AVALON
ADVANCED MATERIALS INC.

Corporate Presentation

Donald S. Bubar, President & CEO

July 11, 2016

TSX:AVL OTCQX:AVLNF




Safe Harbour Statement

Cautionary Statement Regarding Forward Looking information

This corporate presentation contains or incorporates by reference "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation, which may not be based on historical fact. Readers can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. Statements that are not based on historical fact contained in this presentation, including through documents incorporated by reference herein, are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements . Such forward-looking statements reflect the Company's current views with respect to future events and include, among other things, statements regarding targets, estimates and/or assumptions in respect of reserves and/or resources , and are based on estimates and/or assumptions related to future economic, market and other conditions that, while considered reasonable by the Corporation, are inherently subject to risks and uncertainties, including significant business, economic, competitive, political and social uncertainties and contingencies. These estimates and/or assumptions include, but are not limited to: grade of ore; rare earth and by-product commodity prices; metallurgical recoveries; operating costs; achievement of current timetables for development; strength of the global economy; availability of additional capital; and availability of supplies, equipment and labour. Factors that could cause the Company's actual results, performance, achievements, developments or events to differ materially from those expressed or implied by forward-looking statements include, among others, but are not limited to, market conditions, the possibility of cost overruns or unanticipated costs and expenses, the impact of proposed optimizations at the Company's projects, actual results of exploration activities , mineral reserves and mineral resources and metallurgical recoveries, discrepancies between actual and estimated production rate, mining operational and development risks and delays, regulatory restrictions (including environmental), activities by governmental authorities, financing delays, joint venture or strategic alliances risks, or other risks in the mining industry, as well as those risk factors discussed or referred to in the Company's annual Management's Discussion and Analysis and Annual Report filed with the securities regulatory authorities in all provinces and territories of Canada, other than Québec, and available at www.sedar.com. Most of the foregoing factors are beyond Avalon's ability to control or predict. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. The forward-looking statements contained herein are qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management's plans, estimates, projections and views only as of the date hereof. The forward looking statements contained herein is presented for the purpose of assisting readers in understanding the Corporation's expected financial and operating performance, and the Company's plans and objectives, and may not be appropriate for other purposes. Avalon does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities law.

The geological information contained in this presentation has been reviewed and approved by Bill Mercer, P. Geo. (NS) and Vice President, Exploration, Avalon Advanced Materials, qualified person for the purposes of National Instrument 43-101. For additional information on the Nechalacho Rare Earth Elements Project, see the technical report entitled "Technical Report Disclosing the Results of the Feasibility Study of the Nechalacho Rare Earth Elements Project" dated May 31, 2013 and effective April 17, 2013.

CORPORATE OVERVIEW

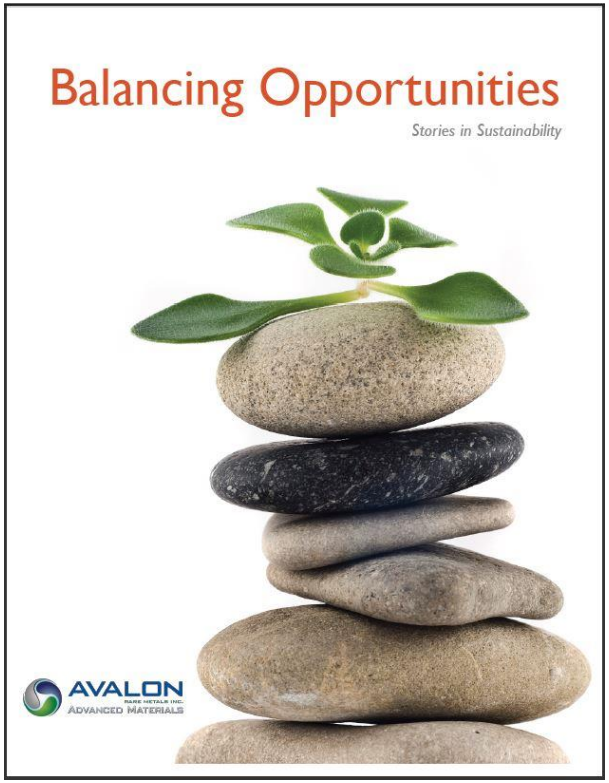
Corporate Sustainability

Avalon has placed among Corporate Knights' Future 40 Responsible Corporate Leaders in Canada for two consecutive years (2015, 2016)

Corporate Knights 2016 FUTURE 40
Responsible Corporate Leaders in Canada

Avalon's 4th annual report released December 2015

- MAC TSM Self Assessment and GRI Level G4, core level
- Aligns Avalon's operating philosophy with clean tech customers
- **Reduces social licence risk to investors**



Specialty Metals and Minerals
Project Pipeline

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

All projects 100% owned
Three are at Advanced Stage

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

Capital Structure
(as at May 25, 2016)

Canada - TSX: AVL United States - OTCQX: AVLNF	Frankfurt- OU5
Shares Outstanding	179 million* (approximate)
Fully Diluted	215 million* (24.9 mill wts @avg. $0.37, 10.9 mill opts@$1.31)
Market Capitalization	US$32 million (S/O @ $0.18)
Recent Price Range	US$0.17 - $0.20
52 Week High / Low	US$0.07 - $0.27
Cash Reserves	US$2.0 million
Shareholders	Insiders (15%), Institutional (15%) Retail (70%)
Institutional Investors	UBS, CPP, Hancock, Marquest,
Analyst Coverage	Secutor, RB Milestone Grp.

AVL Price Charts ($CAD)

10 Year Chart

After being known mainly as a REE company, Avalon's valuation is just beginning to reflect its lithium asset

1 Year Chart

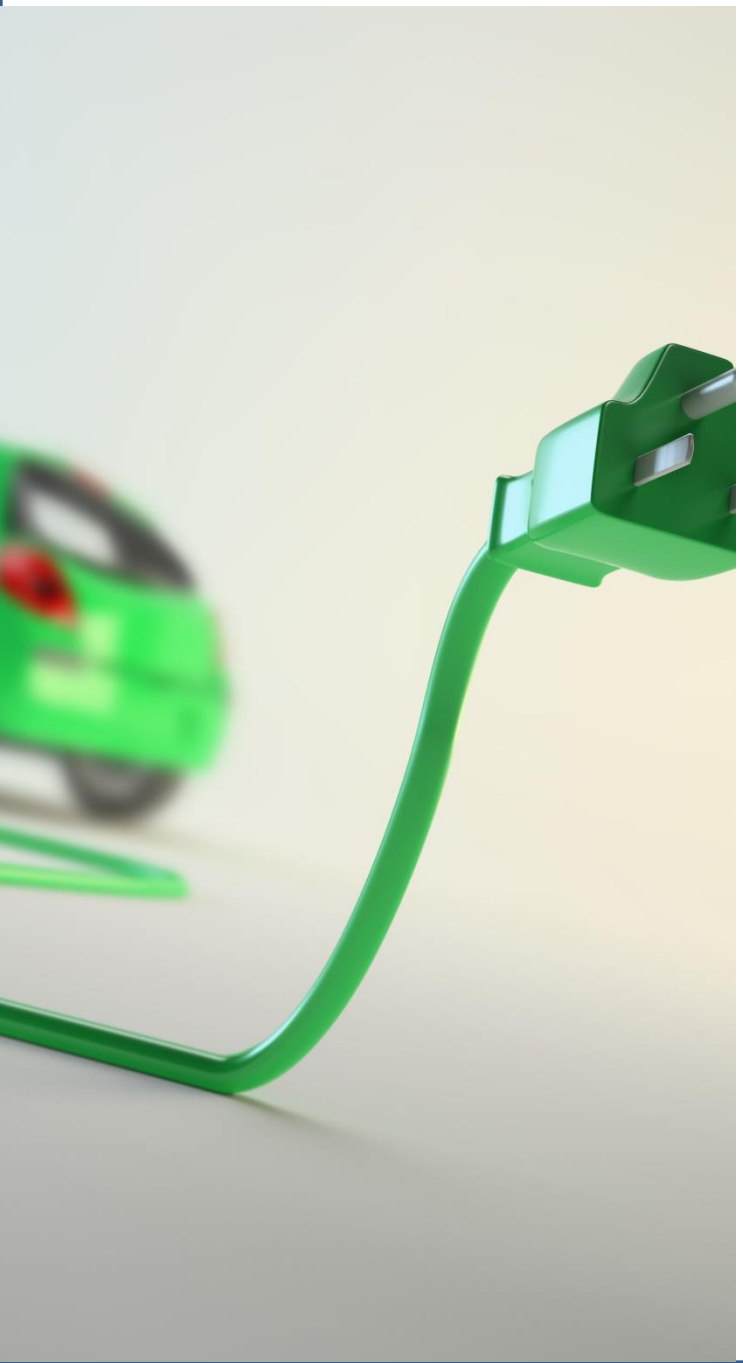
Management and Board of Directors

MANAGEMENT

- **Donald S. Bubar**, P.Geo.
  President, CEO & Director
- **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
- **Gerry Liepert**, P.Eng.
  Director, Project Development
- **Melanie Smith,** LLB (Maternity Leave 2016)
  Senior Legal Counsel
- **Brian St. Louis,** Honours BA, GDip Public Policy
  Manager, Government Affairs
- **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
  Past Chairman
- **Peter McCarter**, B.A., LL.B., M.B.A.
  Governance/Compensation Committee Chair
- **Kenneth Thomas**, Ph.D., P. Eng.
- **Jane Pagel,** M.Sc.



THE LITHIUM INDUSTRY

Lithium Supply Sources

Lithium Deposits

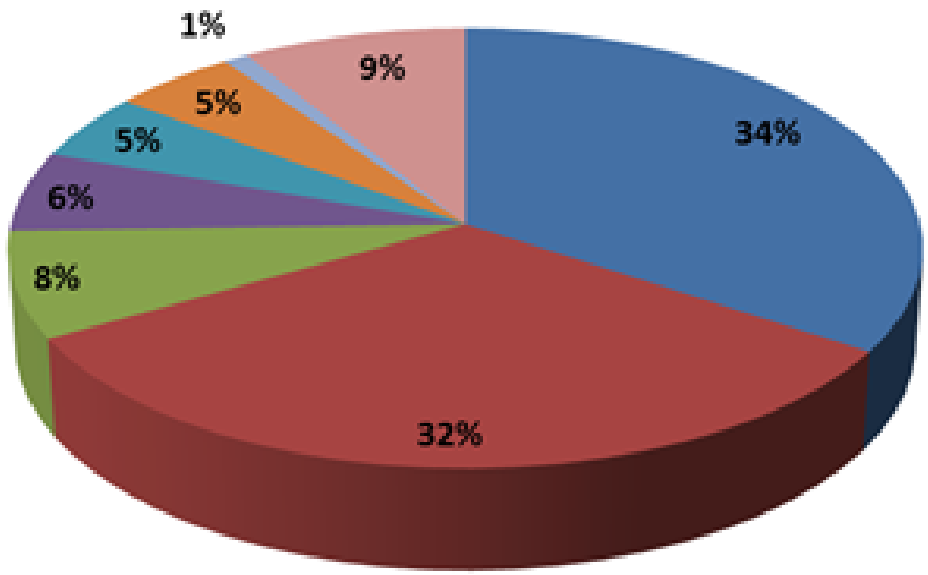
1. **Sub-surface saline brines**
   - Lithium in low concentrations (100-200ppm) recovered as by-product of salt product in evaporation ponds
2. **Near-surface clays**
   - Lithium in low concentrations (1,000-2,000ppm) in clays such as hectorite
3. **Hard rock pegmatites**
   - Highly-evolved granitic pegmatites, containing lithium in high concentrations ranging from 1.0-2.5%

