AVALON
ADVANCED MATERIALS INC.

An Emerging Canadian Producer of Lithium

March 20, 2017
Donald S. Bubar, President & CEO

TSX:AVL | OTCQX:AVLNF




Safe Harbour Statement

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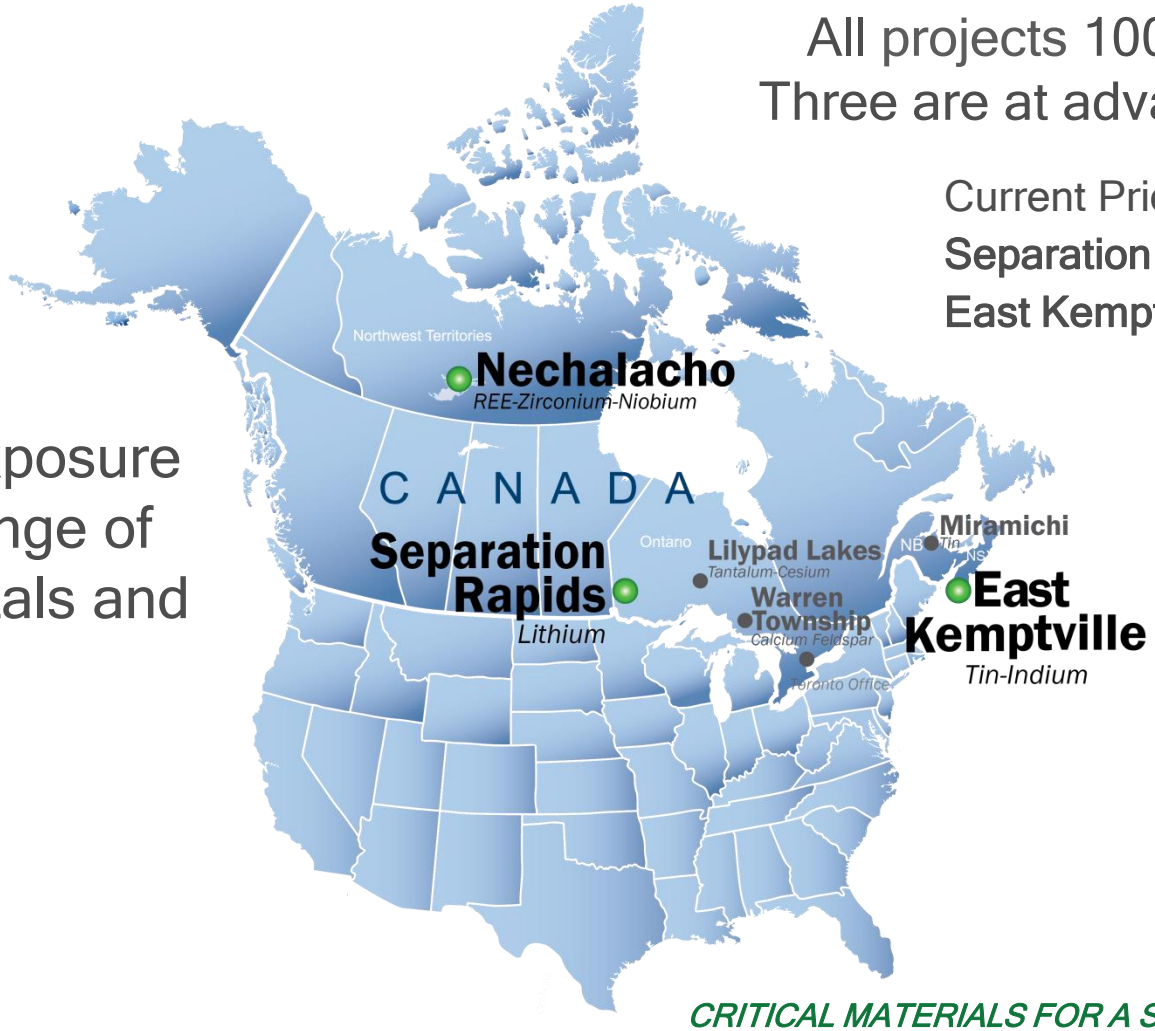
Specialty Metals and Minerals
Project Pipeline

All projects 100% owned
Three are at advanced stage

Current Priorities are:
Separation Rapids Lithium
East Kemptville Tin-Indium

Avalon offers diversified exposure to a broad range of specialty metals and minerals



Capital Structure
(as at March 13, 2017)

