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NEWS RELEASE

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Avalon announces updated resource estimate, Lake Zone REE deposit, Thor Lake, NWT and provides Community Relations update

Toronto, ON - Avalon Rare Metals Inc. (TSX:AVL, OTCQX:AVARF) ("Avalon" or the "Company") is pleased to announce an update of its NI 43-101 compliant resource estimate for the Lake Zone Rare Earth Element ("REE") deposit, Thor Lake, NWT, incorporating all of the new assay data generated from the winter drilling program. As expected, with much of the drilling being from more closely-spaced "in-fill" holes, this has resulted in an increase in the proportion of resources in the deposit that can be classified as *Indicated*.

In particular, Indicated Resources were defined in the southern continuation of the high-grade Basal Zone part of the deposit, in the Long Lake area. **These Indicated Resources total 4.4 million tonnes grading 1.97% TREO (25.4% HREO)** (heavy rare earth oxides) at the 1.60% TREO (total rare earth oxides) cut-off grade, and are distinct from the 2.186 million tonnes grading 2.14% TREO (20% HREO) of Indicated Resources in the central part of the Basal Zone deposit announced on February 3, 2009, based on the earlier work done by Wardrop Engineering Limited. Further in-fill drilling is presently being carried out between these two areas following which a revised estimate of Indicated Resources in this part of the deposit will be prepared and audited. This resource will ultimately form the basis for the mine planning component of the Pre-Feasibility Study and will be generated in Q4-CY2009 once all assays are received and compiled.

This updated resource was prepared by Hudgtec Consulting Limited (Bruce Hudgins, P. Geo.) of Dartmouth, N.S. The methodology employed by Hudgtec was reviewed by external consultants Scott Wilson Roscoe Postle Associates ("Scott Wilson RPA"). Scott Wilson RPA, in a memorandum to the Company dated August 7, 2009, stated that, "In the opinion of Scott Wilson RPA, the resource estimate produced by Hudgtec for the Lake Zone deposit is valid and reasonable. The estimate has been generated using techniques, assumptions and interpretations that are appropriate for the style of deposit and the quality of information available." Further it was stated that "Scott Wilson RPA believes that the Indicated Resource estimate created by Hudgtec is acceptable for use in the Pre-Feasibility Study."

Inferred Resources in the Basal Zone were estimated by Hudgtec at 44.3 million tonnes grading 1.94% TREO (21% HREO), although this change was partly due to some resources that were

previously treated as Upper Zone now being assigned to the Basal Zone. The net effect has been a small increase in the total of **Inferred Resources for the Upper and Basal Zones combined** from approximately 61 million tonnes (Wardrop, 2009) to **64.2 million tonnes at a grade of 1.96% TREO with 16.8% HREO** (Hudgtec).

The updated Inferred Resources are based on all drill holes completed by Avalon since July 2007 and include holes drilled during the 2009 winter program, concluded in May of this year. Six pre-2007 drill holes, re-analysed to include the full suite of Rare Earth Elements were also used in this resource estimate. The new resource estimate focused on estimating additional Indicated Resources in the Basal Zone to support the Pre-Feasibility Study. The Basal Zone has produced the most attractive grades to date due to its enrichment in the more valuable HREO. HREO content of the Basal Zone REE mineralization consistently averages around 20-25%, expressed as a percentage of TREO.

Updated location maps for the Lake Zone drill holes and resources are provided on the Company's website. The newly-defined Indicated Resources are located in the southern part of the deposit, largely under Long Lake. The current drill program includes a number of holes in this area designed to reduce hole spacing and confirm Basal Zone continuity to allow additional resources to be classified as *Indicated*.

2009 Summer Drilling Program Objectives and Progress

The summer drilling program commenced on July 2, 2009 and as at August 9, 2009, 13 holes totaling 2,544 metres had already been completed in the southern part of the Lake Zone with the primary objective of intersecting the Basal Zone on a regular 50 metre grid pattern, as recommended earlier by Wardrop Engineering. This is typically being achieved by completing five holes from each setup with one vertical hole and four inclined holes in each compass direction. Thus, the five holes drilled from each set-up provide coverage over an area of 200 square metres, with minimal ground disturbance. Three such setups have been completed to date and a minimum of 1,500 metres in eight holes from two additional set-ups is currently planned.

The second objective of the current program is the production of additional sample material for continuing metallurgical studies. Accordingly, the drill coring equipment has been changed to allow recovery of larger diameter HQ drill core, compared with NQ core recovered previously, in order to generate larger samples.

