AVALON RARE METALS INC.

FACT SHEET #2
Nechalacho, Thor Lake

MATERIALS FOR CLEAN TECHNOLOGY

Avalon's Rare Metal Projects

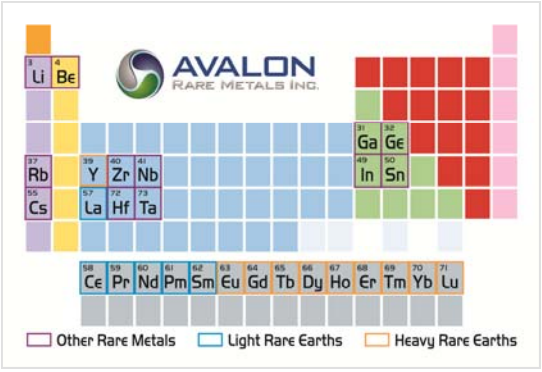
CSR Advisory Committee

- Jean Cinq-Mars
- David Connelly (Chair)
- Chief Glenn Nolan
- Denis Kemp

Technical Advisory Committee

- Harry Burgess
- Denis Kemp
- Ross MacFarlane
- Richard Morland (Chair)
- Paul Schmidt

Rare Earth Elements



AVALON RARE METALS INC.

130 Adelaide Street West, Suite 1901
Toronto, ON Canada M5H 3P5
T: (416) 364-4938 · F: (416) 364-5162

OPERATIONS OFFICE:
Unit 330 - 6165 Hwy 17
Delta, BC Canada V4K 5B8
T: (604) 940-3800 · F: (604) 940-3808

office@avalonraremetals.com
www.avalonraremetals.com

TSX & NYSE AMEX: AVL

Project Overview

Avalon Rare Metal's Nechalacho rare earth elements ("REE") deposit at Thor Lake, NWT is now ranked as the largest REE deposit in the world outside China and is exceptional in its enrichment in the more valuable heavy rare earths ("HREE"). Nechalacho is also host to the 2nd largest tantalum deposit and 3rd largest niobium deposit in the world, and remains the only REE Project to complete a NI 43-101 compliant prefeasibility study, with production scheduled for 2015. Avalon continues to "in-fill" definition drill on the deposit to convert more of the Inferred Resources to the Measured and Indicated level of confidence and define high grade sub-zones for selective mining. Recent step-out drilling has confirmed the deposit is open in three directions.

Strategic Advantages

- Nechalacho deposit is unique among hard rock rare earth deposits for its high proportion of heavy rare earths (greater than 26%)
- Natural flat lying deposit geometry, very good rock mechanics and no water intrusion issues makes the Nechalacho deposit amendable to low-cost underground bulk mining methods
- The hydrometallurgical plant and the Hay River railhead is accessible year round by all season highway while Thor Lake is accessible by air transport, barge in the summer and ice roads in the winter
- Deposit not restricted to production output due to large size of the resource
- Environmentally friendly project which significantly minimizes impacts to water, land and air
- Energy efficient mine and processing designs to minimize carbon footprint
- Very advanced Project which is attracting interest of REE consumers (MOUs signed)
- Inclusion of a North American Separation Plant

Key Facts

Products:	Rare earth elements with by-products of tantalum, niobium, zirconium
Development stage:	Bankable feasibility to be completed late 2012
Est. cost of feasibility:	$46 million
Production start-up:	2015-2016
Capital investment to date:	Over $38 million
Diamond drilling to date:	59,000 metres on 266 holes (to Oct. 31, 2011)
Est. operating cost:	$269 / tonne inclusive of mine, mill and hydromet
Mining and processing:	Full mining and processing scheduled for 2,000 tonnes per day (tpd) of ore resulting in an annual production of approximately 10,000 tonnes of TREO
Estimated mine life:	Over 20 years based on 14.5 million tonnes of probable mineral reserves contained within 88.5 million tonnes of indicated mineral resources. Resources do not include additions from the 2011 drilling campaign
Separation Plant:	C$345 million CAPEX (+/- 35%) estimate from Scoping Study for 25,000 tonnes of TREO per annum plant in North America

NECHALACHO
RARE EARTH ELEMENTS DEPOSIT

Project Location

Thor Lake is located within the Akaitcho Territory in the Mackenzie Mining District of the Northwest Territories, about 5 km north of the Hearne Channel of Great Slave Lake and approximately 100 km southeast of the City of Yellowknife. The property is directly accessible from Yellowknife by barge, ice road, and float, ski-equipped or wheeled aircraft.

Project Development

Since 2005, Avalon has invested over $38 million to further explore the Nechalacho REE deposit. This has included metallurgical, environmental, market studies and over 59,000 metres of diamond drilling in 266 holes resulting in substantial NI 43-101 compliant indicated and inferred resources in a high grade sub-zone called the Basal Zone. Studies are ongoing to optimize metallurgical recoveries and processes for both the flotation and hydromet plants.

