares).

The exercise or conversion price and the number of Common Shares issuable under any outstanding convertible securities of the Company will be adjusted in accordance with their respective terms on the same basis as the Share Consolidation.

Effect on Non-registered Shareholders

Non-registered Shareholders holding Common Shares through an Intermediary should be aware that the Intermediary may have different procedures for processing a consolidation than those that will be put in place by the Company for registered Shareholders, and their procedures may result, for example, in differences in the precise cash amounts being paid by such Intermediaries in lieu of fractional Common Share interests. If Shareholders hold their Common Shares through an Intermediary and they have questions in this regard, they are encouraged to contact their Intermediary.

Effect of the Share Consolidation on Convertible Securities

The exercise or conversion price and/or the number of Common Shares issuable under any of the Company's outstanding convertible securities, including under outstanding stock options, warrants, rights and any other similar securities will be proportionately adjusted upon the implementation of the Share Consolidation, in accordance with the terms of such securities, based on the Share Consolidation Ratio.

Effect on Share Certificates

If the Share Consolidation is approved by Shareholders and subsequently implemented by the Board, those registered Shareholders who will hold at least one post-consolidation Common Share will be required to exchange their share certificates representing pre-consolidation Common Shares for share certificates representing post-consolidation Common Shares following the Share Consolidation or, alternatively, a Direct Registration System (“**DRS**”) Statement representing the number of post-consolidation Common Shares they hold following the Share Consolidation. The DRS is an electronic registration system which allows Shareholders to hold Common Shares in their name in book-based form, as evidenced by a DRS Statement, rather than a physical share certificate.

If the Share Consolidation is implemented, the Company (or its transfer agent) will mail to each registered Shareholder a Letter of Transmittal in connection with the Share Consolidation. Each registered Shareholder must complete and sign a Letter of Transmittal after the Share Consolidation takes effect. The Letter of Transmittal will contain instructions on how to surrender to the transfer agent the certificate(s) representing the registered Shareholder's pre-consolidation Common Shares. The transfer agent will send

to each registered Shareholder who follows the instructions provided in the Letter of Transmittal a DRS Statement representing the number of post-consolidation Common Shares to which the registered Shareholder is entitled, rounded down to the nearest whole number, or, alternatively, a DRS Statement representing the number of post-consolidation Common Shares the registered Shareholder holds following the Share Consolidation, and/or the cash payment that the Shareholder is entitled to in lieu of any fraction post-consolidation Common Shares. Non-registered Shareholders who hold their Common Shares through Intermediaries and who have questions regarding how the Share Consolidation will be processed should contact their Intermediaries with respect to the Share Consolidation. See "Effect on Non-registered Shareholders" above.

Until surrendered to the transfer agent, each share certificate representing pre-consolidation Common Shares will be deemed for all purposes to represent only the number of post-consolidation Common Shares and the right to receive the amount of cash in lieu of any fractional Common Shares to which the registered Shareholder is entitled as a result of the Share Consolidation. Until registered Shareholders have returned their properly completed and duly executed Letter of Transmittal and surrendered their share certificate(s) for exchange, registered Shareholders will not be entitled to receive any distributions, if any, that may be declared and payable to holders of record following the Share Consolidation.

Any registered Shareholder whose old certificate(s) have been lost, destroyed or stolen will be entitled to a replacement share certificate only after complying with the requirements that the Company and the transfer agent customarily apply in connection with lost, stolen or destroyed certificates.

The method chosen for delivery of share certificates and letters of transmittal to the Company's transfer agent is the responsibility of the registered Shareholder and neither the transfer agent nor the Company will have any liability in respect of share certificates and/or letters of transmittal which are not actually received by the transfer agent.

REGISTERED SHAREHOLDERS SHOULD NEITHER DESTROY NOR SUBMIT ANY SHARE CERTIFICATES UNTIL HAVING RECEIVED A LETTER OF TRANSMITTAL.

