WHISTLEBLOWER PROTECTION POLICY

Purpose

The purpose of this policy is to establish procedures for (a) the receipt, retention, and treatment of complaints received by Avalon Rare Metals Inc. (the "Company") regarding accounting, internal accounting controls, auditing matters or violations to the Company's Code of Ethics and Business Conduct; and (b) the submission by employees and other individuals of the Company, on a confidential and/or anonymous basis, of concerns or complaints about the accuracy, fairness or appropriateness of any of the Company's accounting policies or financial reports or violations of the Company's Code of Business Conduct and Ethics.

The Company is firmly committed to compliance with all applicable accounting standards and securities laws and regulations. In particular, of paramount importance to the Company is the fair and accurate reporting of all material financial and non-financial facts regarding all its business affairs.

As part of this effort, the Company strongly encourages all employees to raise, either in person or anonymously, any complaints or concerns they have regarding any suspected violations of these disclosure standards by reporting them as outlined below. All of our employees, whether or not serving in a supervisory capacity, are required to report suspected violations.

All complaints or reports will be promptly investigated and reported and, if warranted by the investigation, appropriate corrective action will be taken. All reports will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Examples of the types of matters that employees and others are encouraged to report include:

- accounting and auditing irregularities, including issues related to questionable financial statement disclosure and internal accounting controls and procedures
- falsification or destruction of records
- fraud, including fraudulent insurance and benefit claims
- kickbacks
- theft of cash or of goods or services
- violations of the Company's Code of Business Conduct and Ethics
- commission or possible commission of criminal offences
- breaches of environmental laws

It is the clear and unequivocal policy of the Company that it prohibits discrimination, harassment and/or retaliation against any employee who:

i) reports complaints to the Audit Committee or otherwise under this policy regarding accounting, internal accounting controls, auditing matters, or violations of the Company's Code of Business Conduct and Ethics,

ii) and/or provides information or otherwise assists in an investigation or proceeding regarding any conduct which they reasonably believe to be a violation of securities laws; laws regarding fraud; the rules or regulations of applicable securities regulatory authorities (the "Securities Regulators") and the rules of any stock exchange (the "Exchange") on which securities of the Company may be listed from time to time; any provision of law relating to fraud against shareholders; or the commission or possible commission of a criminal offence.

Everyone at the Company is responsible for ensuring that the workplace is free from all forms of discrimination, harassment and retaliation prohibited by this policy. No officer, employee, agent of or consultant to the Company has the authority to engage in any conduct prohibited by this policy.

Whistleblower Protection

This policy protects:

1. any employee who legitimately and in good faith discloses an alleged violation or breach of securities laws, the laws regarding fraud, the rules or regulations of the Securities Regulators and the Exchange or any provision of the law relating to fraud against shareholders or any other matter referred to herein to a regulatory or law enforcement agency, any person with supervisory authority over the employee, or any other person working for the Company who has the authority to investigate, discover or terminate conduct prohibited by this policy;
2. any employee who legitimately and in good faith files, causes to be filed, testifies, participates in, or otherwise assists in a proceeding filed under securities laws, the laws regarding fraud, the rules or regulations of the Securities Regulators, or any provision of federal or provincial law pertaining to fraud against shareholders;
3. any employee who legitimately and in good faith provides to a law enforcement officer any truthful information relating to the commission or possible commission of any criminal offence; or
4. any employee who in good faith submits any complaint to the Audit Committee, regarding financial statement disclosures, accounting, internal accounting controls, auditing matters, violations of the Company's Code of Business Conduct and Ethics or any other matter referred to herein in accordance with the procedures set out below.

If an employee legitimately and in good faith engages in any of the disclosure and reporting activities listed above, the Company will not discharge, demote, suspend, threaten, harass or otherwise discriminate or retaliate against such employee in the terms or conditions of employment because of that activity. You are encouraged to

contact the Chairman of the Audit Committee, the Audit Committee having specific and exclusive responsibility to investigate all reported concerns or complaints about the accuracy, fairness or appropriateness of any of the Company's accounting policies or financial reports or violations to the Company's Code of Business Conduct and Ethics. However, since such allegation of impropriety may result in serious personal repercussions for the person(s) or entity that is the subject of the complaint, the employee making the allegation of impropriety should have reasonable and probable grounds before reporting such impropriety and should undertake such reporting in good faith, for the best interests of the Company and not for personal gain or motivation.

