

Avalon Announces Partnership Agreement to Establish Ontario's First Regional Lithium Battery Materials Refinery in Thunder Bay

April 4, 2022 (Source) – **Avalon Advanced Materials Inc.** (TSX: AVL) (OTCQB: AVLNF) (“Avalon” or the “Company”) is pleased to announce that it has signed a binding letter of intent with RenJoules International Ltd., an **Essar Group Company** (“Essar”), to become a strategic partner and co-developer in support of Avalon’s plans to establish a regional lithium battery materials supply chain to serve the needs of future electric vehicle and battery manufacturers in Ontario and elsewhere.

This agreement involves providing initial financial and development support for building a lithium refinery in Thunder Bay, Ontario that will be designed to accept lithium minerals concentrates, not only from Avalon’s Separation Rapids Lithium Project north of Kenora, ON, but also from other aspiring new producers from the many lithium pegmatite resources that occur in northwestern Ontario. It will operate as a separate private business, called Avalon Lithium Inc., a newly established Avalon subsidiary in which Essar will become a co-owner.

With the agreement announced today, the partners will immediately begin the key next steps including; finalizing initial commercial terms and completion of final feasibility studies for both the refinery operations and lithium mineral concentrate production at the Separation Rapids site that will provide the initial feed for the refinery until other new producers also get started. This will also include finalizing

the exact location for the refinery in Thunder Bay and proceeding with initial site preparation work both at Separation Rapids and the Thunder Bay site.

Present indications on demand for lithium battery materials produced in Ontario are supporting an initial production capacity for the refinery of 20,000 tonnes per annum of lithium hydroxide and/or lithium carbonate. This will require a capital investment in the order of C\$500 million, which Essar and Avalon would jointly fund, with funding also anticipated from applicable Government programs and other private investors including Indigenous businesses in Northern Ontario. With construction planned to begin this year, it could be in operation by 2025. This will also create new economic development opportunities for First Nations to take advantage of lithium resources in their traditional territories to produce lithium mineral concentrates for purchase by Avalon Lithium Inc.

Demand for lithium hydroxide and lithium carbonate continues to grow in North America as new electric vehicle and battery manufacturing capacity is established both in the U.S. and in Canada. Ontario is now well positioned to take advantage of the rapid growth with the recent announcement of Ontario's first-ever Critical Minerals Strategy, which Premier Doug Ford described as "the government's blueprint to connect industries, resources and workers in our province's north to the future of manufacturing in the south as we build up home-grown supply chains." Avalon Lithium Inc. will deliver on a key priority of the government's plan: "growing domestic processing and creating resilient local supply chains" and help the province become a global leader in the sector. Ontario's rich endowment in critical minerals in the North uniquely positions Ontario to create the full supply chains and take advantage of the demand for critical minerals in the emerging new advanced manufacturing sector of the economy.

Speaking on the partnership, Kush Singh, CEO, Essar Power

Limited said, “We truly believe that green energy is “the future”. This initiative of setting up a lithium refinery is a core part of Essar’s global strategy of investments in the energy transition towards decarbonisation with a prime focus on Green Hydrogen and Storage. Lithium is a foundational critical mineral for the battery supply chain and with the Ontario government’s stellar vision through its Critical Mineral Strategy, we are confident that this is the right location and time for our strategic partnership with Avalon and other stakeholders.”

Avalon President Don Bubar commented, “While EV manufacturing and lithium battery materials production can be the initial catalyst for starting critical minerals supply chains in the North, it is just the beginning where innovation of new products and new efficient processing technologies for other critical minerals such as tantalum, cesium, and rare earths, can inspire future growth into other areas of advanced manufacturing including aerospace technology.”

The agreement builds on growing Canada-India bilateral economic ties and supports clean energy and foreign direct investment objectives. The Company wishes to thank the Ontario division of Invest-in-Canada for introducing Avalon to Essar last year.