Lithium Products

- **Lithium Chemicals**
  - Lithium carbonate
  - Lithium hydroxide
  - Lithium metal foil
- **Lithium Minerals**
  - Spodumene
  - Petalite
  - Lepidolite
  - Li micas


Kunzite

Global end-use markets for Lithium



- Ceramics & glass
- Batteries
- Lubricating greases
- Continuous casting mold flux powders
- Air treatment
- Polymer production
- Primary aluminum production
- Other uses

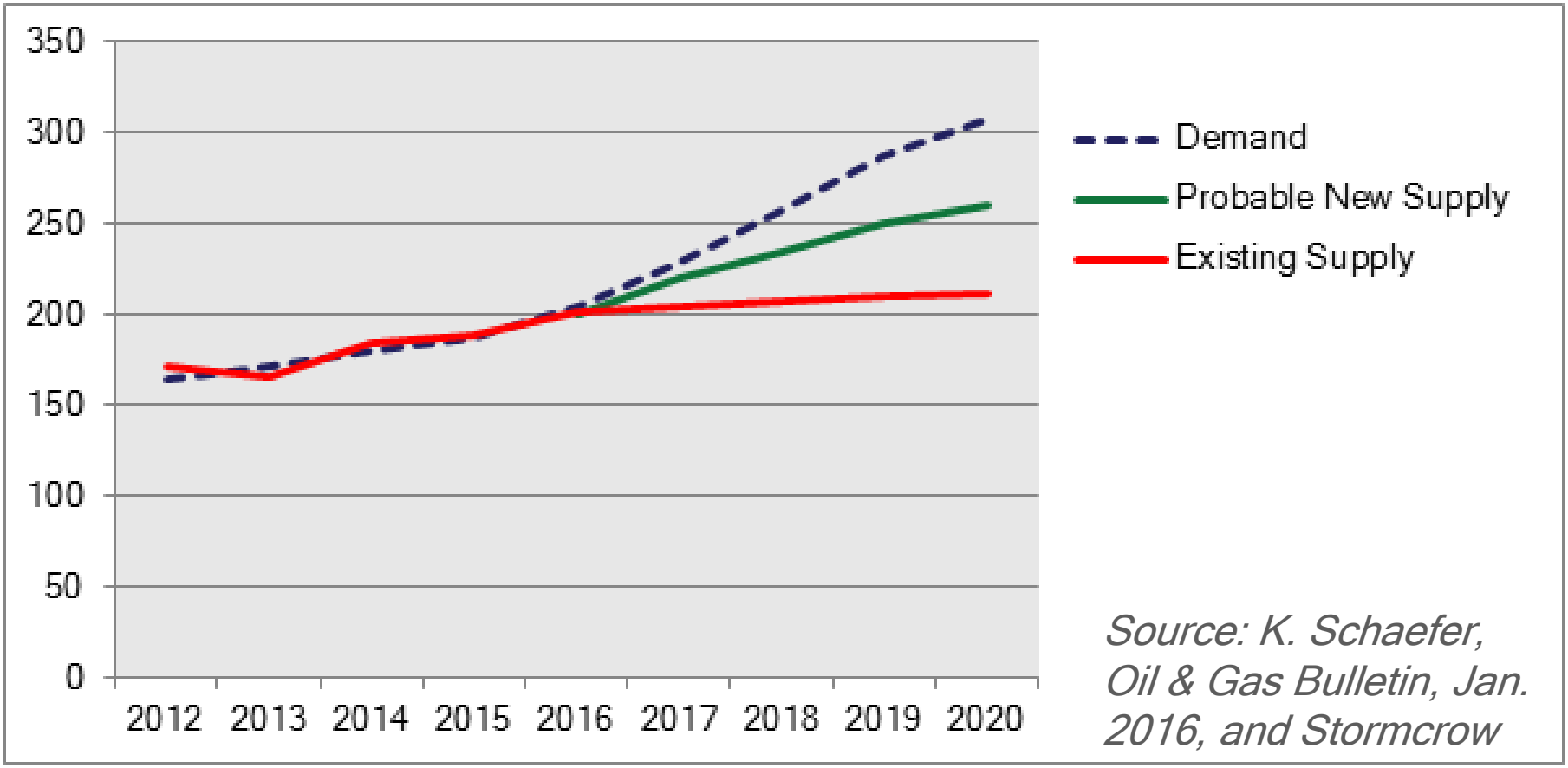
Source: USGS, January 2015

What's driving lithium chemical demand?

Tesla Model 3

Tesla Model S

Lithium Supply/Demand Forecast
(ktLCE/year)

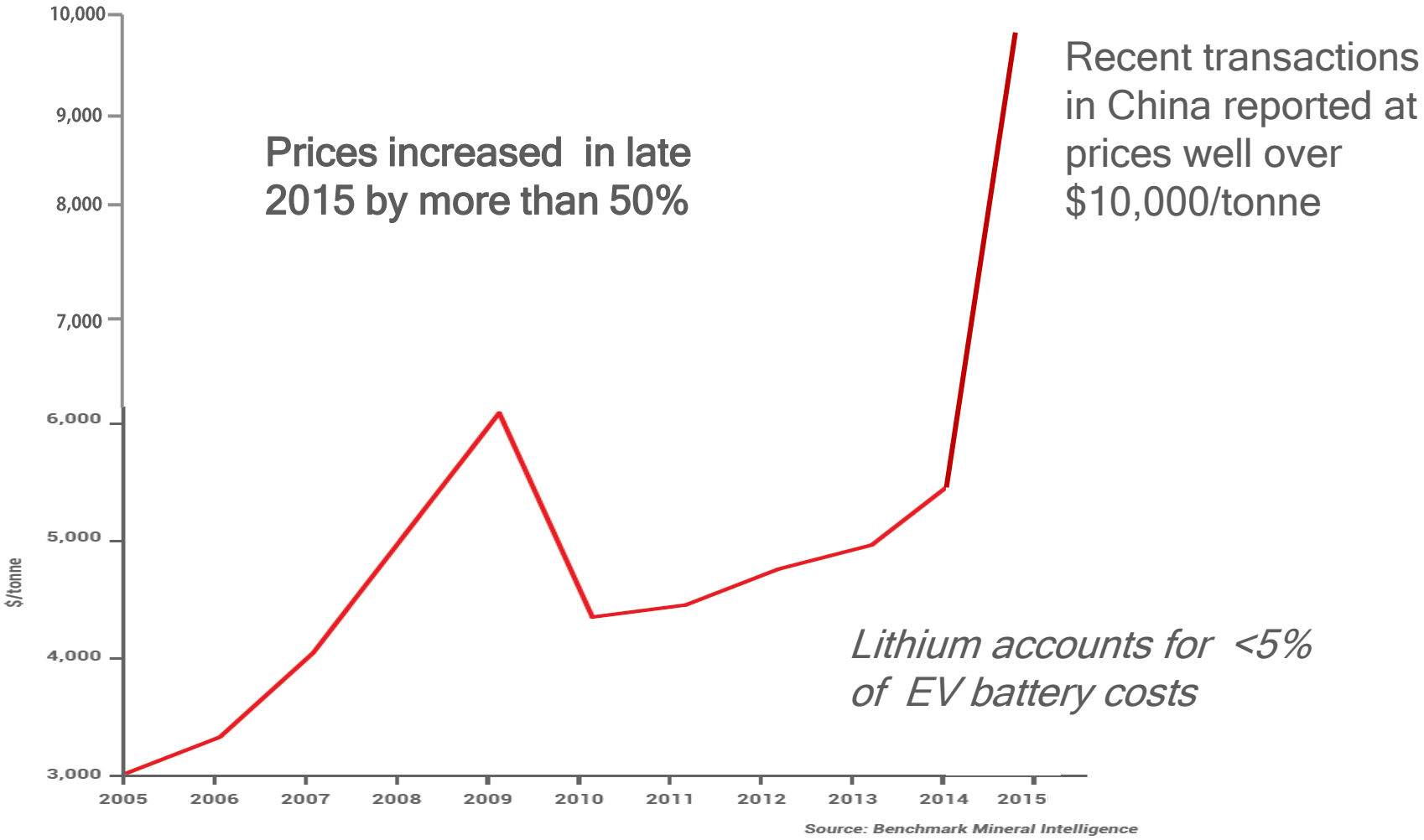


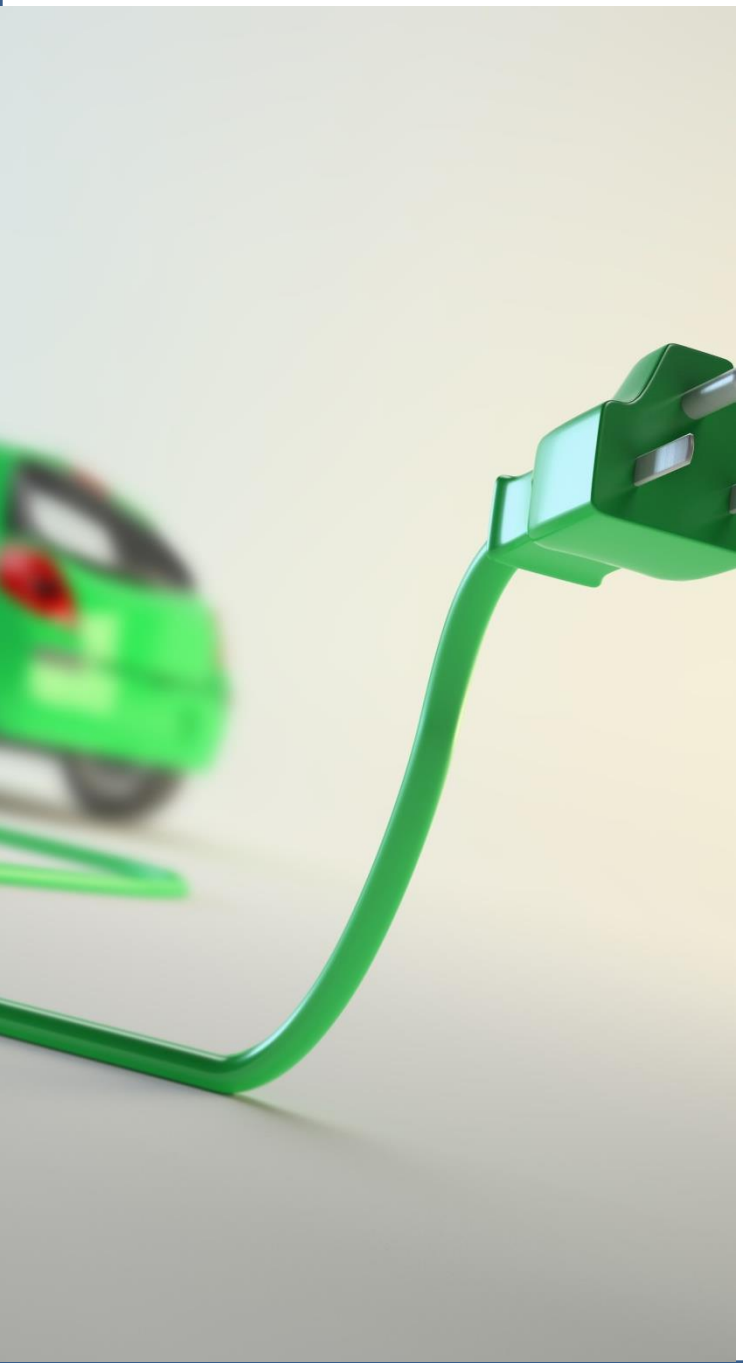
Source: K. Schaefer, Oil & Gas Bulletin, Jan. 2016, and Stormcrow