No Fractional Common Shares

No fractional Common Shares will be issued in connection with the Share Consolidation. In the event that a Shareholder would otherwise be entitled to receive a fractional Common Share upon the occurrence of the Share Consolidation, such number of post-consolidation Common Shares to which the Shareholder is entitled will be rounded down to the nearest whole number. Shareholders who would otherwise be entitled to receive fractional Common Shares because they hold a number of pre-consolidation Common Shares not evenly divisible by the number of pre-consolidation Common Shares for which each post-consolidation Common Share is to be exchanged, will be entitled to a cash payment in lieu thereof at a price equal to the fraction to which the Shareholder would otherwise be entitled multiplied by the closing price of the Common Shares, as reported by the TSX, on the last trading day prior to the effective date of the Share Consolidation. The proceeds of such payments will be subject to certain taxes, as discussed in the section titled "Tax Considerations" below. Interest will not accrue on any entitlement to a cash payment in lieu of a fractional Common Share between the effective date of the Share Consolidation and the date the Shareholder that is entitled to such payment actually receives it. In calculating such fractional interest, all post-Share Consolidation Common Shares held by a Non-registered Shareholder(s) shall be aggregated.

If a registered Shareholder is entitled to a payment in lieu of any fractional Common Share interest, a cheque will be mailed to such Shareholder's registered address as soon as practicable after the effective time of the Share Consolidation and after such Shareholder has delivered a duly completed and signed Letter of

Transmittal and all other required documents to the Company's transfer agent or other entity making cash payments on behalf of the Company. By endorsing and cashing the cheque, registered Shareholders would warrant that they owned the Common Shares for which they received the cash payment. The Company and its transfer agent or other entity making cash payments on behalf of the Company will be entitled to deduct and withhold from any cash payment otherwise payable to a Shareholder pursuant to the Share Consolidation any amounts that are required or permitted to be deducted and withheld with respect to such payment under any provision of federal, provincial, state, local or foreign tax law.

Shareholders must deliver a duly completed and signed Letter of Transmittal together with the share certificate(s) and/or DRS Statement to the Company's transfer agent or other entity making cash payments on behalf of the Company in order to receive any cash payment to which they are entitled. The failure of a Shareholder to forward a duly completed and signed Letter of Transmittal on or prior to the third anniversary of the effective date of the Share Consolidation will result in the forfeiture of any entitlement to the cash payment which would otherwise be payable to such Shareholder in connection with the Share Consolidation.

No Dissent Rights

Shareholders are not entitled to exercise any statutory dissent rights with respect to the Share Consolidation Ratio.

Accounting Consequences

If the Share Consolidation is implemented, net income or loss per Common Share, and other per Common Share amounts, will be increased because there will be fewer Common Shares issued and outstanding. In future financial statements, net income or loss per Common Share and other per Common Share amounts for periods ending before the Share Consolidation took effect would be recast to give retroactive effect to such consolidation.

TSX Approval

Assuming Shareholder approval is received at the Meeting, and assuming that the Board determines to proceed with the Share Consolidation, the Share Consolidation will be subject to acceptance by the TSX, and confirmation that, on a post-Share Consolidation basis, the Company would meet all of the TSX's applicable continuous listing requirements. If the TSX does not accept the Share Consolidation, the Company will not proceed with the Share Consolidation.

Risks Associated with the Share Consolidation

Reducing the number of issued and outstanding Common Shares through the Share Consolidation is intended, absent other factors, to increase the per share market price of the Common Shares. However, the market price of the Common Shares will also be affected by the Company's financial and operational results, its financial position, including its liquidity and capital resources, the development of its operations, industry conditions, the market's perception of the Company's business and other factors, which are unrelated to the number of Common Shares outstanding.

The market price of the Common Shares immediately following the implementation of the Share Consolidation is expected to be approximately equal to the market price of the Common Shares prior to the implementation of such consolidation multiplied by the Share Consolidation Ratio but there is no assurance that the anticipated market price immediately following the implementation of the Share Consolidation will

be realized or, if realized, will be sustained or will increase. There is a risk that the total market capitalization of the Common Shares (i.e. the market price of the Common Shares multiplied by the number of Common Shares outstanding) after the implementation of any Share Consolidation may be lower than the total market capitalization of the Common Shares prior to the implementation of the Share Consolidation.

