



130 Adelaide St. W., Suite 1901, Toronto, ON M5H 3P5
Tel: (416) 364-4938 Fax: (416) 364-5162
office@avalonraremetals.com

NEWS RELEASE

May 27, 2009

No. 09-08

Avalon announces 1,259,000 share purchase warrants exercised and comments on the recent increase in share price and trading volumes

TORONTO -- Avalon Rare Metals Inc. (AVL:TSX) ("Avalon" or the "Company") announces that further to its news release of May 1, 2009, a total of 1,259,000 share purchase warrants were exercised at the amended price of \$0.70 prior to their expiry on May 22, 2009, yielding gross proceeds of \$881,790, while 2,546,000 warrants expired unexercised. The proceeds will be used to fund additional exploration work on Avalon's Lake Zone Rare Earth Elements deposit, Thor Lake, NWT and for working capital.

Many shareholders have been inquiring as to reasons for the recent sharp increase in trading volumes and market price of the Company's shares since the opening of trading on Monday, May 25. Since there have been no new developments or undisclosed material changes in the Company's business, management believes that this unexpected increase in trading volumes is related to the recent publication of some independent commentary on the rare earths business.

About Avalon Rare Metals Inc.

Avalon Rare Metals Inc. (AVL:TSX) is a mineral exploration and development company focused on rare metals deposits in Canada. Its flagship project, the 100%-owned Lake Zone Deposit, Thor Lake, NWT, is emerging as one of the largest undeveloped rare earth elements resources in the world. Its exceptional enrichment in the more valuable 'heavy' rare earth elements, which are key to enabling advances in green energy technology and other growing high-tech applications, is one of the few potential sources of these critical elements outside of China, currently the source of 95% of world supply. The Company is well funded, has no debt and its work programs are unaffected by market volatility. Social responsibility and environmental stewardship are corporate cornerstones.

Shares Outstanding: 69,436,948 (including shares issued on exercise of the aforementioned warrants). Cash resources: approximately \$7.8 million.

To find out more about Avalon Rare Metals Inc., please visit our website at www.avalonraremetals.com. For questions and feedback, please e-mail the Company at office@avalonraremetals.com or phone Don Bubar, P.Geo., President, at 416-364-4938.

For general discussion and commentary on the rare metals, please visit www.raremetalblog.com.

This news release contains forward-looking information and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. The forward-looking information contained herein is given as of the date hereof and the Company assumes no responsibility to update or revise such information to reflect new events or circumstances, except as required by law.