Canada - TSX: AVL United States – OTCQX: AVLNF	Frankfurt- OU5
Shares Outstanding	Common: 189,344,660 Preferred: 500
Fully Diluted	219.7 million (19.1 mill. wts @avg. $0.39, 11.2 mill. opts @avg. $0.55, various expiry dates over 5 years)
Market Capitalization	CAD$34 million (S/O @ $0.18)
Recent Price Range	CAD$0.16 - $0.20
52 Week High / Low	CAD$0.33 - $0.13
Cash Reserves	CAD$3.0 million
Shareholders	Insiders (15%), Institutional (15%) Retail (70%)
Institutional Investors	UBS, CPP, Hancock, Lind, Marquest & others
Analyst Coverage	Secutor, RB Milestone Group

Nemaska Lithium

A lithium equity comparable

Nemaska Lithium
(NMX-TSX)
FS Complete. Pilot Plant stage. Prod. in 2018
Market Cap: CAD $420m

Both companies are developing hard rock deposits in Canada

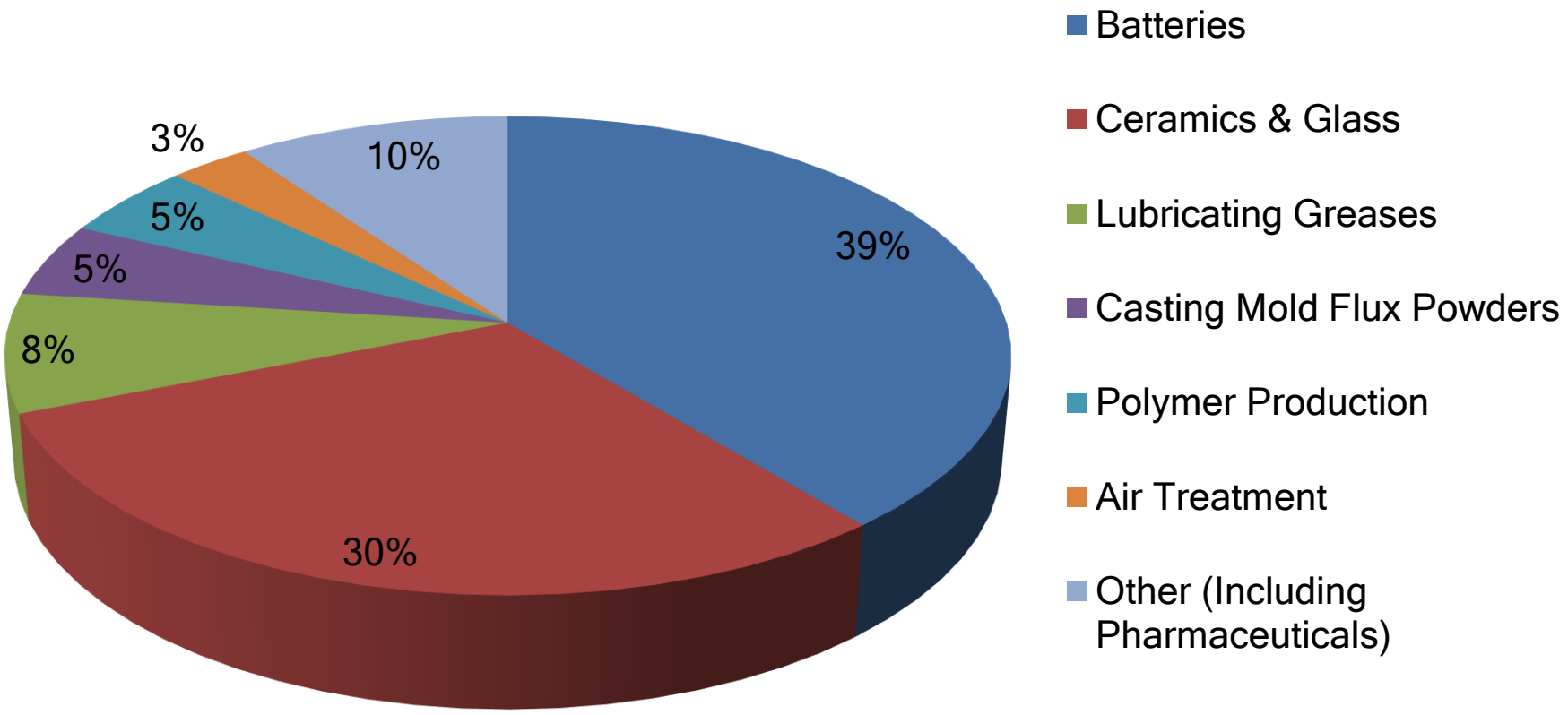
Avalon Advanced Materials
PEA complete. Pilot plant in 2018. Prod. in 2020-21
Market Cap: CAD $34m

A strategic approach to building new lithium production through…

- **Product design**: working with our customers to create the best quality products to serve their needs at attractive prices
- **Innovative metallurgy**: Designing an efficient process flowsheet to produce the best quality product at the lowest cost
- **Staged development**: Start with a demonstration plant to prove process and scale up after products specs are optimized
- **Minimizing environmental impacts:** recycling of reagents and creating markets for by-products
- **Sustainable development:** Utilize renewable energy and maximize use of the ore body