In addition to foregoing, recent privacy legislation, the Personal Information Protection and Electronic Documents Act (Canada) ("PIPEDA") and the Personal Information Protection Act (British Columbia) ("PIPA"), provide that any person who has reasonable grounds to believe that there has been a contravention of either of PIPEDA or PIPA may notify the relevant Privacy Commissioner. The Company shall not dismiss, suspend, discipline, harass or otherwise disadvantage an employee or deny an employee a benefit because the employee, acting in good faith and on the basis of reasonable belief, has disclosed to the Privacy Commissioner that the Company has contravened or is about to contravene either of PIPEDA or PIPA.

Complaint Procedures

1. Any individual who is aware of any conduct which may be prohibited by this policy or legitimately and in good faith believes that he/she has been the subject of prohibited discrimination, harassment and/or retaliation is strongly encouraged to report immediately the facts forming the basis of that belief or knowledge using the procedures set out below.
2. Upon receiving a complaint, the Chairman of the Audit Committee will promptly conduct or mandate any officer of the Company or any other person to conduct a thorough investigation. It is the obligation of all employees, officers, directors and other stakeholders to cooperate with such investigation. Those responsible for the investigation will maintain the confidentiality of the allegations of the complaint and the identity of the persons involved, subject to the need to conduct a full and impartial investigation, remedy any violations of the Company's policies, or monitor compliance with or administer the Company's policies.
3. The Audit Committee may enlist employees of the Company and/or outside legal, accounting, forensic or other advisors, as appropriate, to conduct any investigation of complaints regarding financial statement disclosures, accounting, internal accounting controls, auditing matters or violations of the Company's Code of Business Conduct and Ethics. In conducting any investigation, the Audit Committee shall use all reasonable efforts to protect the confidentiality and anonymity of the complainant.
4. The investigation generally will include, but will not be limited to, discussion with the complaining employee (unless the complaint was submitted on an anonymous basis), the party against whom allegations have been made, and witnesses, if appropriate.

5. In the event that an investigation establishes that an employee has engaged in improper conduct, the Company will take immediate and appropriate corrective action which may include, alone or in combination, a warning letter or reprimand, demotion, loss of merit increase, suspension or termination of that employee's employment.
6. In the event that the investigation reveals that the complaint was frivolously made or undertaken for improper motives or made in bad faith or without a reasonable basis, that complainant's supervisor will take whatever disciplinary action may be appropriate in the circumstances.
7. The Audit Committee shall retain as a part of the records of the Audit Committee any such complaints or concerns for a period of no less than seven years.

DESIGNATED PERSONS:

Employees (or others) desiring to report a complaint or concern may choose one of the following options to report such complaint or concern:

1. Contact the Audit Committee Chairman by telephone, in writing or by e-mail:

   Mr. Brian MacEachen
   c/o Avalon Rare Metals Inc.
   130 Adelaide Street West
   Suite 1901
   Toronto, ON M5H 3P5
   Phone: 1- 902-489-5629
   E-mail: bmaceachen27@gmail.com
   *Mark correspondence "Confidential"

2. E-mail an independent director on the Company's board of directors:

   Mr. Alan Ferry - alanferry@rogers.com
   Mr. Peter McCarter - pmccarter@sympatico.ca

3. Contact the Chief Executive Officer of the Company by telephone, in writing or by e-mail:

   Avalon Rare Metals Inc.
   130 Adelaide Street West
   Suite 1901
   Toronto, ON M5H 3P5
   Attention: Mr. Donald S. Bubar
   Phone: 416-364-4938
   E-Mail: dsbubar@avalonraremetals.com
   *Mark correspondence "Confidential"

If any complainant would like to discuss the complaint matter with the Company's Audit Committee Chairman or the Company's Chief Executive Officer (the "CEO"), he or she should communicate this in the incident report and provide a telephone number or other contact details at which he or she might be contacted by the Audit Committee Chairman or the CEO, as the case may be.

Approved by the Board of Directors on April 9, 2014.