Although the Company believes that establishing a higher market price for the Common Shares could increase investment interest for the Common Shares in equity capital markets by potentially broadening the pool of investors that may consider investing in the Company, including investors whose internal investment policies prohibit or discourage them from purchasing stocks trading below a certain minimum price, there is no assurance that implementing the Share Consolidation will achieve this result.

If the Share Consolidation is implemented and the market price of the Common Shares (adjusted to reflect the Share Consolidation Ratio) declines, the percentage decline as an absolute number and as a percentage of the Company's overall market capitalization may be greater than would have occurred if the Share Consolidation had not been implemented. Both the total market capitalization of a company and the adjusted market price of such company's shares following a consolidation may be lower than they were before the consolidation took effect. The reduced number of Common Shares that would be outstanding after the Share Consolidation is implemented could adversely affect the liquidity of the Common Shares.

The Share Consolidation may result in some Shareholders owning "odd lots" of fewer than 100 Common Shares on a post-consolidation basis. Odd lot Common Shares may be more difficult to sell, or may attract greater transaction costs per Common Share to sell, and brokerage commissions and other costs of transactions in odd lots may be higher than the costs of transactions in "round lots" of even multiples of 100 Common Shares.

Tax Considerations

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER. NO REPRESENTATIONS WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR SHAREHOLDER ARE MADE IN THIS SUMMARY. SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE SHARE CONSOLIDATION TO THEM, INCLUDING THE EFFECTS OF ANY CANADIAN OR U.S. FEDERAL, PROVINCIAL, STATE, LOCAL, FOREIGN AND/OR OTHER TAX LAWS.

Certain Canadian Income Tax Considerations

Shareholders, who following the proposed consolidation are left with a fractional Common Share, will be entitled to receive a cash payment from the Company in lieu of such shareholder's interest in a fractional Common Share (a "**Fractional Share**") following the Share Consolidation. The following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**"), as of the date hereof, generally applicable to a Shareholder whose Fractional Shares are purchased for cancellation in connection with the Share Consolidation and who, at all relevant times and for purposes of the Tax Act, holds their Common Shares as capital property and deals at arm's length and is not affiliated with the Company (a "**Holder**"). The Common Shares generally will constitute capital property to a Holder thereof unless the Holder holds such Common Shares in the course of carrying on a business of trading or dealing in securities or has acquired them, or is deemed to have acquired them, in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (a) that is a “financial institution” as defined in the Tax Act for purposes of the mark-to-market provisions of the Tax Act; (b) that is a “specified financial institution” as defined in the Tax Act; (c) an interest in which is or would be a “tax shelter investment” for purposes of the Tax Act; (d) that has made a functional currency reporting election for purposes of the Tax Act; (e) that has entered or will enter into a “derivative forward agreement”, “synthetic equity arrangement” or a “synthetic disposition agreement” (as such terms are defined in the Tax Act) with respect to the Common Shares; (f) who acquired Common Shares pursuant to a stock option, or otherwise in connection with employment; or (g) that is otherwise of special status or in special circumstances. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act, specific proposals to amend the Tax Act, which have been publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and the Company’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency published in writing and publicly available prior to the date hereof. This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that the Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will

This summary assumes that the Common Shares will be listed on a “designated stock exchange” (as defined in the Tax Act and which includes the TSX) at the time of the Share Consolidation.

Residents of Canada

The following summary is only applicable to Holders who, for purposes of the Tax Act and any applicable income tax treaty or convention, are resident or deemed to be resident in Canada at all relevant times (a “**Resident Holder**”).

Certain Resident Holders to whom the Common Shares might not constitute capital property may, in certain circumstances, make an irrevocable election under subsection 39(4) of the Tax Act to deem the Common Shares, and every other “Canadian security” (as defined in the Tax Act), held by such Resident Holder in the taxation year of the election and all subsequent taxation years, to be capital property. Resident Holders should consult their own tax advisors regarding this election.