Lithium Demand by Application:

Batteries now dominate but ceramics and glass remain a major market



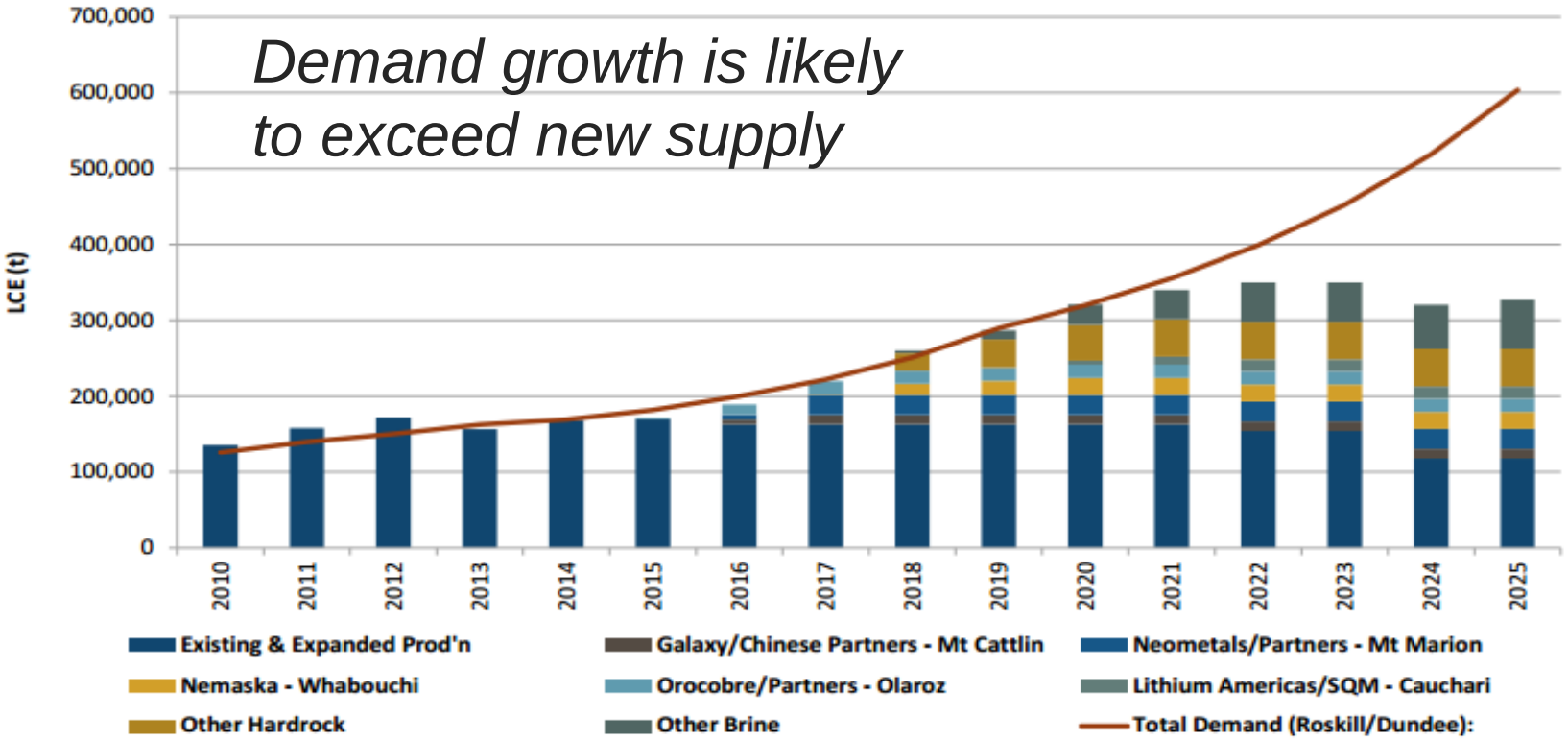
Source: USGS Jan 2017

Lithium Chemicals for Batteries: *where the growth is*

- Rechargeable battery cathodes are the main demand for lithium chemicals
  - **Lithium carbonate** (traditional product)
  - **Lithium hydroxide** (new chemistries)
  - **Lithium metal** (solid state batteries)
  - Demand for increasing purities (>99.9%) to achieve optimal battery performance
- By 2020, rechargeable batteries will account for +/- 50% of total lithium demand (currently 35%)
- Total lithium demand is forecast to increase at 10-40% CAGR creating new lithium demand for 500k - 900k LCE over 10 years
- *Forecasts mostly based on EV uptake, not including stationary energy storage systems*

