

AVALON RARE METALS INC.
(the "Company")

BY-LAW #2

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of **Avalon Rare Metals Inc.** (the "Company") as follows:

ADVANCE NOTICE OF NOMINATION OF DIRECTORS

1. General By-law No. 1 of the by-laws of the Company is hereby amended by adding thereto, following Section 3.04A, following Section 3.04 of By-Law No. 1 and preceding the current Section 3.05 of By-law No. 1:

"3.04A Nomination of directors

Subject only to the Act and the articles of the Company, only individuals who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of individuals for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors, (a) by or at the direction of the board or an authorized officer of the Company, including pursuant to a notice of meeting, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a "**Nominating Shareholder**") (i) who, at the close of business on the date of the giving of the notice provided for below in this Section 3.04A and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this Section 3.04A:

- a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Company at the principal executive offices of the Company in accordance with this Section 3.04A.
- b) To be timely, a Nominating Shareholder's notice to the secretary of the Company must be made (a) in the case of an annual meeting of shareholders, not less than thirty (30) days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than fifty (50) days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the

day on which the first public announcement of the date of the special meeting of shareholders was made.

- c) To be in proper written form, a Nominating Shareholder's notice to the secretary of the Company must set forth (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, and (iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and (b) as to the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).
- d) No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of this Section 3.04A; provided, however, that nothing in this Section 3.04A shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
- e) For purposes of this Section 3.04A, (i) "public announcement" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Company under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and (ii) "Applicable Securities Laws" means the applicable Securities Act of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- f) Notwithstanding any other provision of the by-laws of the Company, notice given to the secretary of the Company pursuant to this Section 3.04A may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Company for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Company; provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or

electronic communication shall be deemed to have been made on the subsequent day that is a business day.

- g) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 3.04A.”

2. General By-law No. 1, as amended from time to time, of the by-laws of the Company and this by-law shall be read together and shall have effect, so far as practicable, as though all the provisions thereof were contained in one by-law of the Company. All terms contained in this by-law which are defined in General By-law No. 1, as amended from time to time, of the by-laws of the Company shall, for all purposes hereof, have the meanings given to such terms in the said General By-law No. 1 unless expressly stated otherwise or the context otherwise requires.