Lithium Chemicals

- 70% of lithium demand on LCE basis in 2011
- Rechargeable battery cathodes are the main demand for lithium chemicals
  - Lithium carbonate
  - Lithium hydroxide
  - Demand for increasing purities (99.99%) to achieve optimal battery performance
- By 2020, batteries for EV's will account for at least 50% of total lithium demand
- Demand for lithium chemicals is forecast to increase by 50% to 300,000 tonnes by 2020 and to 410,000 t by 2025 (Stormcrow)
- Forecasts do not include Tesla's new *Powerwall Home Battery System* and grid stabilization system

Lithium Carbonate Price Trend





SEPARATION RAPIDS LITHIUM PROJECT

Kenora, Ontario, Canada

Separation Rapids Lithium

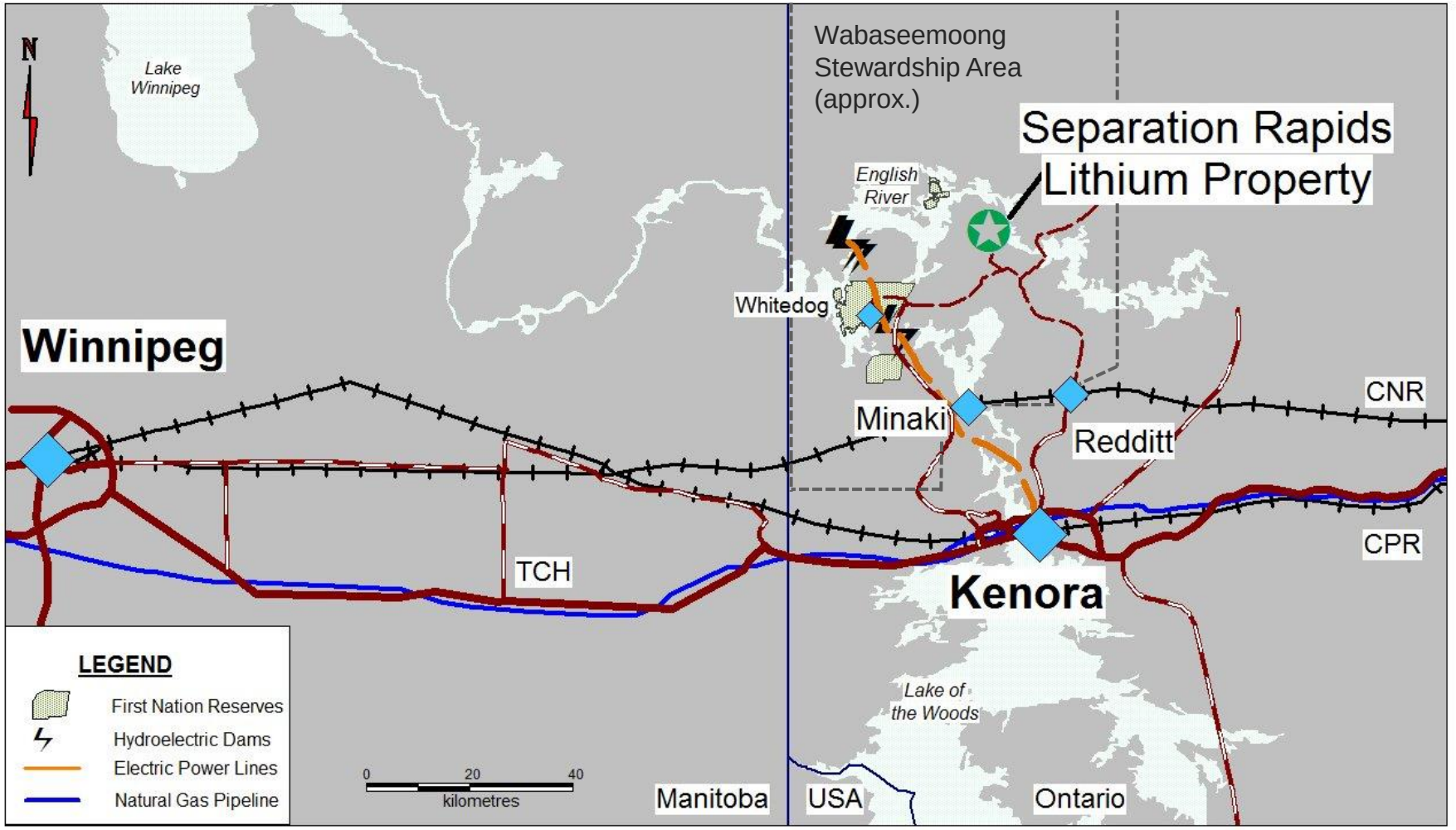
*A rare form of lithium pegmatite enriched in the high purity alumino-silicate mineral **petalite***

Roughly 10 million tonnes averaging 1.4% Li_2O delineated to date to a depth of 200 metres. Open to depth for expansion.

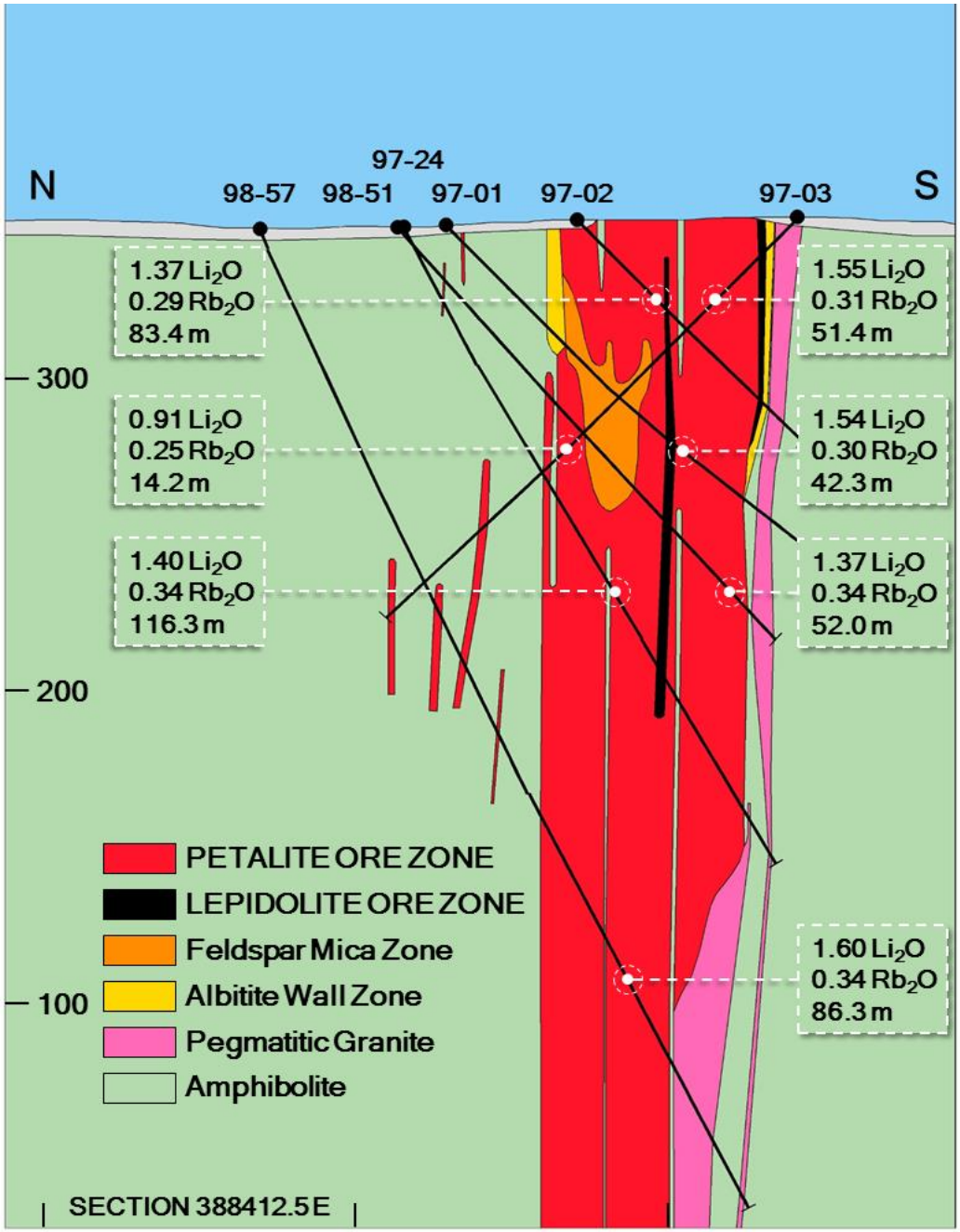
- Secure Tenure under a Mining Lease
- 100% Ownership
- Road accessible, proximity clean hydro-power
- Strong community support including First Nations
- No toxic waste materials

**These are historical resources and reserves estimates from 2001 that need updating to comply with current NI 43-101 requirements and should therefore not be relied upon.*