Tesla's Home of the future: *Solar roof and Powerwall storage*

A global supply-demand imbalance is looming

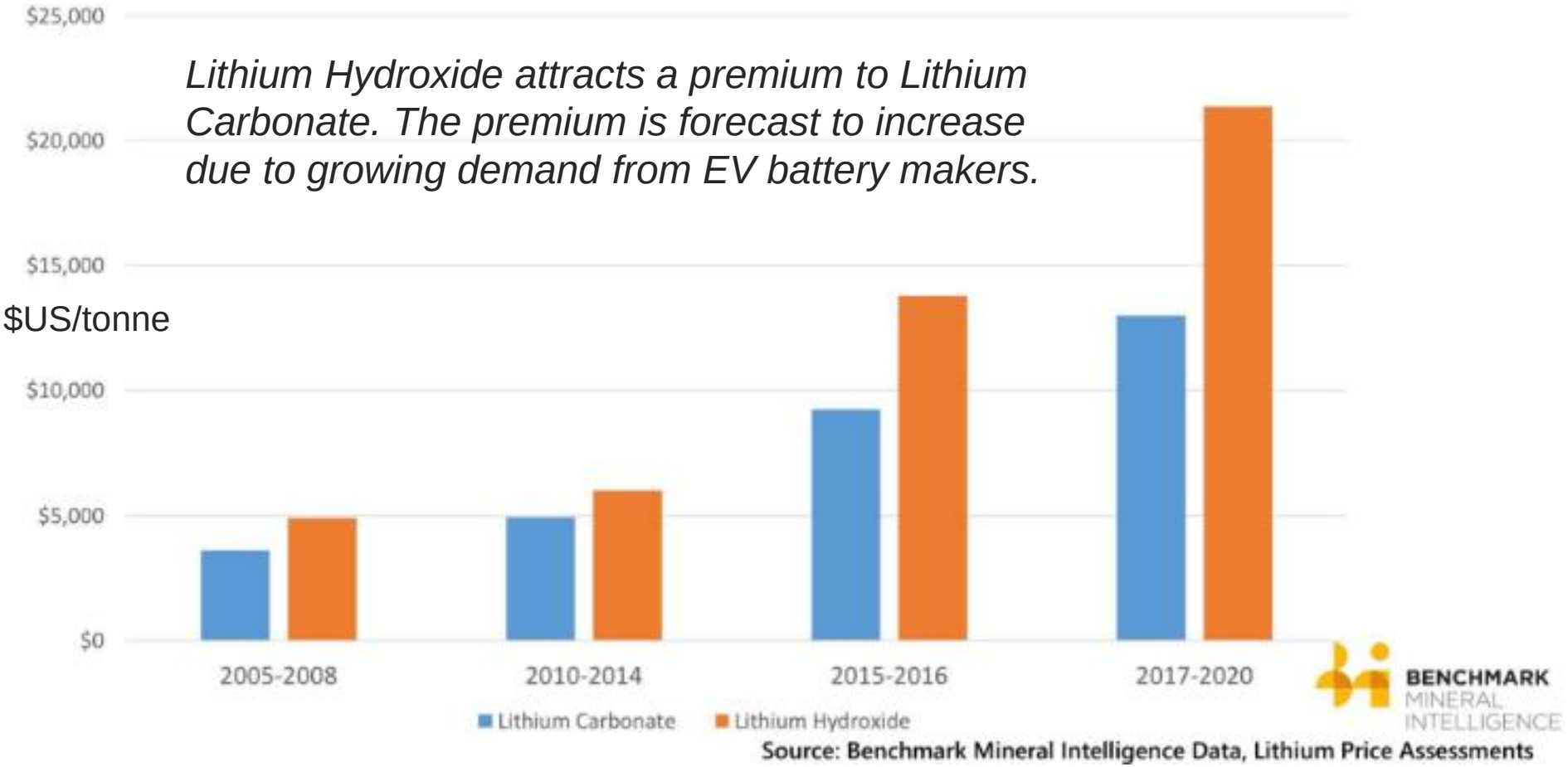


Source: Dundee Capital Markets, Roskill

Supply forecasts base on Producer estimates but delays are likely

…creating upward pressure on lithium chemical prices

Lithium Hydroxide attracts a premium to Lithium Carbonate. The premium is forecast to increase due to growing demand from EV battery makers.