Environmental Studies and Permitting

On April 23, 2010, Avalon filed a Project Description Report with the Mackenzie Valley Land and Water Board for a Type A Land Use Permit and a Type A Water License. On May 20, 2011, Avalon completed its Developers Assessment Report, also known as an Environmental Impact Statement with the Mackenzie Valley Environmental Impact Review Board. This is a significant milestone in the permitting process which is expected to be completed in late 2012.

Production and Rates of Recovery

The hydrometallurgical plant will produce four saleable oxide products: mixed TREO, zirconium, niobium and tantalum. Total flotation plant recovery of these is 84.6% and from the hydromet plant is 90.0%.

REE processing does not include separation. Avalon has retained SNC Lavalin to complete a scoping study on establishing a separation plant in North America to consider options for production of separated oxides.

Prefeasibility Study 2011: Updated Financial Analysis

- Covers mining, mineral concentration, hydrometallurgical processing and all related infrastructure.
- Net cash flow is based on an 20 year operating schedule. FX: CAD$1.00 = USD$0.95. Expected revenues are based on the following price assumptions in USD: TREO = $46.33/kg, ZrO_2 = $3.77/kg, Nb_2O_5 = $55.86/kg, and Ta_2O_5 = $255.63/kg.

Financial Analysis	Pre-Tax (CAD$)	After-Tax (CAD$)
Internal Rate of Return	39%	34%
Net Cash Flow	$6.08 billion	$4.48 billion
Net Present Value @ 8%	$2.22 billion	$1.61 billion
Net Present Value @ 10%	$1.77 billion	$1.27 billion

Prefeasibility Study 2011: Estimated Capital Costs

- Operating costs over the 20 year life of the project are estimated to average CAN $269 per tonne of ore mined or $5.54 per kilogram of product.
- Based on Diluted Probable Mineral Reserves of 14.5 million tonnes of 1.53% TREO, 2.90% ZrO_2, 0.38% Nb_2O_5 and 0.04% Ta_2O_5.

Activity	Total Life of Mine (CAD $ Millions)
Mine & Surface	113.97
Concentrator & Tailing	220.26
Hydrometallurgical Facility	343.63
Other Costs	82.10
Contingency @ 22%	141.96
Total Capital Costs	**901.91**

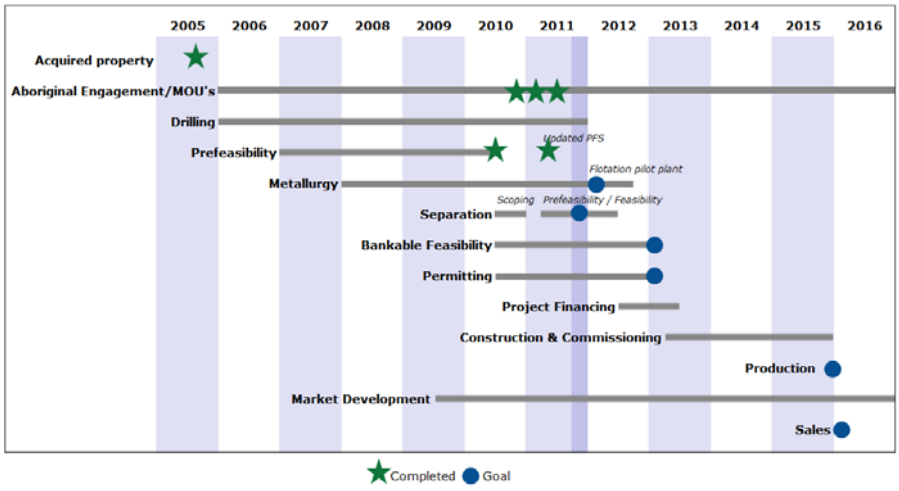
Nechalacho Resource Estimate *(January 27, 2011)*

For details on the mineral resource estimation procedures, the reader is referred to the NI 43-101 Technical Report, SEDAR filed on March 15, 2011.

	Tonnes (millions)	% TREO	% HREO	% HREO/TREO	% ZrO_2	% Nb_2O_5	ppm Ta_2O_5	TREO equiv
Basal Zone								
Indicated	57.49	1.56	0.33	20.72	2.99	0.40	396	2.01
Inferred	107.59	1.35	0.26	18.97	2.83	0.37	354	1.77
Upper Zone								
Indicated	30.64	1.48	0.15	10.26	2.10	0.31	192	1.86
Inferred	119.29	1.26	0.13	10.15	2.41	0.35	209	1.66
Total Inferred	**226.88**	**1.30**	**0.19**	**14.33**	**2.61**	**0.36**	**278**	**1.71**

Project Schedule

Avalon has developed a critical path project schedule to estimate a possible start date for full capacity production. The schedule assumes that the issuance of permits, financing and delivery of equipment are the only external constraint that would modify the current schedule as planned.



Document updated November 1, 2011