Separation Rapids Location and Infrastructure



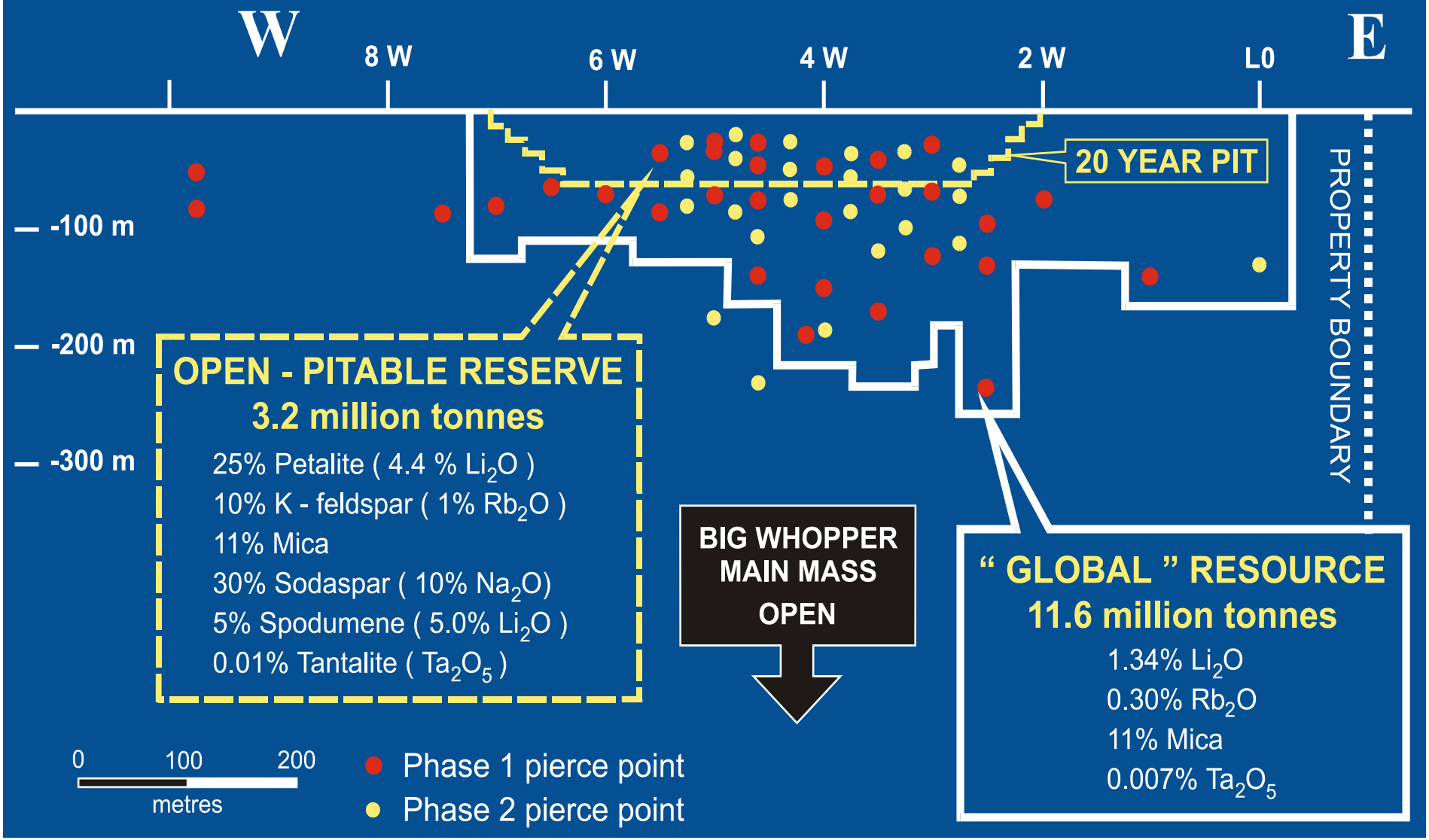
Vertical Cross Section



Maximum depth tested:
Approximately 260 m

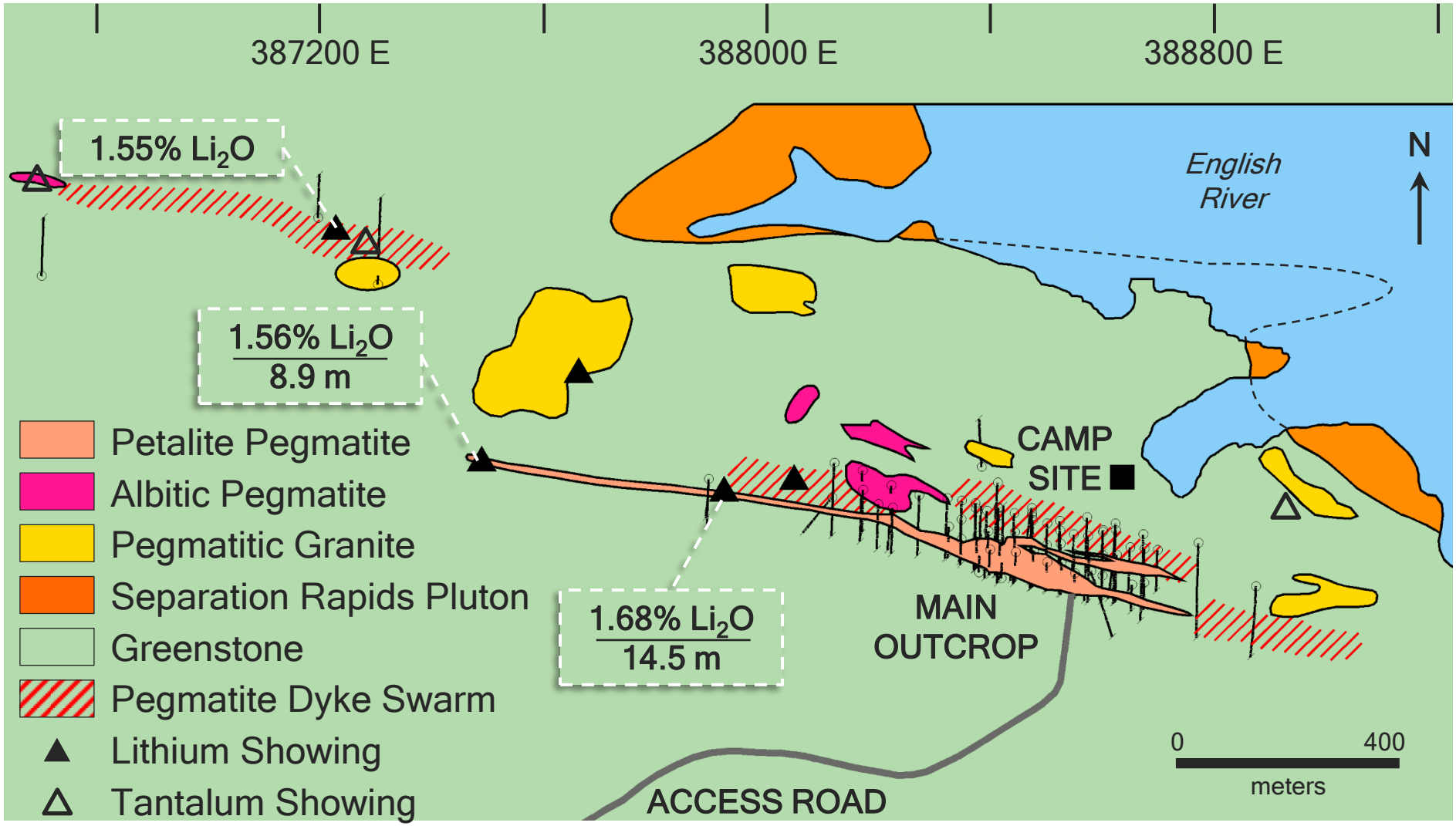
Widths quoted are drill core lengths not true width

THE BIG WHOPPER PETALITE DEPOSIT
LONGITUDINAL SECTION



Cautionary Note to investors: These are historical resources and reserves estimates from 2001 that need updating to comply with current NI 43-101 requirements and should therefore not be relied upon. The Probable Mineral Reserves include only Indicated Mineral Resources. No Inferred Mineral Resources were utilized in the open pit design.

Separation Rapids Property Geology & Mineral Occurrences



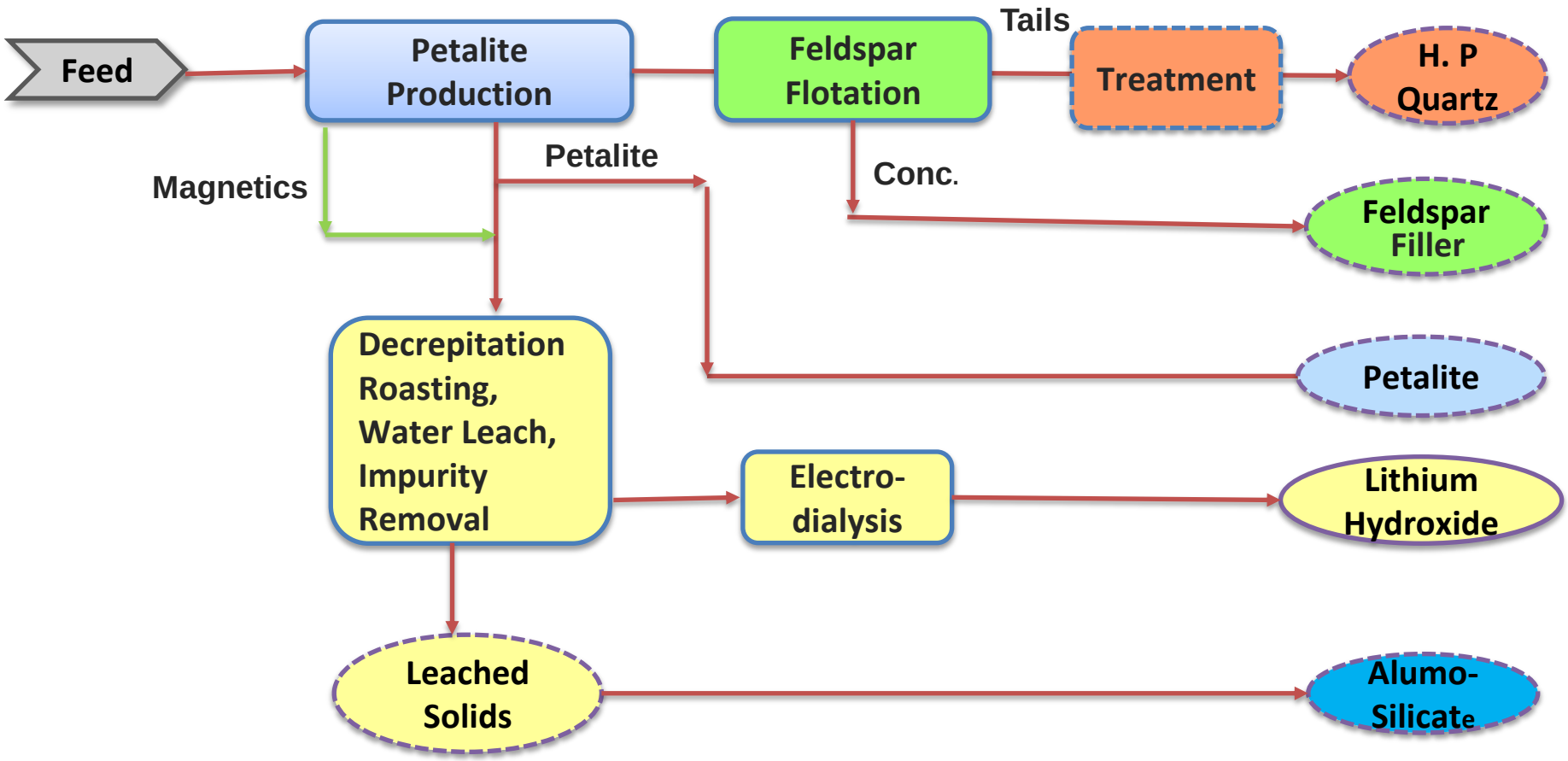
Separation Rapids Lithium Project 2015-16 Work Program Overview

- $1.6 million program in fiscal 2016
- Pilot plant processing of 30 tonne ore sample
- 1 tonne of high purity petalite concentrate produced by flotation process
- Product quality confirmed for glass-ceramics
- Ability to readily produce battery grade lithium carbonate confirmed
- Market studies for battery industry completed
- Hydromet process to produce high purity (99.9%) lithium hydroxide product developed
- Lab work in progress to confirm hydromet process costs for PEA

Separation Rapids Current Testwork

- **1 tonne petalite sample produced in pilot plant**
  - Flotation process optimization work now planned
  - Product shipped for glass evaluation and lithium chemicals process work
- **Lithium hydroxide process flowsheet development**
  - Laboratory trials on 300kg of petalite product underway
  - Produce test quantities for battery customer evaluation
- **High purity silica product potential**
  - Tails from feldspar and petalite recovery yield a grade of 99.5% SiO_2
  - Testwork to produce high value product (US$4-8,000/t) underway
- **Feldspar product potential**
  - Potential application in paint fillers confirmed, test marketing planned
  - Further work needed to define milling requirements

Testwork shows five potential products from Separation Rapids



Separation Rapids Flotation Pilot Plant

Left: Flotation Cells in Operation

Below: Petalite on Belt Filter

Separation Rapids Project Future Work

2016-17

- Complete PEA (2016)
- Piloting of lithium chemicals process
- Identify customers for Li chemical products
- Identify site for process plant and complete permitting
- Work with community and government on low cost hydro-power options
- Drilling to increase Mineral Resources
- **Complete feasibility study mid-2017**

2018-19: Engineering, Construction and Commissioning?