Source: Benchmark Mineral Intelligence Data, Lithium Price Assessments

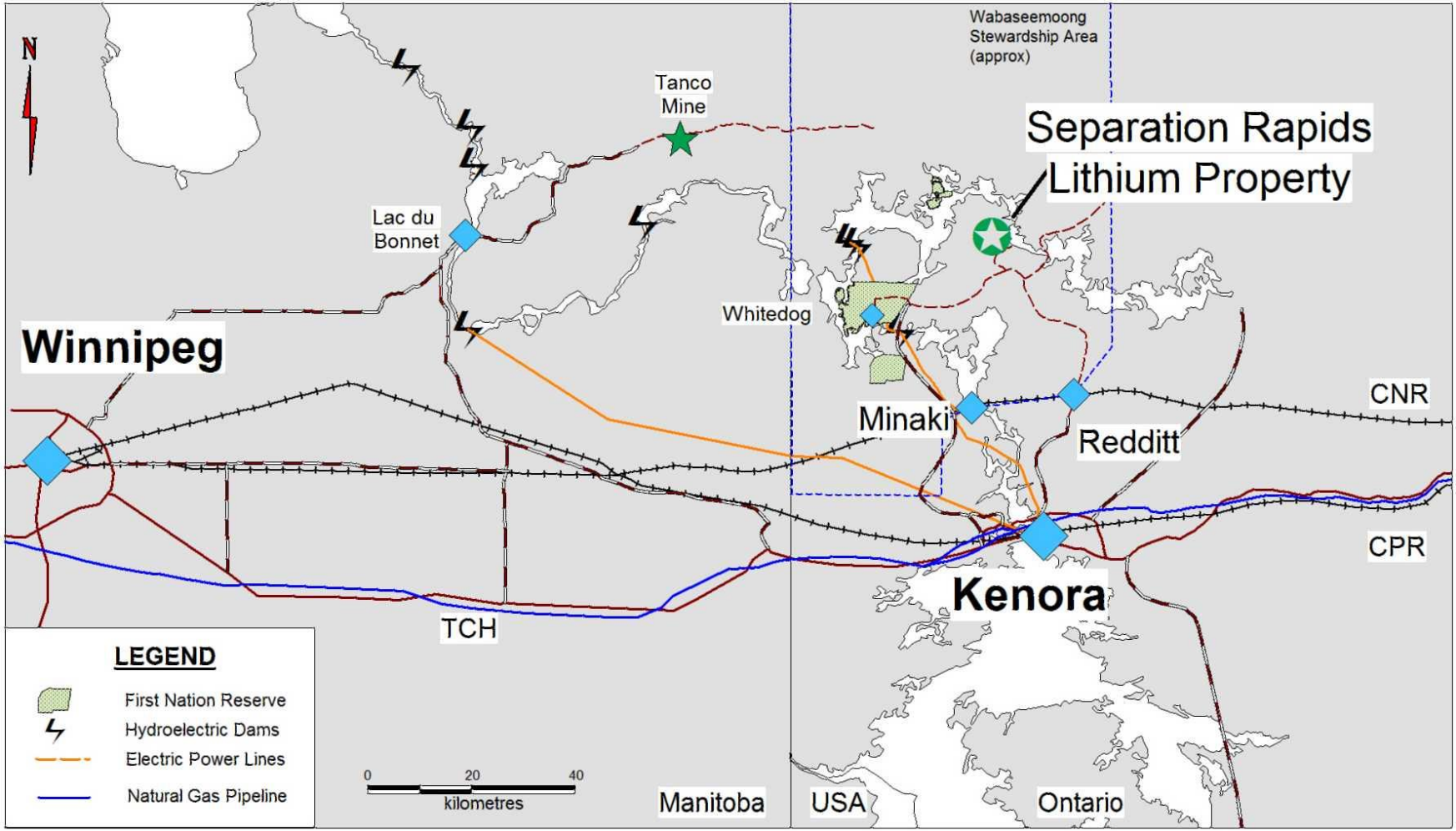
Separation Rapids Lithium

*A large lithium pegmatite deposit discovered in 1996 enriched in **petalite** and lepidolite*

Large, high quality resource amenable to open pit mining

- Secure Tenure under a Mining Lease
- 100% Ownership
- Road accessible, proximity to clean hydro-power
- Strong community support including First Nations
- No toxic waste materials