Purchase of Fractional Shares

A Resident Holder who receives a cash payment from the Company as consideration for the cancellation of a Fractional Share in connection with the Share Consolidation will be deemed to have received a taxable dividend equal to the amount, if any, by which such payment exceeds the paid-up capital for the purposes of the Tax Act attributable to the Fractional Share for which such Resident Holder receives such payment (subject to the potential application of subsection 55(2) of the Tax Act to Resident Holders that are corporations). Management of the Company has advised that the paid-up capital of each Fractional Share for purposes of the Tax Act will exceed the maximum amount payable for such Fractional Share. Accordingly, this summary assumes that no dividend will be deemed to be received by a Resident Holder as a result of the cancellation of a Fractional Share.

A Resident Holder whose Fractional Share is purchased for cancellation in connection with the Share Consolidation will be considered to have disposed of such Fractional Share and may realize a capital gain

or capital loss from such disposition. A Resident Holder will realize a capital gain (or a capital loss) to the extent that the cash received for the Fractional Share, net of reasonable costs of disposition, exceeds (or is less than) the adjusted cost base of such Fractional Share to the Resident Holder. For this purpose, the adjusted cost base to a Resident Holder of its Fractional Share immediately after the Share Consolidation should be equal to the aggregate adjusted cost base of its Common Shares immediately before the Share Consolidation. The tax treatment of such capital gains and capital losses is discussed in greater detail below under the subheading “Taxation of Capital Gains and Losses”.

Taxation of Capital Gains and Losses

Generally, one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder must be included in the Resident Holder’s income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of the amount of any capital loss incurred by a Resident Holder (an “**allowable capital loss**”) must be deducted from taxable capital gains realized by the Resident Holder in the taxation year in which the disposition occurs. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent year against taxable capital gains realized in such years (but not against other income), in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of a Fractional Share by a Resident Holder that is a corporation may be reduced by the amount of dividends previously received or deemed to have been received by the Resident Holder on such share (including the Common Shares consolidated into such Fractional Share) or on a share substituted for such share to the extent, as applicable, and in the circumstances described in the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares directly or indirectly through a partnership or trust.

Additional Refundable Tax

A Resident Holder that: (i) throughout the relevant taxation year, is a “Canadian-controlled private corporation” (as defined in the Tax Act), or (ii) at any time in the relevant taxation year, is a “substantive CCPC” (as defined in the Tax Act), may be liable to pay an additional tax (refundable in certain circumstances) on its “aggregate investment income” (as defined in the Tax Act) for the year, including amounts in respect of taxable capital gains. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized by a Resident Holder that is an individual (including certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Such Resident Holders should consult their own tax advisors in this regard.

Non-Residents of Canada

The following section applies to Holders who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, (i) are not, and are not deemed to be, resident in Canada; and (ii) do not, and are not deemed to, use or hold the Common Shares in carrying on a business (including an adventure or concern in the nature of trade) in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business

in Canada and elsewhere or is an “authorized foreign bank” (as defined in the Tax Act). Such a Non-Resident Holder should consult their own tax advisors.

Purchase of Fractional Shares

A Non-Resident Holder who receives a cash payment from the Company as consideration for the cancellation of a Fractional Share in connection with the Share Consolidation will be deemed to have been paid and to have received a taxable dividend equal to the amount, if any, by which such payment exceeds the paid-up capital for purposes of the Tax Act attributable to the Fractional Share for which, such Non-Resident Holder receives such payment. Management of the Company has advised that the paid-up capital of each Fractional Share for purposes of the Tax Act will exceed the maximum amount payable for such Fractional Share. Accordingly, this summary assumes that no dividend will be deemed to be received by a Non-Resident Holder as a result of the cancellation of a Fractional Share.

Taxation of Capital Gains and Losses

A Non-Resident Holder whose Fractional Share is purchased for cancellation will be considered to have disposed of such Fractional Share and may realize a capital gain or capital loss from such disposition.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the purchase of such Non-Resident Holder’s Fractional Share for cancellation in connection with the Share Consolidation unless the Fractional Share constitutes “taxable Canadian property” (as defined in the Tax Act) to the Non-Resident Holder for purposes of the Tax Act and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention (including as a result of the application of The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the “MLI”).