Conclusion

Separation Rapids offers a unique opportunity to produce a high purity lithium mineral concentrate with two growing but independent markets:

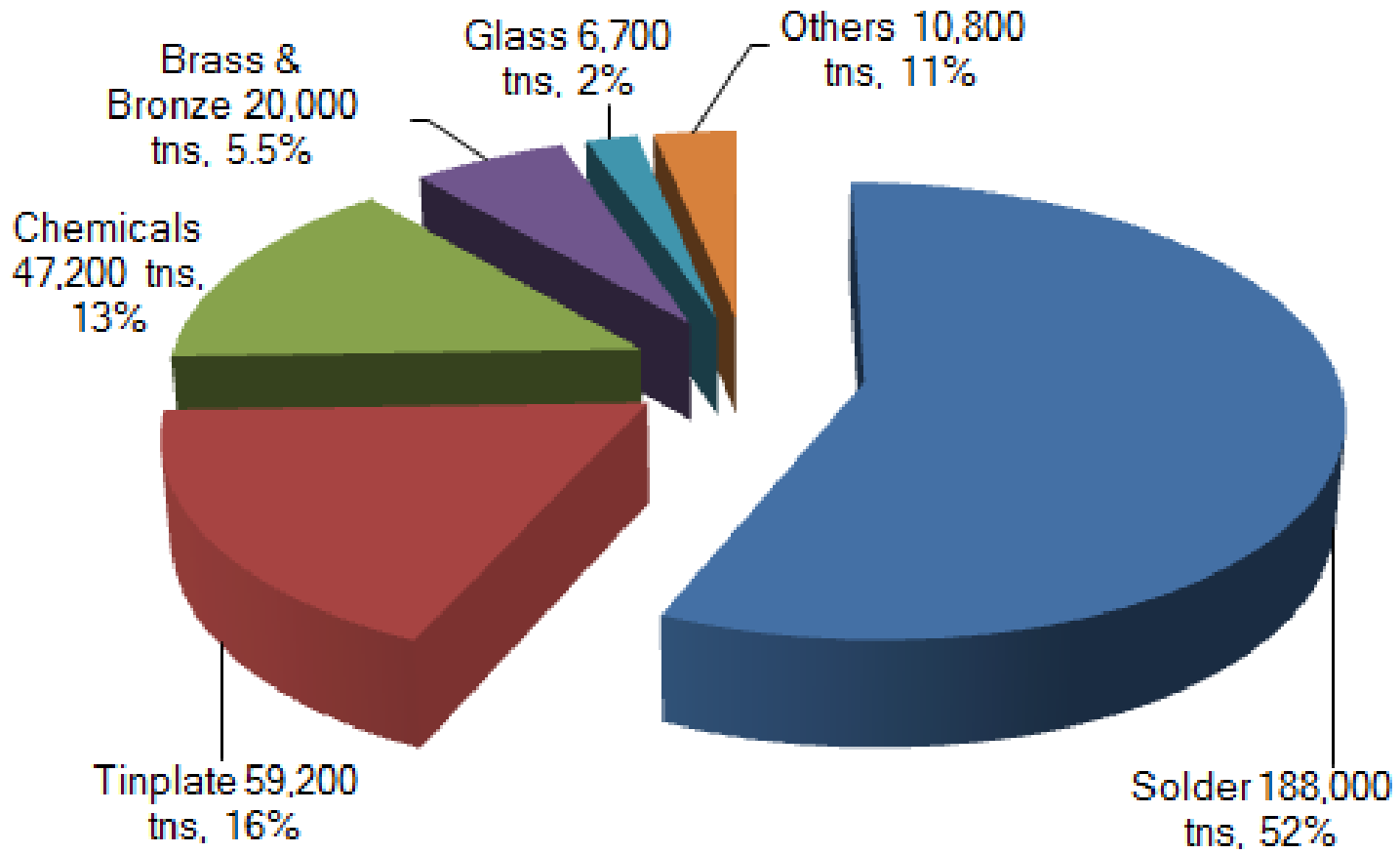
1. High purity lithium chemicals for energy storage
2. Specialty industrial mineral product for glass - ceramics (and by-product feldspars)

Reduced investment risk due to potential for stable cash flow from industrial minerals business coupled with growth opportunities presented by lithium ion battery market

TIN INDUSTRY

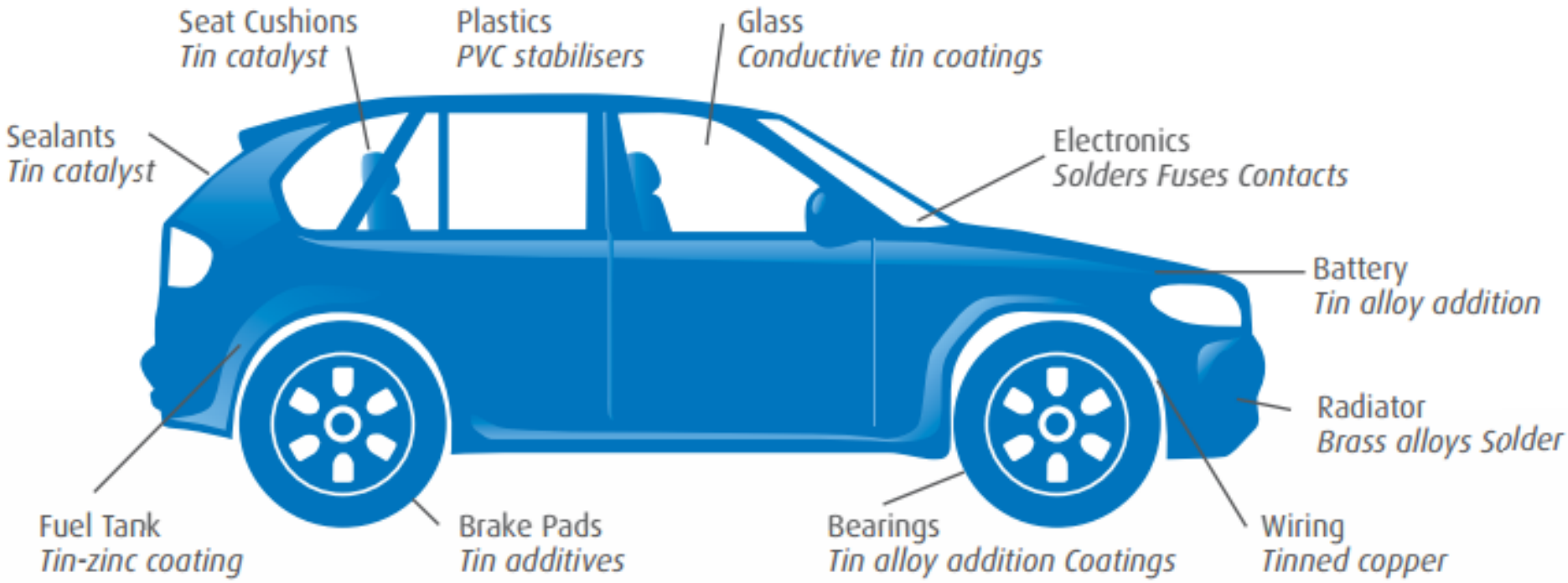
Growing Tin Demand

Lead-free solders now account for over 50% of market and is growing with electronics demand



Source: Hallgarten & Co 14 02

Tin found in automobiles

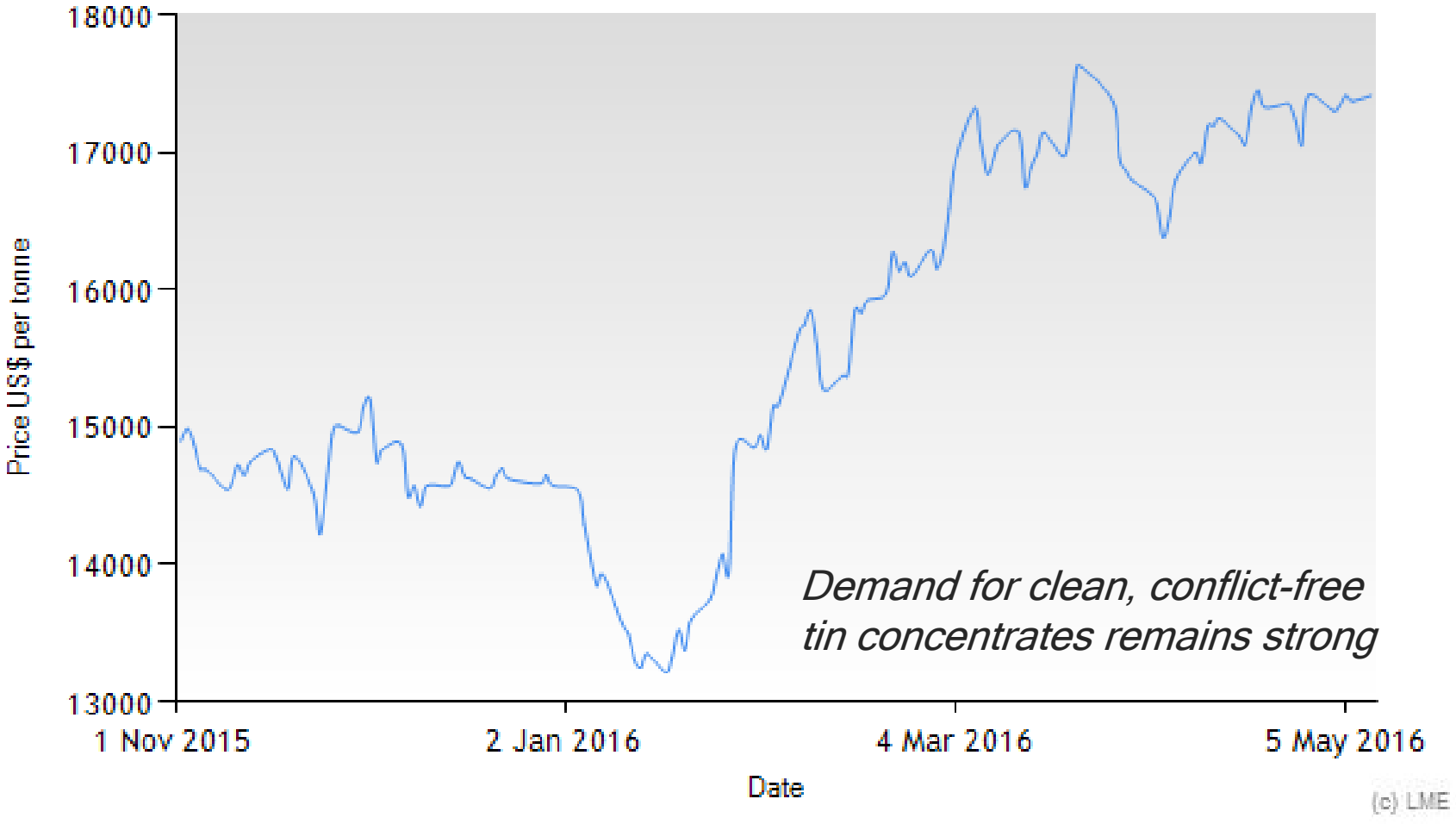


Source: ITRI's *Tin for Tomorrow : Contributing to Global Sustainable Development (www.ITRI.co.uk)*

New applications for tin
(Source: ITRI *Tin for tomorrow*)

- Fuel catalysts
  - Saves energy and reduces emissions as fuel additive
- Solar Panels
  - Next generation of lower cost solar cell materials
- Lithium Ion Batteries
  - Tin can make them last three times longer
- Fire Retardants
  - Tin is replacing antimony as fire retardant in plastics
- Animal Healthcare
  - Heals wounds and kills bacteria