About the Essar Group

The Essar Group is a diversified business enterprise based in Mumbai, India that controls a number of subsidiary companies including Renjoules International Limited involved in the core sectors of Energy (Exploration & Production, Refining & Marketing, Power, Hydrogen), Infrastructure & Logistics (Ports, Storage Terminals), Metals & Mining, Technology & Retail (Shipping, Oilfield Services, Projects, Technology solutions etc.) Essar Global Fund Limited (EGFL), set up in 2005, invests in building and nurturing Essar Group assets, and creating value in these core sectors.

With Assets Under Management (AUM) of US\$8.2 billion, as on 31 March 2021, and a net asset value of US\$4.4 billion, the current investment portfolio of EGFL is future centric and value accretive. EGFL is now poised to transition its existing assets towards a greener economy and invest in businesses which will transform sector landscapes from carbon to a clean energy ecosystem. The returns from the transition will not only outperform benchmark returns but also contribute to a sustainable society within the framework of Environmental, Social and Governance (ESG) and transform sectors for a post carbon economy.

About Avalon Advanced Materials Inc.

Avalon Advanced Materials Inc. is a Canadian mineral development company specializing in sustainably-produced materials for clean 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. Avalon is currently focusing on developing its Separation Rapids Lithium Project near Kenora, Ontario while continuing to advance other projects, including its 100%-owned Lilypad Cesium-Tantalum-Lithium Project located near Fort Hope, Ontario. Social responsibility and environmental stewardship are corporate cornerstones.

For questions and feedback, please e-mail the Company at ir@AvalonAM.com, or phone Don Bubar, President & CEO, directly at 416-364-4938 ext. 222.

This news release contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to statements that Essar intends to become a strategic partner and co-developer in support of Avalon's plans to establish a regional lithium battery materials supply chain to serve the needs of future electric vehicle and battery

manufacturers in Ontario and elsewhere, that this agreement involves providing initial financial and development support for building a lithium refinery in Thunder Bay, Ontario that will be designed to accept lithium minerals concentrates, not only from Avalon's Separation Rapids Lithium Project north of Kenora, ON, but also from other aspiring new producers, that it will operate as a separate private business in which Essar will become a co-owner, that the partners will immediately begin the key next steps including finalizing initial commercial terms and completion of final feasibility studies for both the refinery operations and lithium mineral concentrate production at the Separation Rapids site, that this will also include finalizing the exact location for the refinery in Thunder Bay and proceeding with initial site preparation work both at Separation Rapids and the Thunder Bay site, that present indications on demand for lithium battery materials produced in Ontario are supporting an initial production capacity for the refinery of 20,000 tonnes per annum of lithium hydroxide and/or lithium carbonate, that this will require a capital investment in the order of C\$500 million, which Essar and Avalon would jointly fund, with funding also anticipated from applicable Government programs and other private investors including Indigenous businesses in Northern Ontario, that construction is planned to begin this year, that it could be in operation by 2025, that this will also create new economic development opportunities for First Nations to take advantage of lithium resources in their traditional territories to produce, that Avalon Lithium Inc. will deliver on a key priority of the government's plan and help the province become a global leader in the sector. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "potential", "scheduled", "anticipates", "continues", "expects" or "does not expect", "is expected", "scheduled", "targeted", "planned", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be" or "will not be"

taken, reached or result, "will occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Avalon to be materially different from those expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions management believes to be reasonable at the time such statements are made. Although Avalon has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Factors that may cause actual results to differ materially from expected results described in forward-looking statements include, but are not limited to market conditions, and the possibility of cost overruns or unanticipated costs and expenses as well as those risk factors set out in the Company's current Annual Information Form, Management's Discussion and Analysis and other disclosure documents available under the Company's profile at www.SEDAR.com. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Such forward-looking statements have been provided for the purpose of assisting investors in understanding the Company's plans and objectives and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking statements. Avalon does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.