

2014 Sustainability Report Summary

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On December 1, 2014, Avalon Rare Metals Inc. released its third Sustainability Report on its annual health and safety, environmental, social and governance performance. Avalon reports on its sustainability practices in order to hold itself accountable, drive company performance and to demonstrate the benefits of sustainable practices to its communities of interest.

Strong sustainability performance adds value:

- A robust risk management process is integral to good business practice and maintaining a healthy and safe workplace. Risk management identifies opportunities and avoids costly errors or omissions.
- Good health and safety performance improves productivity, supports morale and reduces delays and costs associated with accidents.
- Strong environmental performance helps Avalon:
 - ◆ earn support from its communities of interest;
 - ◆ ensure timely approval of environmental authorizations;
 - ◆ reduce costs associated with environmental clean-up and regulatory action;
 - ◆ minimize capital and operating costs of environmental management;
 - ◆ facilitate the acquisition and retention of employees; and
 - ◆ improve profitability and competitiveness by minimizing waste generation and energy use.
- Early and ongoing engagement with local and Aboriginal communities and governments builds trust and develops relationships built on mutual respect. This facilitates better communication and cooperation throughout the life of the project.

2014 Sustainability Report

- Covers Avalon's sustainability performance during the company's 2014 fiscal year: September 1, 2013 to August 31, 2014 ("FY2014")
- Prepared within the framework of the Global Reporting Initiative ("GRI") version G4, core level. To Avalon's knowledge, it is the only exploration and development company to produce a sustainability report in accordance to GRI's guidelines.
- Includes Avalon's FY2014 performance summary, short, mid and long-term sustainability goals and Avalon's Mining Association of Canada's *Towards Sustainable Mining* self-assessment.

AVALON'S SELF-DECLARED COMMUNITIES OF INTEREST



Avalon's FY2014 Sustainability Highlights:

GOVERNANCE

- ◆ Avalon developed a Sustainability Policy in FY2014. The policy, available on Avalon's website, broadens and clarifies Avalon's sustainability objectives to encompass health and safety, environment, communities and people. It identifies the ways and means by which these objectives will be achieved by Avalon.

HEALTH AND SAFETY

- ◆ Avalon successfully reached its target of zero Total Recordable Injuries ("TRI"), with no lost time or medical aid injuries by employees, supervised workers or contractors for the first time since TRI records have been kept (late 2011).

Avalon's FY2014 Sustainability Highlights:

PEOPLE, COMMUNITY, INDUSTRY & ACADEMIC OUTREACH

- ◆ Avalon signed a Participation Agreement with the Northwest Territory Métis Nation (February 2014).
- ◆ In May 2014, Avalon signed an access agreement with the East Kemptville site's surface rights holder and commenced community engagement work. The agreement allows Avalon to conduct approved work programs and includes a rigorous protocol with respect to environment and health and safety.
- ◆ At the Separation Rapids Project, Avalon has a memorandum of understanding with the Wabaseemoong First Nation and has employed several of their members in work activities at the project site.
- ◆ Collaborated with organizations to start an Aboriginal participation committee to increase Aboriginal business involvement in the NWT and Nunavut Chamber of Mines and more generally in the northern mineral industry.
- ◆ Avalon continues to support the Canadian Rare Earth Elements Network: a collaborative effort to increase Canada's global position within the rare earth elements ("REE") space.
- ◆ Partnered with the University of Saskatchewan's Department of Chemical and Biological Engineering to have a student team study REE recycling as a Capstone Project. Recycling as an add-on to mineral processing can increase the sustainability of hydrometallurgical operations and increase the acceptance of Canadian REE products by international customers who value and seek sustainable practices.

ENVIRONMENT

- ◆ Obtained Environmental Assessment Approval for the Nechalacho Project (November 2013).
- ◆ Obtained Water License and Land Use Permits for the Nechalacho Project, authorizing preliminary site clearing, camp set up, portal preparation, small scale power generation and water treatment facilities (April, May 2014).
- ◆ Avalon prepared a surveillance network program to assess water quality inputs to and outputs from the water treatment system in an effort to monitor and protect downstream water from potential impacts at the Nechalacho Project.
- ◆ Developed and successfully tested a unique water treatment system with water used in its process pilot plant. The test work demonstrates Avalon's can easily achieve its proposed effluent criteria for rare earth elements at the Nechalacho Project.
- ◆ No environmental impacts from water usage and discharge were identified at any of Avalon's active project sites.
- ◆ Avalon had no significant spills at any of its projects.
- ◆ Avalon met with the Tuskett River Environmental Protection Association and other communities of interest to discuss the East Kemptville Project, and will continue this dialogue.
- ◆ Avalon completed a Species at Risk Assessment at its Separation Rapids Project which did not identify any concerns to wildlife.



In July 2014, large forest fires in the NWT came into proximity to Avalon's Nechalacho camp site at Thor Lake. To mitigate the risk of fire, which had moved to within 29 km of the camp in mid-July, Avalon implemented additional emergency fire protocols. The company built firebreaks around the camp facilities and core storage area and installed a sprinkler system to protect the drill core. Avalon allowed NWT fire crews to be stationed at the Nechalacho site, and they made use of the company's airstrip and dock facilities.



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The full report is available from Avalon's website at www.avalonraremetals.com