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NEWS RELEASE

July 6, 2009 **No. 09-10**

Avalon announces final assays from winter program and start of summer drilling program on the Lake Zone REE deposit, Thor Lake, NWT

Toronto, ON -- Avalon Rare Metals Inc. (TSX:AVL) ("Avalon" or the "Company") is pleased to announce final assay results from the 2009 winter drilling program on the Lake Zone Rare Earth Elements ("REE") deposit, Thor Lake, NWT, located 100 km southeast of Yellowknife. These results confirm some exceptional grades and thicknesses in the southern part of the deposit within the high-grade sub-zone called the Basal Zone. An updated resource estimate incorporating all the latest results is in preparation and drilling has now resumed at the site. This program will complete the required definition drilling in the southern part of the Lake Zone deposit to upgrade more of the resource to the Indicated level of confidence as required for the pre-feasibility study.

Some highlights from the latest assays include:

- Drill hole L09-152 with the highest grade over the whole Basal Zone intercept of 2.96% TREO (total rare earths oxides) with 27.2% HREO (heavy rare earth oxides) over 11.6 metres, including 4.41% TREO with 28.7% HREO over 2.3 metres

- Drill hole L09-160 with two HREO enriched intervals including 2.12% TREO with 37.6% HREO over 5.3 metres and 2.24% TREO with 28.4% HREO over 16 metres

- Drill hole L09-161 with the widest Basal Zone intercept of this release at 2.17% TREO with 18.5% HREO over 28.5 metres

The winter drilling program concluded on April 22, 2009 at a total of 5,476.8 metres in 26 holes (Table 1). The program concentrated on promising target areas in the deposit covered by lakes that could not be drilled in summer. Earlier results (News Release 09-05, April 22, 2009) highlighted new drill results on Long Lake in the previously unexplored southern extension of the deposit. Drill holes L09-153 to 155 and 157 to 162 were all drilled on Long Lake at approximately 50 metres spacing as recommended by Wardrop Engineering to define Indicated Resources. All of these drill holes with the exception of 162 intersected significant widths of Basal Zone higher than the cutoff grade of 1.6% TREO.

Two holes, L09-151 and L09-152, were drilled near North Tardiff Lake. Both holes intersected Basal Zone with 152 highlighted above having the highest grade over the whole Basal Zone of all the holes announced in this release. Overall, the winter drilling program has extended the deposit about 150 metres further south than previously known, to the south side of Long Lake where it still remains open beneath barren cover rocks exposed on the shore of Long Lake. One step-out hole, L09-156, was drilled about 450

metres further to the south, it but did not reach the zone which appears to be deeper in this area than projected and had to be abandoned when it reached the maximum depth range for the drill as presently equipped.

Drill hole L09-152 contained exceptional heavy rare earth enrichment, with one 2.3 metres sub-interval from 141.4 metres to 143.7 metres averaging **4.41% TREO** (note: previously reported as 3.96% TREO and since corrected) and containing 28.7% HREO. This included 0.74% (7.4 kg/t) Nd2O3 (neodymium oxide), 0.07% (7.0 kg/t) Y2O3 (yttrium oxide), 1349 ppm (parts per million) (1.35 kg/t) Dy2O3 (dysprosium oxide), 215 ppm (0.20 kg/t) Eu2O3 (europium oxide) and 252 ppm (0.25 kg/t) Tb2O3 (terbium oxide). In addition, this mineralized interval contained 6.755% (67.55 kg/t) ZrO2, 0.87% (8.7 kg/t) Nb2O5 and 0.089% (0.89 kg/t) Ta2O5. The complete breakdown of individual REE for the sample intervals reported is provided in the Thor Lake section of the corporate website.

Recent bid prices for these REE oxides as reported for June 25, 2009 by Metal-Pages.com on an FOB China basis (USD$) are: $340/kg Tb, $450/kg Eu, $103/kg Dy, $15/kg Y and $14/kg Nd compared to just US$4.55/kg for the more abundant Light REE cerium. These elements are vital to many high demand applications in electronics (colour phosphors) and hybrid cars (high strength magnets). Prices for several of the more scarce heavy rare earths such as dysprosium and europium as well as yttrium, have remained relatively stable over the past year compared to many other commodities.