LME Tin Prices since November 2015



EAST KEMPTVILLE TIN-INDIUM PROJECT

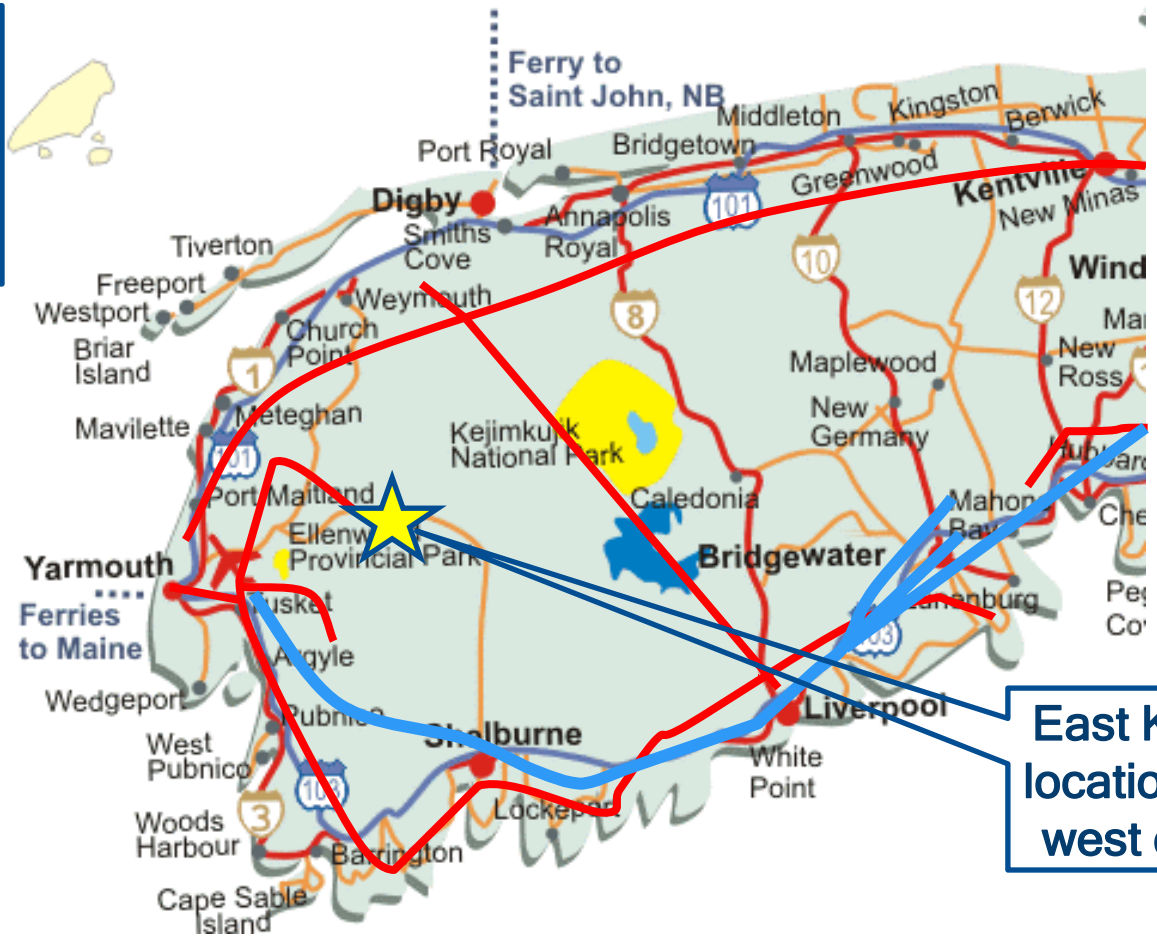
Yarmouth, Nova Scotia, Canada

East Kemptville, Nova Scotia: North America's Only Primary Tin Producer

Produced from 1985-92 when it closed due to low tin prices. Significant resources left unmined.

10,000 tpd mill subsequently removed and pit flooded. Operated as a closed mine site since 1992.

East Kemptville Location and Regional Infrastructure



- On paved highway
- Grid power on site
- Yarmouth (55 km) and other communities commuting distance
- Ample water
- Skilled labour available locally

East Kemptville
Avalon's Project History

2005	Initial Special Licence granted (Required access agreement with surface rights holder)
2010	Avalon completed an unreleased Desktop Study with an independent engineering company, including resource estimation and preliminary metallurgical test work utilizing archived core samples
2014.05	Access Agreement with surface rights holder for confirmation drilling program
2014.10	NI 43-101 Resource completed
2015.02	Conceptual Redevelopment Study completed on NI 43-101 Resources demonstrating economic potential

Mineral Resources Estimate

October 31, 2014

Classification	Sn Cut-off Grade	Tonnes (mT)	Sn %	Zn %	Cu %
	>= 0.05	46.07	0.104	0.132	0.051
INDICATED	**>= 0.10**	**18.47**	**0.176**	**0.173**	**0.064**
	>= 0.15	6.83	0.239	0.204	0.077
	>= 0.20	3.16	0.337	0.268	0.093
	>= 0.25	2.93	0.344	0.275	0.092
	>= 0.05	34.29	0.102	0.104	0.052
INFERRED	**>= 0.10**	**16.95**	**0.148**	**0.122**	**0.062**
	>= 0.15	2.66	0.203	0.13	0.075
	>= 0.20	0.82	0.311	0.138	0.12
	>= 0.25	0.58	0.342	0.171	0.117

- CIM definitions were followed for Mineral Resources.
- The Independent Qualified Person for this Mineral Resource estimate is Don Hains, P. Geo.
- The resource estimate is based on 275 drill holes totalling 29,587 metres drilled between 1979 and 1991 by previous operators and 7 holes totalling 984 metres drilled by the Company in 2014.
- Mineral resources do not have demonstrated economic viability and their value may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other issues.
- Full footnotes are with October 31, 2014 News Release “Avalon reports Resource Estimate for East Kemptville TinZinc-Copper-Indium Deposit, Nova Scotia, Canada”

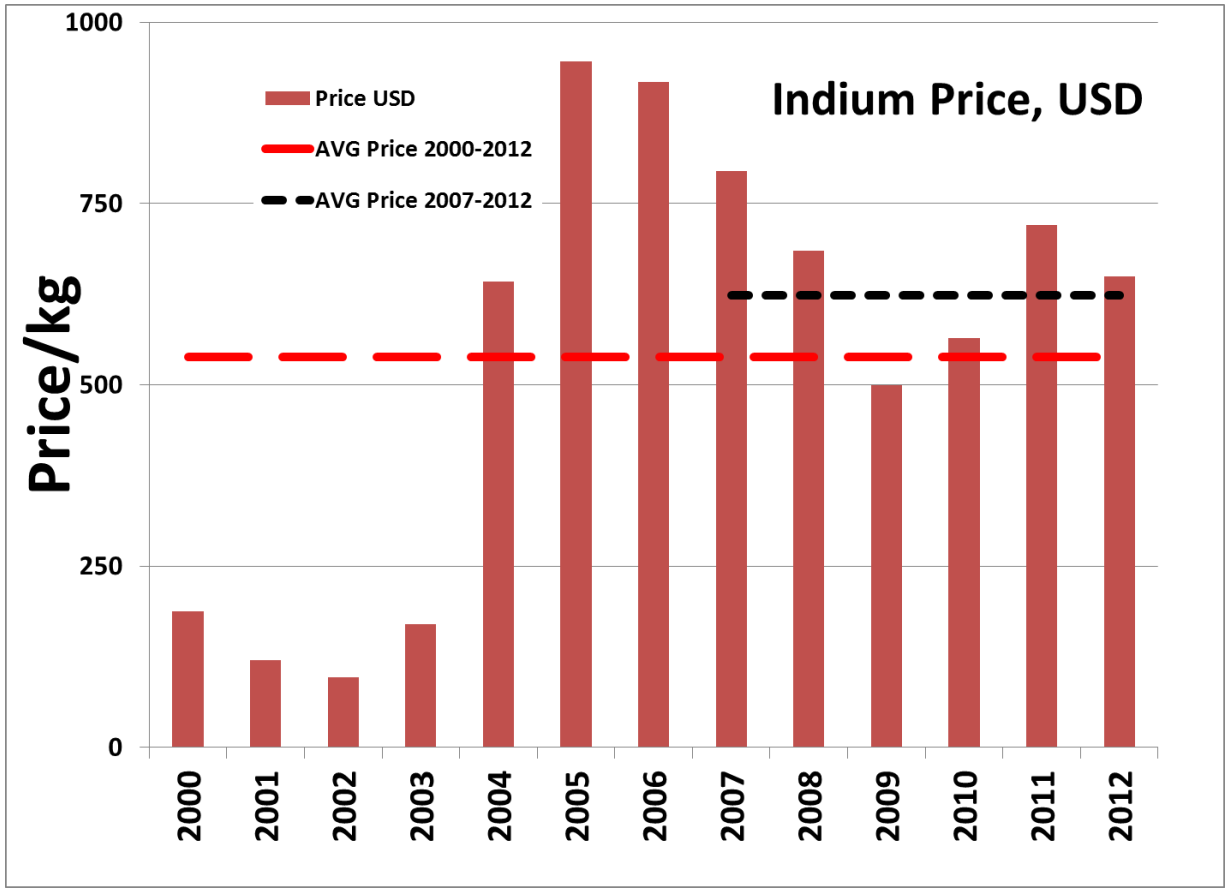
Indium
Occurs at East Kemptville

- Not analyzed for historically
- Increased Demand for:

Electronics

- Touch screens
- Thin Film Solar Panels
- Electroluminescent displays
- LEDs
- Superconductors