Provided the Common Shares are listed on a “designated stock exchange” (as defined in the Tax Act, which currently includes the TSX) at the time of disposition, a Fractional Share generally will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition unless at any time during the 60-month period immediately preceding the disposition: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm’s length, and (iii) partnerships in which the Non-Resident Holder or a person with whom the Non-Resident Holder did not deal at arm’s length held a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Company; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law a right in, any such property, whether or not such property exists. The Common Shares also may be deemed to be taxable Canadian property of a Non-Resident Holder in certain other circumstances.

Non-Resident Holders should consult their own tax advisors as to whether any Fractional Share to which they are entitled under the Share Consolidation constitutes taxable Canadian property. If a Fractional Share constitutes taxable Canadian property to a Non-Resident Holder and the gain is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention (including as a result of the application of the MLI), the income tax consequences described above under “Residents of Canada - Taxation of Capital Gains and Losses” will generally apply to such Non-Resident Holder in respect of the purchase for cancellation of such Non-Resident Holder’s Fractional Share in connection with the Share Consolidation.

Certain Material U.S. Federal Income Tax Considerations

The following is a general summary of the material U.S. federal income tax considerations to U.S. holders (as defined below) of the Share Consolidation. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the “U.S. Code”), existing and proposed Treasury regulations promulgated under the U.S. Code (the “Treasury Regulations”) and judicial authority and administrative interpretations, all as of the date of this document, and all of which are subject to change, possibly with retroactive effect, and are subject to differing interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. The Company has not sought and will not seek an opinion of counsel or any rulings from the Internal Revenue Service (the “IRS”) with respect to any of the tax considerations discussed below. As a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

This discussion is limited to U.S. holders that hold Common Shares as “capital assets” within the meaning of Section 1221 of the U.S. Code (generally, property held for investment). This discussion does not address any tax consequences arising under the tax on net investment income or the alternative minimum tax, nor does it address any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction, U.S. federal estate or gift tax laws, or any tax treaties. Furthermore, this discussion does not address all aspects of U.S. federal income taxation that may be applicable to U.S. holders in light of their particular circumstances or to U.S. holders that may be subject to special rules under U.S. federal income tax laws, including, without limitation:

- a bank, insurance company or other financial institution;
- a tax-exempt or a governmental organization;
- a real estate investment trust;
- an S corporation or other pass-through entity (or an investor in an S corporation or other pass-through entity);
- a regulated investment company or a mutual fund;
- a dealer or broker in stocks and securities, or currencies;
- a trader in securities that elects mark-to-market treatment;
- a holder of Common Shares that received such Common Shares through the exercise of an employee option, pursuant to a retirement plan or otherwise as compensation;
- a person who holds Common Shares as part of a straddle, appreciated financial position, synthetic security, hedge, conversion transaction or other integrated investment or risk reduction transaction;
- a corporation that accumulates earnings to avoid U.S. federal income tax;
- a person whose functional currency is not the U.S. dollar;
- a U.S. holder who holds Common Shares through non-U.S. brokers or other non-U.S. intermediaries;
- a U.S. holder who owns or is treated as owning 5% or more of the outstanding Common Shares;
- a person subject to Section 451(b) of the U.S. Code; or
- a former citizen or long-term resident of the United States subject to Section 877 or 877A of the U.S. Code.

If a partnership, or any entity (or arrangement) treated as a partnership for U.S. federal income tax purposes, holds Common Shares, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership and upon certain determinations made at the partner level. A partner in a partnership holding Common Shares should consult its own tax advisor about the U.S. federal income tax consequences of the Share Consolidation.

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of Common Shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a U.S. court and that has one or more United States persons that have the authority to control all substantial decisions of the trust or (ii) that has made a valid election under applicable Treasury Regulations to be treated as a United States person.

Tax Consequences of the Share Consolidation Generally

The Share Consolidation should constitute a “recapitalization” for U.S. federal income tax purposes. As a result, a U.S. holder generally should not recognize gain or loss upon the Share Consolidation, except with respect to cash received in lieu of a Fractional Share, as discussed below. A U.S. holder’s aggregate tax basis in the Common Shares received pursuant to the Share Consolidation should equal the aggregate tax basis of the Common Shares surrendered (excluding any portion of such basis that is allocated to any Fractional Share), and such U.S. holder’s holding period in the Common Shares received should include the holding period in the Common Shares surrendered. Treasury Regulations provide detailed rules for allocating the tax basis and holding period of the Common Shares surrendered to the Common Shares received in a recapitalization pursuant to the Share Consolidation. U.S. holders of Common Shares acquired on different dates and at different prices should consult their tax advisors regarding the allocation of the tax basis and holding period of such shares.

