

The Dean's List – Part 1: What rare earths company will benefit from Canada's commitment to critical minerals?

Part 1: Avalon Advanced Materials Inc.

Since the start of the very unnecessary war in Ukraine both federal and provincial governments in Canada have made numerous announcements with respect to critical materials, supply chain, EV battery manufacturing, and a whole host of other related subjects. The province of Ontario made a big splash in March, first announcing its strategy for 'critical minerals' worth C\$3.5 billion to Ontario's economy followed shortly by a C\$4.9 billion electric vehicle battery plant in Windsor, Ontario. Then in April, the Federal Government got in on the action with Budget 2022, proposing up to C\$3.8 billion in support over eight years to implement Canada's first Critical Minerals Strategy.

All these initiatives could have material impacts on several companies in the mining sector in Canada. Against this backdrop, we will begin a series of articles looking at the companies that could benefit from this government support to help position Canada to lead the way in supplying materials for clean technology, healthcare, aerospace, and computing, that will continue to be in high demand for years to come.

We'll start the series by looking at an Ontario based mining company providing investors with exposure to lithium, rare earths, cesium, tantalum, feldspars, tin and indium. Avalon Advanced Materials Inc. (TSX: AVL | OTCQB: AVLNF) is a

Canadian mineral development company specializing in sustainably produced materials for clean technology. 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. Additionally, Avalon is evaluating opportunities to apply an innovative, new extraction technology to recover rare earths and other metals from acid mine drainage at closed mine sites and remediate the environmental liability.

Unlike typical articles about companies where we focus on what a company is up to and where the next catalyst may come from, this series is going to look at how a company may be able to tap into some of the cash governments are pledging to the industry or benefits that may accrue due to policy changes. Accordingly, let's review a few of the highlights from the various announcements.

Both Ontario and the Federal Budget announcements included funding to improve the regulatory framework, which has the potential to backfire in my opinion, but if successful this should be a benefit to any and all mining companies in Canada. However, the Ontario announcement goes one step further to include the development of a regulatory framework for recovery of minerals from mine tailings and waste with an amendment to the Mining Act. Avalon has been looking at several such opportunities including East Kemptville Tin-Indium and the Cargill past-producing phosphate mine site in Ontario with concentrations of rare earths, scandium and zirconium in the tailings. Unfortunately, East Kemptville is in Nova Scotia so it falls outside of Ontario's jurisdiction, but if Avalon can advance their process, I'm sure there is ample opportunities to apply the technology to many of Ontario's past producing mines.

Another pillar in the Ontario strategy was the encouragement of domestic processing and creating resilient local supply

chains. The announcement of the Stellantis and LG Energy Solution JV marking Canada's first lithium-ion electric vehicle (EV) battery manufacturing plant went a long way toward supporting this initiative. And what goes into lithium-ion batteries? Lithium of course, and Avalon is well positioned with two lithium projects located in Ontario. That strikes me as being in the right place at the right time with the right commodity. We'll see how this plays out over the next few years as the plant is scheduled to begin production in early 2025.

Another catch-all for all junior miners in Canada was the Federal Budget announcement of the introduction of a new 30% Critical Mineral Exploration Tax Credit for specified mineral exploration expenses incurred in Canada and renounced to flow-through share investors. The tax credit would apply to eligible materials including nickel, lithium, cobalt, graphite, copper, rare earth elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, and uranium. This should help any explorer in the sector looking to fund upcoming drilling programs by providing another avenue of raising capital.

As long as governments don't get in the way of their good intentions, we could be on the verge of a golden era for critical mineral explorers, miners and processors in Canada. Correspondingly, over the next several weeks we'll continue to look at companies like Avalon that find themselves well-positioned to take advantage of this renewed focus by the Canadian Government on the security of supply, to exploit Canada's abundance of valuable critical minerals.