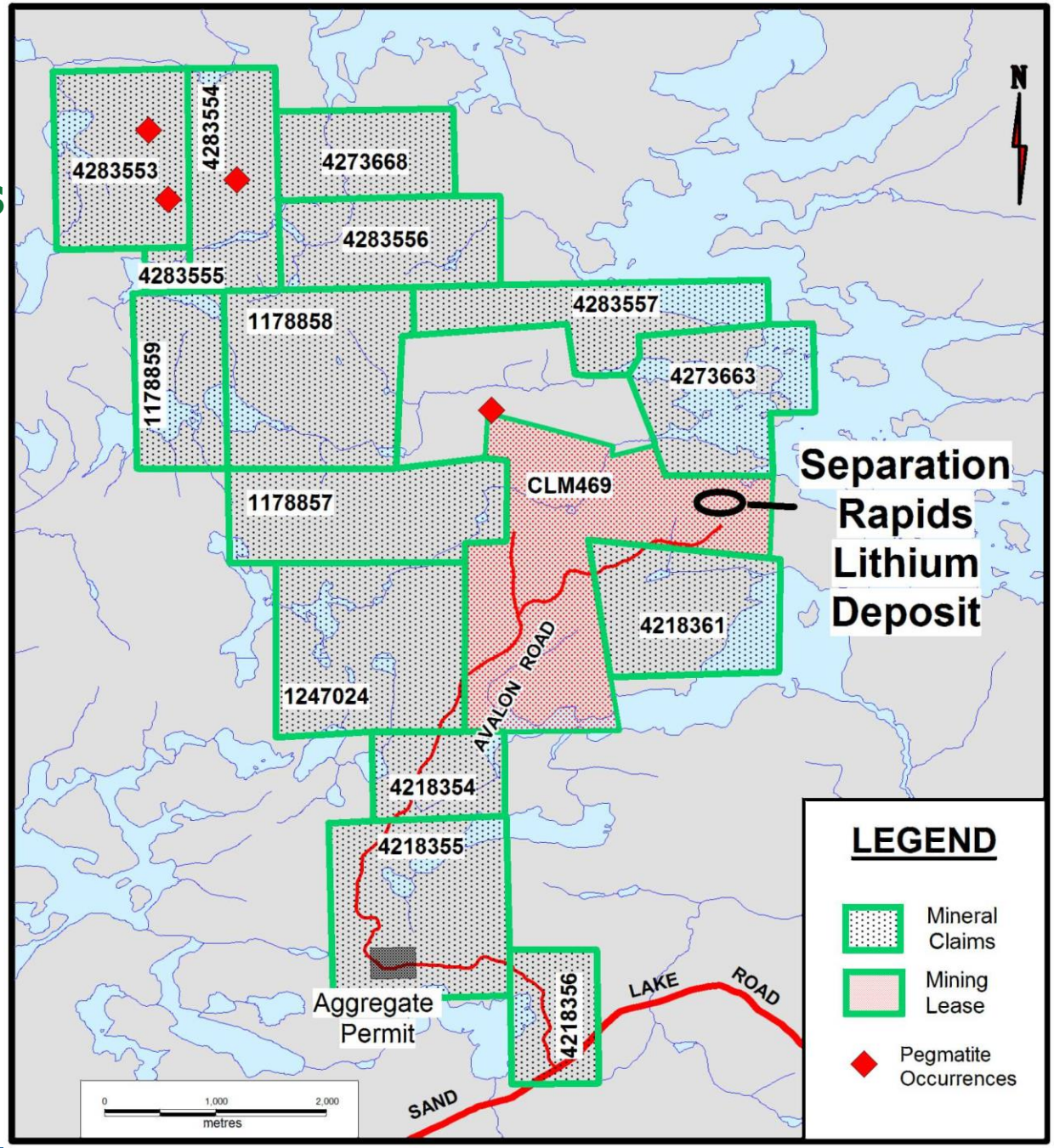
Separation Rapids is located close to transportation and power infrastructure



Separation Rapids

Mineral Tenure

Including new claims acquired from GoldON. These provide additional resource potential



Separation Rapids 2015-16 Work program:
making lithium battery materials from petalite

- $1.8 million program in fiscal 2016
- Pilot plant on 30 tonne ore sample to produce one tonne of high purity petalite concentrate
- Product quality confirmed for glass-ceramics
- Potential by-products identified (feldspar)
- Market studies for battery industry completed
- Hydromet process to produce high purity (99.9%) **lithium hydroxide** product from petalite developed.
- Positive battery materials PEA prepared on petalite resource

2016 PEA Model (petalite only scenario) *confirmed low cost to make lithium hydroxide*

- Assumes open pit mining at 950,000 tpy with concentrator at site to recover petalite and hydromet plant in Kenora to make Li hydroxide
- Based on 9.63 million tonne resource @1.30%Li2O
- Min. 10 year life lithium, 20 years for feldspars
- 14,500 tpy lithium hydroxide & 100,000 tpy feldspars
- Prices: US$11,000/tonne LiOH and US$170/tonne feldspar
- **Average lithium hydroxide production cost: US$4900/tonne**
- IRR: 19% pre-tax, 16% after-tax
- NPV (8% Discount rate): C$343 million pre-tax, C$228 million after-tax
- CAPEX: C$514 million (including C$93 million in contingencies and sustaining capital) F/X US$1.00 = CAD$1.30

Note the PEA is preliminary, includes inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary economic assessment will be realized.

Separation Rapids Lithium Testwork Update

Lithium Hydroxide work

- Crystals sent to NRC for evaluation as battery feed- 80% IRAP funding. Results pending.