Nuclear power



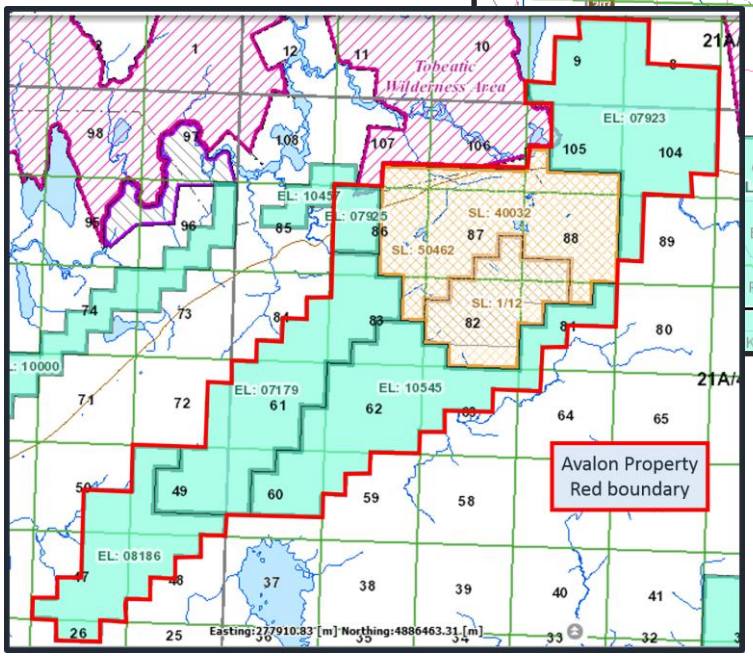
SOURCE: USGS

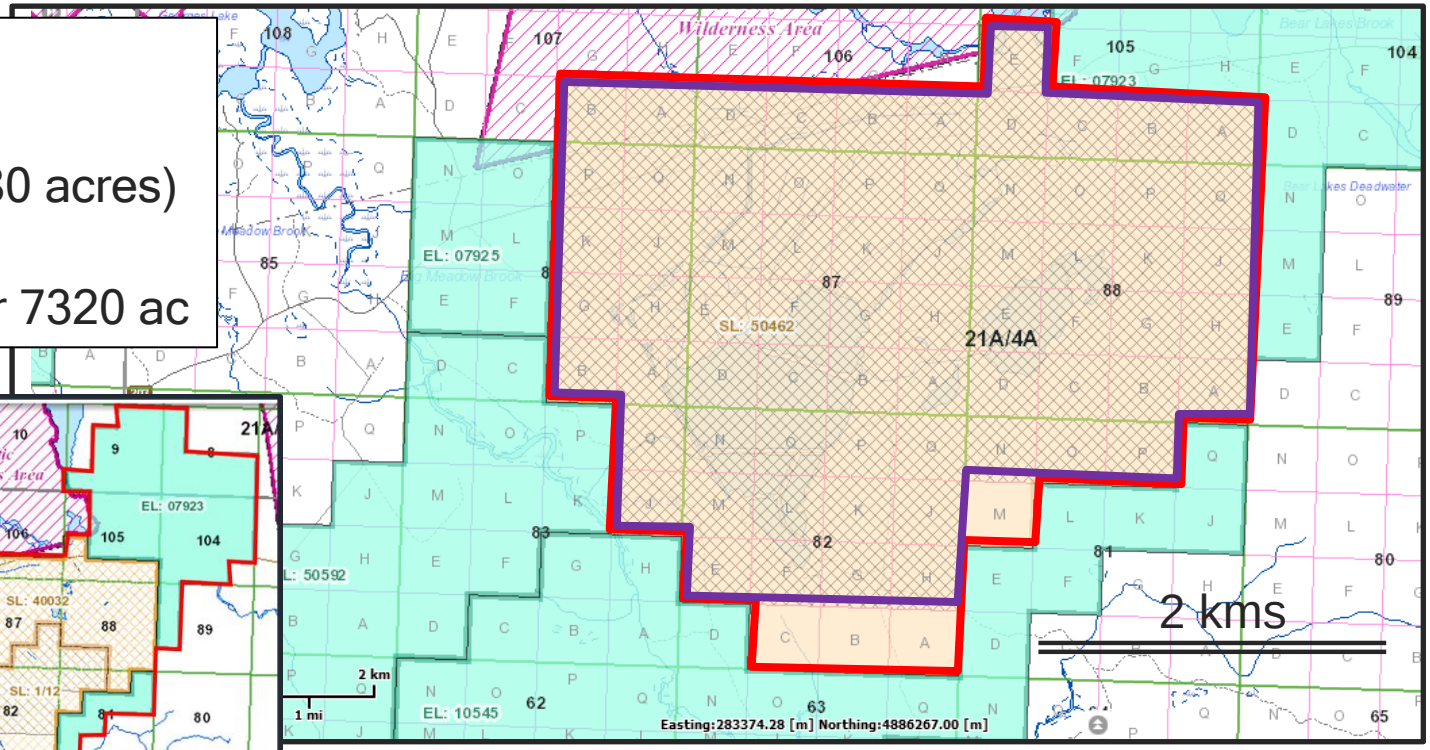
Mineral Claims and Special Licence

Closure area

SL 50462 (2880 acres)

Other licences cover 7320 ac

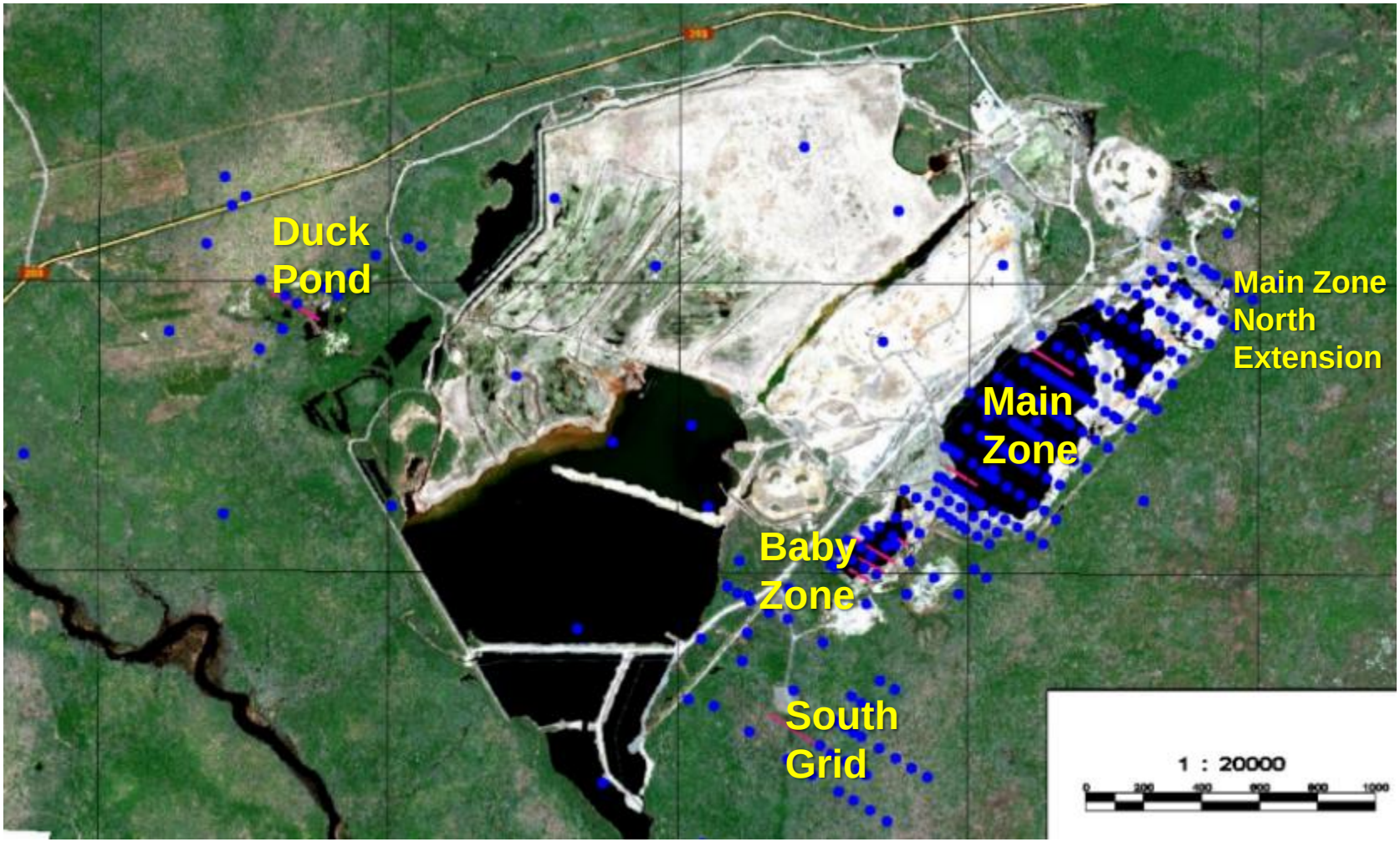




Special Licence

Requires aggregate expenditures of $5.25 million over three years, incl. $750,000 in 2015

Mineralized Zones and Drilling Areas



East Kemptville
Conceptual Redevelopment Study Model

- **Purpose: to confirm business case for redevelopment of historic tin mine**
- Assumed open pit mine design and similar production rate (10,000 tpd) with truck and shovel operation
- Similar process flowsheet combining selective flotation of tin, copper and zinc with gravity concentration of tin using updated technology. Note: *The flowsheet needs further testwork to bring up to standards for a PEA.*
- **Addition: Electric arc refinery would take cassiterite concentrate to 99.85% Sn ingots (LME grade)**
- Environmental aspects of model to be confirmed incl. development of new waste management plan

Conceptual Redevelopment Study
Cautionary Statement

- *The Conceptual Economic Study is preliminary in nature and includes inferred mineral resources that are 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 economics indicated in the Study will be realized.*
- *The results were released in Avalon's News Release of February 25th, 2015*
- *The Study was prepared by Don Hains, P. Geo, with contributions from the following independent consultants and "Qualified Persons" for the purposes of National Instrument 43-101, who have reviewed and approved this portion of the presentation:*
  - *Bruce Brady, P. Eng. Associate of Hains Engineering Mine Capital & Operating Costs*
  - *Ross MacFarlane, P. Eng Associate of Hains Engineering Metallurgical analysis, Process Capital and Operating costs*

Exploration Potential

- In Main and Baby Zones: potential on strike and to depth
- **Duck Pond Zone**: mineralization in Meguma metasediments intersected in drilling by Rio Algom
  - **9mt @ 0.11% Sn + Zn&Cu (not 43-101 compliant)***
  - **Intersections of 0.17% Sn / 42.7m**
- **South Grid Zone**: mineralization intersected in two drill holes by Rio Algom, south of Baby Zone
  - **~1.7mt @ 0.14% Sn + Zn&Cu (not 43-101 compliant)**
  - **Intersections of 0.31% Sn / 33.00m SW of South Grid Zone**

*Cautionary Note to investors: These are historical resources and reserves estimates that have not been verified by a Qualified Person against NI 43-101 requirements and should therefore not be relied upon.

East Kemptville Tin-Indium Project
2015-16 Work Program

- 22 drill holes at 4,514m drilling program ✓
- Bench-scale metallurgical process test work for PEA ✓
- Environmental studies *In progress*
- Community engagement *Ongoing*
- Secure full surface tenure *2016*
- Complete PEA *2016*

BUDGET: $1.3 million *In progress*

Opportunities to Enhance Value

Exploration potential

- In Main and Baby Zones: potential on strike and to depth
- Duck Pond Zone: mineralization in Meguma metasediments intersected in drilling by Rio Algom
- South Grid Zone: mineralization intersected in two drill holes by Rio Algom, south of Baby Zone

Rare metal by-product potential, particularly indium

- Indium is predicted to be 0.25% (2.5 kg per tonne) in zinc concentrates from microprobe analysis of sphalerite. Indium price is in range $500-700 / kg.
- Also potential for lithium, gallium and germanium