Community Engagement and Sustainability Initiatives

In July, Avalon's President, Don Bubar, accompanied by Bill Mercer, VP, Exploration and David Connelly, Community Relations Advisor, carried out several local community meetings, including attendance at the Dene National Assembly in Lutsel K'e on July 8 and 9, where the Company acted as a corporate sponsor. Mr. Bubar addressed the Assembly on the subject of economic opportunities for aboriginal communities created by the mineral exploration sector. Dr. Mercer addressed local youth on career opportunities in the minerals industry, and the role of minerals, such as rare earths in our everyday lives.

Following the Assembly, a meeting was held with the Chief Roy Fabian of the Katlodeeche First Nation in Hay River, along with staff and other community leaders to discuss the Thor Lake project and the possible role of the Hay River area in the further development of the project. This was followed by information sessions with the leadership of the Yellowknives Dene First Nation as well as presentations to the business communities in both Hay River and Yellowknife.

Further to the Company's disclosure of May 11, 2009 on the potential for wind power generation at Thor Lake, the Government of the Northwest Territories has approved funding for the installation of a wind energy test tower at the project site. This test will be conducted over a period of two years as a co-operative venture between Avalon, the Yellowknives Dene First Nation, and the Aurora Research Institute. It is anticipated that the 50 metre high test tower will be installed in September 2009.

Community Relations activities has also resulted in the development of two significant new partnerships, one with the *Arctic Energy Alliance*, where Dr. Mercer has been nominated to join the Board of Directors by the Mayor of Yellowknife and a second with the *NWT Food First Foundation*, a group of Northern volunteers and businesses who seek to ensure that youth in remote Aboriginal communities are not hungry while in school.

Avalon's field program was visited in July by INAC land use inspectors. Their report is posted on the Avalon website. No serious issues were noted. The Company has acted on the two matters mentioned - one small diesel fuel spill and some rutting from the previous year that required further mitigation.

Resource Estimation Methodology

The current resource estimate is based on core logging, assaying and geological interpretation by Avalon's consulting geologists of the rare earth mineralization in the Lake Zone deposit from 51 historic and 126 Avalon diamond drill holes (2007-2009). Complete REE analysis for yttrium and rare earth elements is available for 6 historic and 101 recent holes focused on the Lake Zone deposit and formed the basis for creating two main domains of REE mineralization: an upper light rare earth element-enriched zone and a lower heavy rare earth-enriched, "Basal Zone".

The general resource estimation parameters employed are summarized as follows:

- Rare Earth Elements (REE) composited to two metre core lengths within separate mineralized zones. Evaluation of grade distribution confirmed that no "cutting" of high grade values was required.
- REE Assay composites and density measurements temporarily flattened to base of Basal Zone to facilitate estimation procedure.
- Estimation of REE grades and density into separate zones in flattened Gemcom® Surpac® Block Model (10m x 10m x 5m blocks with sub-blocking to 5m x 5m x 2.5m) by the Inverse Distance Squared method. A minimum of 4 composites and maximum of 15 composites were used to estimate a block.

Sampling Protocol

All drill core from the 2009 program was split on site, sampled on two metre intervals and shipped to the ALS Chemex facility in Yellowknife for sample preparation. Analytical standards were prepared from crushed rejects of historical Lake Zone samples, then analysed at five separate laboratories to determine reproducible values. These standards were then routinely inserted into the sample batches to monitor core analyses. Barren diabase drill core is inserted as blanks. ALS Chemex ships crushed splits of all the samples to its laboratory in Vancouver, BC. Selected duplicates are also analyzed at an alternative independent laboratory. The results reported to date were produced by ALS Chemex and achieved acceptable standard values for the main REE elements of economic interest (Nd, Tb and Dy).

All samples are analysed by lithium metaborate/tetraborate fusion and dilute nitric acid digestion, followed by whole rock and 45 element multielement ICP analysis, being ALS sample method ME-MS81. Commencing with hole L09-137, all samples contained within intercepts above the 1.6% cutoff criteria and any additional samples exceeding analytical limits or of geological significance are rerun using similar ALS method ME-MS81H for higher concentration levels. ME-MS81H is a similar method but with greater dilution in the analytical procedure.

Details of the factors used to calculate rare earth oxides are posted on the Company website along with complete analytical data. Drilling operations were performed by Foraco Drilling Ltd. of Yellowknife, NWT under the supervision of J.C. Pedersen, P.Geo. Bruce Hudgins, P.Geo., maintains the geological database and monitors QAQC on the laboratory analyses. The Company's Vice-President, Exploration, William Mercer, Ph.D., P.Geo. provided overall direction on the project. The qualified persons for the purposes of this news release are Bruce Hudgins, consultant to Avalon, William Mercer and D.S. Bubar, P. Geo., President.

About Avalon Rare Metals Inc. (TSX:AVL, OTCQX:AVARF)

Avalon Rare Metals Inc. 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: 70,484,448. Cash resources: approximately \$6.0 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.