Lithium Metal test work

- Successful chlorination of petalite to produce lithium metal by electro-refining

Lepidico work on Lepidolite

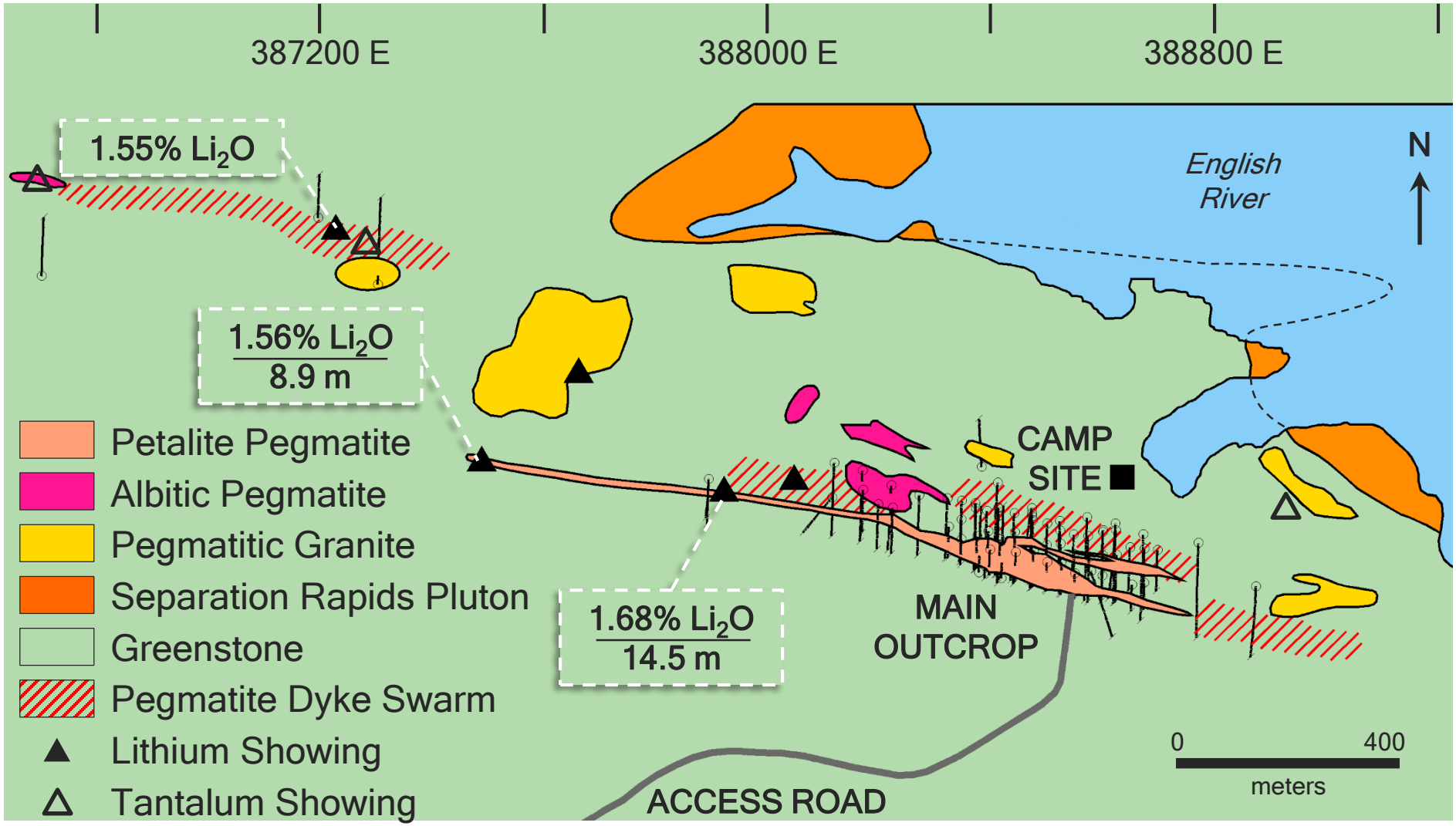
- Tested recovery process on sample of lepidolite ore from Separation Rapids
- Flotation testing produced 96% Li recovery into 40% of mass
- Concentrate = 2.1% Li (4.5% Li_2O), 3.3% Rb, 6% K, 250ppm Ta, 518ppm Cs)
- Treatment of this concentrate using Lepidico's L-Max leaching process produced a 99.88% pure lithium carbonate product
- Process also recovered 98% of the cesium and rubidium

Potential Lithium Product Suite

- **Petalite concentrate** for the glass-ceramics industry
- **Lithium hydroxide** from petalite using Avalon's process
- **Lithium carbonate** from petalite via conventional technology
- **Lithium metal** from petalite using a chlorination process
- **Lepidolite concentrate** for production of lithium chemicals
- **Lithium carbonate** from lepidolite using Australian process
- **Lithium chemicals** from lepidolite using other processes, with by-product **rubidium** and **cesium** chemicals production
- Other by-products include **feldspar** and **tantalum**