East Kemptville Near-term Development Potential: Small Scale Production

Small Scale (2,400 tpd) Process Surface Stockpiles only

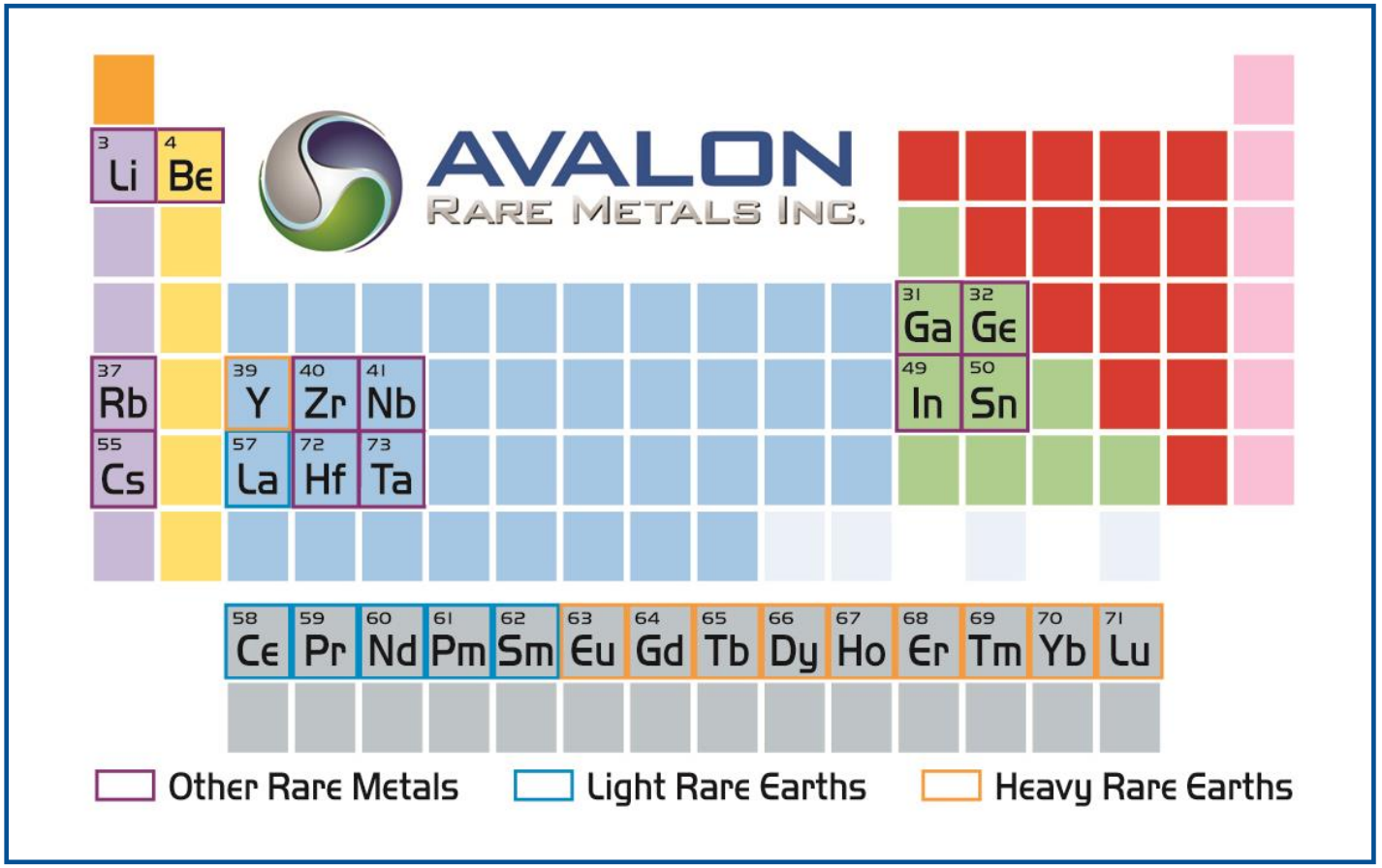
- Establish modular gravity circuit to recover tin concentrate from 5.87 mt* ore stockpile (@ 0.112% Sn)
- 70% tin recovery at 50% tin concentrate grade achievable
- Potential for near-term production in 2017, with 8-10 years of production from stockpiles alone
- Relatively low CAPEX ($15-20 million) with cash flow in 1-2 yrs
- Use existing tailings facility for waste disposal, Stockpile Cu, Zn.
- Market interest in sources of “conflict-free” tin concentrates
- Future scalability by resuming open pit mining at Baby Zone pit
- PEA in preparation, targeted for completion 2016

Potential to start small and grow scale of operation over time

*Inferred resource

RARE EARTHS INDUSTRY

Rare Earth Elements



Light REE:
La = Lanthanum
Ce = Cerium
Pr = Praseodymium
Nd = Neodymium
Sm = Samarium

Heavy REE:
Eu = Europium
Gd = Gadolinium
Tb = Terbium
Dy = Dysprosium
Ho = Holmium
Er = Erbium
Tm = Thulium
Yb = Ytterbium
Lu = Lutetium
Y = Yttrium

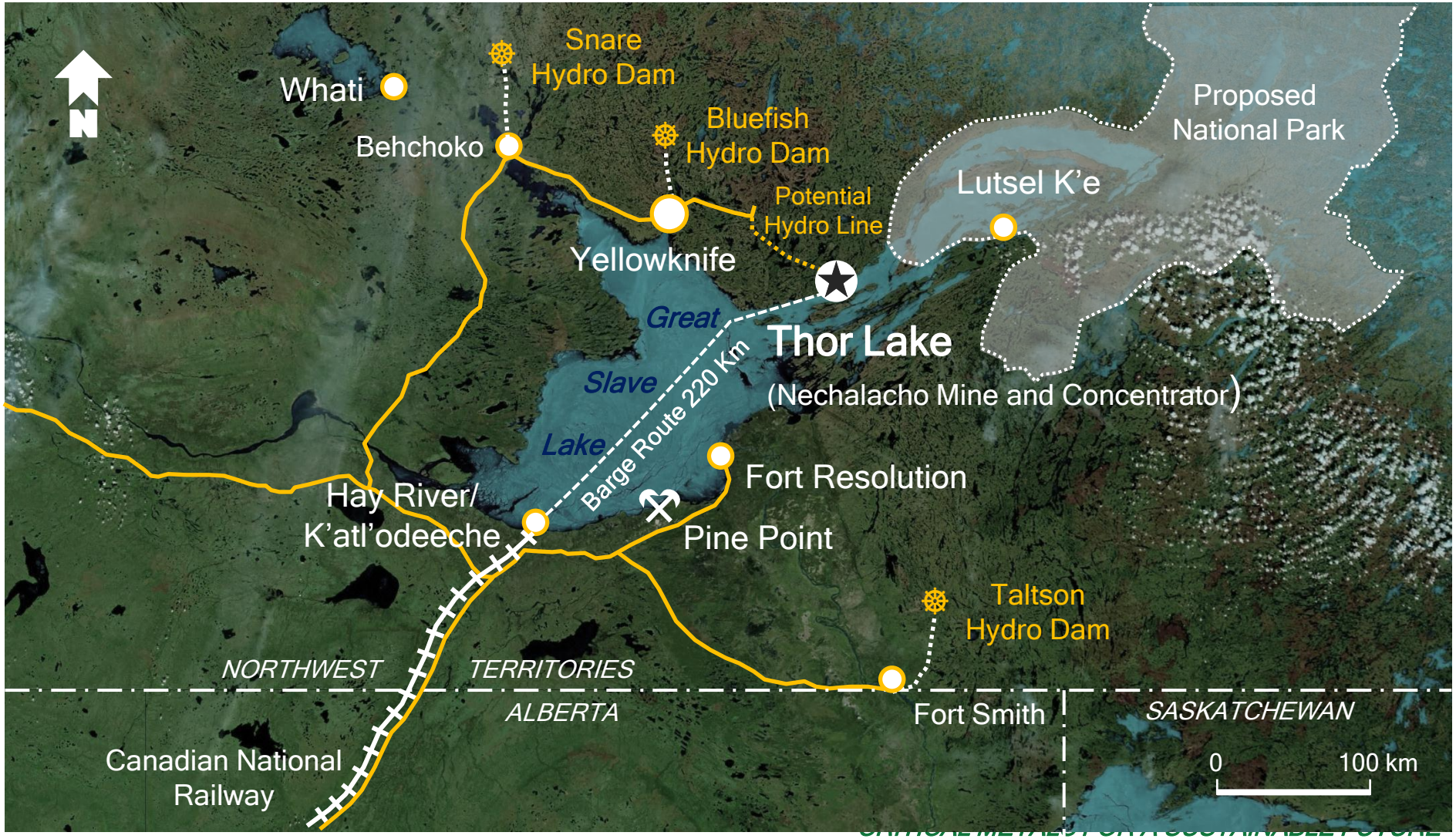
"Critical Five:" Neodymium, Dysprosium, Terbium, Europium and Yttrium

Rare Earths are found in many everyday applications

NECHALACHO RARE EARTH ELEMENTS PROJECT

Thor Lake, Northwest Territories, Canada

Nechalacho Project:
Thor Lake Area and Regional Infrastructure



Measured and Indicated Resources in the Basal Zone at Various NMR Cut-offs

(August 2013)

Basal Zone	Tonnes (millions)	% TREO	% HREO	% HREO/ TREO	% ZrO_2	% Nb_2O_5	% Ta_2O_5
US$345 NMR Cut-Off (Reflects entire Basal Zone)							
Measured	12.56	1.71	0.38	22.50	3.20	0.405	0.0404
Indicated	49.33	1.62	0.35	21.27	3.07	0.405	0.0398
US$800 NMR Cut-Off (Approximately Reflects High Grade "Basin")							
Measured	5.11	2.20	0.58	26.17	4.23	0.52	0.0544
Indicated	16.15	2.20	0.55	24.87	4.13	0.52	0.0542
US$1,000 NMR Cut-Off (Selected parts of High Grade "Basin")							
Measured	2.49	2.49	0.68	27.38	4.77	0.59	0.0620
Indicated	6.99	2.52	0.66	26.03	4.66	0.58	0.0614

See Avalon's August 15, 2013 News Release "Avalon Reports on Summer Work Program at the Nechalacho Rare Earth Elements Project and Provides Mineral Resource Update" for further information.

Nechalacho Feasibility Study Development Concept *(as of April 2013)*

- Planned initial production of 7,000 tpa separated REE oxides plus EZC (with Nb, Ta, HREE)
- **CAPEX**: CAD$1.575 billion (includes refinery and sustaining capital)
- **Operating Costs**: CAD$265 million/ year or $362/mined tonne of ore (all inclusive)
- **Revenues**: CAD$646 million /yr or $885/ mined tonne of ore
- **Pre-tax IRR**: 22.5%
- **NPV** @ 10%: $1.35 billion

Nechalacho 2015/2016 Activities

Nechalacho remains a *polymetallic* rare metals project

- Monitoring REE, zirconium, beryllium markets
- Compiling historical data on lithium at Thor Lake

Zirconium

- Demonstrated Process for production of quality zirconium chemicals
  - Zirconium Oxy-chloride (ZOC)
  - Zirconium Basic Sulphate (ZBS)
- ZOC/ZBS feed materials into:
  - Strategic alloys for high temperature & corrosive applications
    - military vessels, nuclear reactors & power regeneration
  - Also paper coatings, antiperspirants, paint driers & fire proofing
  - Production of zirconium metal
- China currently primary source of all zirconium consumed in N America
- Nechalacho Project could satisfy bulk of NA demand when in production

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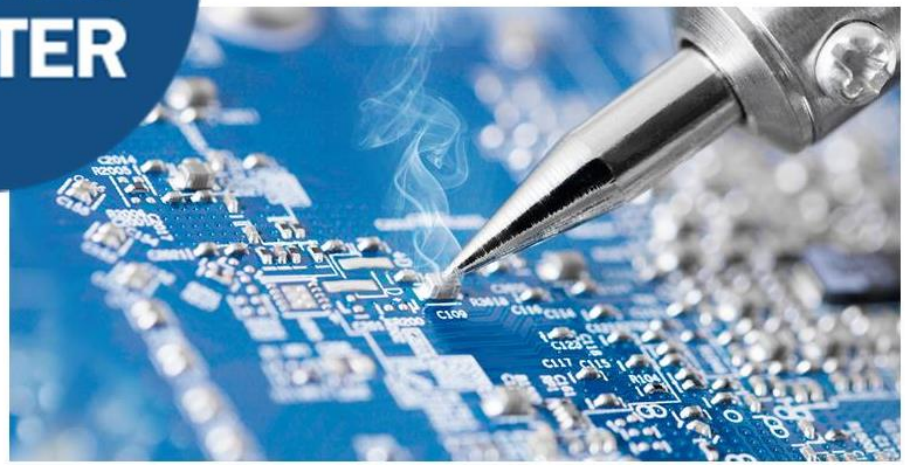

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