Cash in Lieu of Fractional Shares

A U.S. holder that receives cash in lieu of a Fractional Share pursuant to the Share Consolidation should generally recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the U.S. holder’s tax basis in the Common Shares surrendered that is allocated to such Fractional Share. Such capital gain or loss should be long-term capital gain or loss if the U.S. holder’s holding period for Common Shares surrendered exceeds one year at the effective time of the Share Consolidation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Cash payments received by a U.S. holder pursuant to the Share Consolidation may be subject to information reporting and may be subject to U.S. backup withholding (currently at 24%) unless such U.S. holder provides proof of an applicable exemption or a correct taxpayer identification number and otherwise complies with the applicable requirements of the backup withholding rules. Any amount withheld under the U.S. backup withholding rules is not an additional tax and will generally be allowed as a refund or credit against the U.S. holder’s U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

Share Consolidation Resolution

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, approve the Share Consolidation Resolution authorizing the Board to elect, in its discretion, to effect to the Share

Consolidation. The Share Consolidation Resolution is a special resolution and, as such, requires approval by not less than two-thirds (i.e. 66 2/3%) of the votes cast by the Shareholders present virtually, or represented by proxy, at the Meeting. The full text of the Share Consolidation Resolution is as follows.

“BE IT RESOLVED as a special resolution of the shareholders of Avalon Advanced Materials Inc. (the “Company”):

1. The consolidation (the “**Share Consolidation**”) of the issued and outstanding common shares (the “**Common Shares**”) in the share capital of the Company at a ratio to be selected by the board of directors of the Company (the “**Board**”), in its sole discretion, between a range of one hundred thirty (130) pre-consolidation Common Shares for one (1) post-consolidation Common Share and one hundred eighty (180) pre-consolidation Common Shares for one (1) post-consolidation Common Share, provided that the Share Consolidation occurs prior to the earlier of the twelve (12) month anniversary of the Meeting and the next annual meeting of holders of Common Shares (“**Shareholders**”), as outlined in the management information circular of the Company dated May 29, 2026 (the “**Information Circular**”) and in accordance with this resolution, is hereby authorized and approved and the articles of the Company be amended to give effect to the Share Consolidation on the basis of the ratio selected by the Board, in its sole discretion.
2. No fractional Common Shares will be issued but the number of Common Shares to be received by a Shareholder shall be rounded down to the nearest whole Common Share in the event that such Shareholder would otherwise be entitled to a receive a fractional Common Share and the Shareholder will be entitled to a cash payment in lieu of any fractional Common Share interest at a price equal to the fraction to which the Shareholder would otherwise be entitled multiplied by the closing price of the Common Shares, as reported by the Toronto Stock Exchange, on the last trading day prior to the effective date of the Share Consolidation.
3. Any director or officer of the Company be, and each of them is, hereby authorized and directed for and in the name of and on behalf of the Company to executed and deliver or cause to be executed and delivered one or more articles of amendment of the Company to the Director under the Canada Business Corporations Act.
4. Any director or officer of the Company be, and each of them is hereby authorized, upon the Board resolving to give effect to this resolution, to take all necessary acts and proceedings, to execute and deliver and file any and all applications, declarations, documents and other instruments and to do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to this special resolution.
5. Notwithstanding that this special resolution has been duly passed by Shareholders, the Board may, in its sole discretion (including in the circumstances described in the Information Circular), revoke this special resolution in whole or in part at any time prior to its being given effect without further notice to, or approval of, the Shareholders.

The Board unanimously recommends a vote for the Share Consolidation Resolution. In the absence of instructions to the contrary, the Common Shares represented by proxies in favour of management proxyholders will be voted FOR the Share Consolidation 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 29th day of May, 2026.

By ORDER of the Board of Directors

(signed) "Scott Monteith"

Scott Monteith

President and Chief Executive Officer