Further testwork and economic analyses to be conducted over next 6 months to identify optimal product mix and demo plant design data

Separation Rapids Property Geology & Exploration Targets



Separation Rapids Project Future Milestones

2017-18

- Identify customers for Li chemical products
- Piloting of lithium chemicals process
- Continue glass-ceramics market development
- Drilling to increase mineral resources
- Complete new Technical Report
- **Establish 50,000 tpy demonstration plant to define products and markets and serve as interim small-scale production facility**
- Complete engineering & Feasibility Study

2019-20: Production scale-up

2020-21: Begin full scale commercial operations

Please note that the projected timeline is reliant on a positive Feasibility Study as well as offtake commitments, project financing, and timely receipt of all permits and environmental approvals.

Experienced Management Team and Board of Directors

MANAGEMENT

- **Donald S. Bubar**, P.Geo.
  President & CEO
- **Jim Andersen**, CA, CPA
  V.P. Finance, CFO & Corporate Secretary
- **David Marsh,** FAusIMM (CP)
  Senior V.P. Metallurgy & Technology Development
- **Bill Mercer**, Ph.D., P.Geo.
  V.P. Exploration
- **Pierre Neatby**, BA Econ
  V.P. Sales and Marketing
- **Mark Wiseman**, B.Sc., MBA
  V.P. Sustainability
- **Cindy Hu**, CA, CPA
  Controller
- **Brian St. Louis,** BA, G.Dip Public Policy
  Manager, Government Affairs
- **Melanie Smith,** LLB
  Senior Legal Counsel
- **Ron Malashewski**, P.Eng (AB)
  Manager, Investor Relations

BOARD OF DIRECTORS

- **Brian D. MacEachen**, C.A.
  Chairman and Audit Committee Chair
- **Donald S. Bubar**, P.Geo. *CEO*
- **Alan Ferry**, CFA
  Governance/Compensation Committee Chair
- **Kenneth Thomas**, Ph.D., P. Eng.
- **Jane Pagel,** M.Sc.

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Separation Rapids Mineral Resources

using 0.6% Li_2O Cut-off Grade (October 21, 2016)

Based on 1998-2001 drilling for Petalite & Tantalum

Class	Tonnes	Li_2O	Total Feldspar	Ta_2O_5	Cs_2O	Rb_2O
	(Mt)	(%)	(%)	(%)	(%)	(%)
Measured	4.03	1.32	39	0.006	0.017	0.343
Indicated	3.97	1.26	39	0.007	0.025	0.362
Measured plus Indicated	8.00	1.29	39	0.006	0.021	0.352
Inferred	1.63	1.42	39	0.008	0.016	0.360

Notes:

1. CIM Definition Standards for Mineral Resources and Mineral Reserves, 10 May, 2014 were followed for this mineral resource estimate.
2. The Qualified Person for this mineral resource is David Trueman, Ph.D., P.Geo. (MB).
3. The resource estimate is constrained by a 3D geologic model of the mineralized material delineated in drilling programs completed in 1998-2001 for petalite.
4. Assay intervals for Li_2O, Ta_2O_5, Cs_2O and Rb_2O were interpolated using the Inverse Distance Weighted method to create a 3D block model.
5. The resource cut-off grade of 0.6% Li2O was chosen to capture mineralization that is potentially amenable to mining, mineral concentration and off-site processing.
6. Li, Ta, Cs and Rb were originally analysed on all samples at XRAL Laboratory (Thunder Bay, Ontario) utilizing ICP (Li, Ta) and AA (RB and Cs) and check analyses completed at CHEMEX Laboratory (Don Mills, Ontario) utilizing AA (Li) and ICP (Rb).
7. As well as due diligence to verify historic data, Avalon completed additional check analyses of historic drill core in 2016 utilizing ALS Laboratory (Vancouver) with a combination of fusion and ICP (method CCP-PKG01). Included as QAQC procedures was a lithium rock standard within the check analysis batches.
8. Total Feldspar is the total of potassium feldspar (microcline) and sodium feldspar (albite) and the value reflects the mean and median value of all samples with quantitative mineralogy determined.
9. The percentage Total Feldspar is based on analyses completed utilizing X-Ray Diffraction and Qemscan instrumentation on samples representing all lithological subunits of the mineral deposit. These analyses were completed at Carleton University in 1999 (XRD) and ALS Global Laboratory in 2016 (XRD and Qemscan, Kamloops). This is supported by quantitative mineralogy of metallurgical samples determined at SGS (Lakefield) and Anzaplan (Germany)
10. All figures are rounded to reflect the relative accuracy of the estimates. Summation of individual columns may not add-up due to rounding.
11. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into Mineral Reserves.

Simplified Process Flowsheet