

Positive market response for critical materials focused Avalon Advanced Materials' Lind Partners funding deal

Blink and you will miss it. Avalon Advanced Materials Inc. (TSX: AVL | OTCQB: AVLNF) has had that kind of a week, starting with the good news of securing a \$3.0 million convertible security funding agreement with an entity managed by The Lind Partners, a New York based asset management firm. The market loved that, with the share price popping up. Some of that increased valuation has since come out of the share price, but it does not diminish the potential fortunes for the company and their multi-pronged resource strategy.

The convertible security has a two year term and will accrue a simple interest rate obligation of 10% per annum on the funded amount, which is prepaid and attributed to its face value upon issuance, resulting in a face value of \$3.6 million. Lind will be entitled to convert the face value amount over a 24 month period, subject to certain limits, at a conversion price equal to 85% of the five day trailing volume weighted average price of Avalon's common shares prior to the date of conversion. The convertible security matures 24 months after closing. Avalon has the right to repurchase the convertible security at any time, subject to the holder's option to convert up to one third of the face value into Avalon common shares prior to this repurchase. Lind will also receive a closing fee of \$90,000, and 9.8 million common share purchase warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.18 per common share until 48 months after closing.

That's a lot of technical information, but it is important to

appreciate that Avalon now has a funding partner and a built-in future financing over the next 4 years as well as a significant new shareholder.

Avalon has the best of both worlds, being a mineral development company focused on metals and minerals for use in clean energy and new technology. The company now has four advanced stage projects, providing investors with exposure to lithium, tin and indium, as well as rare earth elements, tantalum, cesium and zirconium.

The use of proceeds from the financing will be used to accelerate the planned work program for the company's Separation Rapids lithium project near Kenora, Ontario and cover near term working capital requirements. Next steps at Separation Rapids involve extraction of the 5,000 tonne bulk sample of the petalite mineralization for pilot plant processing to recover product samples for customer evaluation and finalization of the lithium hydroxide battery materials process flowsheet. The company is presently looking at two alternatives for pilot plant processing of the bulk sample. In parallel, the company will begin working on the feasibility study for its planned lithium battery materials refinery in Thunder Bay, Ontario. The company announced an agreement in late 2020 to collaborate on the development of this refinery with an industry partner, Rock Tech Lithium Inc. to produce lithium sulphate, a precursor chemical for lithium-ion batteries.

The Separation Rapids lithium project is 100% owned by Avalon, is located close to transportation (road access) and power infrastructure, including clean hydropower. According to the company, there are no undesirable environmental impacts and it has strong local community support. This is a very significant deposit as petalite is the predominant ore mineral – it can be used to both make high strength glass (smashed a cellphone screen lately...?) as well as being a high purity feed to make battery grade lithium hydroxide or carbonate.

The second business of the company is in the rare earths. Avalon has a 3% Net Smelter Royalty on the shallow zone of the Nechalacho Property and a 100% interest in the deep zone at the Thor Lake deposit in Canada's Northwest Territories. The project is on-track to produce rare earths in 2021. Shallow zone project development could lead to economies of scale to allow for future development of Avalon's deep rare earths deposit as well, the company has positioned itself well in the cleantech and rare earths space.