Summer Drilling Program and Metallurgical test work

The summer drilling program began on July 1, 2009 to complete the definition drilling over the areas in the southern part of the Lake Zone deposit that were not tested in the winter program and are accessible during the summer months. Approximately 4,000 metres in 20 holes are planned, with Foraco Drilling Ltd. continuing as the contractor. Two updates to the resource estimate are also planned, one to be announced in the next few weeks incorporating the results from the winter drilling program followed by another in the fall, including all the results from the summer program.

In addition, the core diameter is being increased to HQ in order to produce more samples from the current target area for future metallurgical testing. Avalon has investigated using drill core samples for mini-pilot plant testing following the present phase of bench scale metallurgical tests for the pre-feasibility study. The conclusion is that mini-pilot plant testwork should provide sufficient confidence in the process flowsheet for a future (final) bankable feasibility study. The current metallurgical test program at SGS Minerals Services, Lakefield is continuing and Avalon anticipates issuing a progress report within the next few weeks.

Sustainability Initiatives

As part of the environmental baseline work, Jacques Whitford Stantec AXYS has completed further fieldwork at the Thor Lake site during May-June, including bird and mammal surveys, hydrology and fisheries work. Additional fieldwork will take place in July.

Community engagement initiatives are also continuing and following a series of community consultation meetings held this winter, Avalon has begun work on a Memorandum of Understanding which would set out the principles for a participation arrangement with local aboriginal groups. Discussions with community leadership is planned to begin in July.

Avalon representatives will be participating in the Dene National Assembly to be held in LutselK'e, NWT this week, where President, Don Bubar will be speaking and Vice-President, Exploration, Dr. William Mercer, will be participating in a youth career program to highlight career opportunities in the mineral

exploration and development industry. Finally, Avalon and Dr. Mercer are participating in the National Aboriginal Science Camp that is being held in the NWT for the first time ever during the week of July 12.

Sampling Protocol

All drill cores were split on site, sampled on 2 metre intervals and shipped to 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. 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 being analysed by lithium metaborate/tetraborate fusion and dilute nitric acid digestion, followed by whole rock and 45 element multi-element ICP analysis, being ALS sample method ME-MS81. Commencing with hole L09-144, all samples contained within intercepts above the 1.6% cutoff criteria and any additional samples exceeding analytical limits 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 www.avalonraremetals.com 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. Avalon'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 William Mercer and D.S. Bubar, P. Geo., President.

About Avalon Rare Metals Inc. (TSX:AVL)

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. Avalon 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: 69,854,448. Cash resources: approximately $6.5 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.

Table 1: Drill Hole Locations (all holes drill to date)

Drill Hole Number	Northing (NAD83)	Easting (NAD83)	EOH (m)	Dip (degrees)	Azimuth (degrees)
L09-137	**6886377**	**417030**	199.78	-75	90
L09-138	6886376	417025	184.71	-70	270
L09-139	6886009	416952	199.95	-90	n/a
L09-140	**6886015**	**416950**	166.42	-75	0
L09-141	6886009	416956	199.95	-70	90
L09-142	6885869	416952	224.33	-90	n/a
L09-143	6885962	416801	197.21	-90	n/a
L09-144	6886424	417131	200.25	-90	n/a
L09-145	6886324	417125	203.30	-90	n/a
L09-146	6886374	417128	194.16	-90	n/a
L09-147	6886200	417343	212.14	-90	n/a
L09-148	6886147	417287	214.88	-90	n/a
L09-149	6886098	417286	215.19	-90	n/a
L09-150	6886147	417402	215.19	-90	n/a
L09-151	6886295	417423	215.19	-90	n/a
L09-152	6886269	417134	193.85	-90	n/a
L09-153	6885868	417051	215.19	-90	n/a
L09-154	6885819	416956	230.43	-90	n/a
L09-155	6885870	416851	230.43	-90	n/a
L09-156	6885429	416609	309.68	-90	n/a
L09-157	6885919	416854	206.04	-90	n/a
L09-158	6885869	416901	206.04	-90	n/a
L09-159	6885916	416804	203.00	-90	n/a
L09-160	6885872	416802	224.33	-90	n/a
L09-161	6885967	416704	199.95	-90	n/a
L09-162	6885999	416603	215.19	-90	n/a

Note: Northing and Easting coordinates are in NAD83 (Zone 12) in metres. Drill hole locations of 137 and 140 by handheld GPS, and remainder are coordinates from registered surveyor.

Table 2: Drill Hole Composites, L08-151 to L08-162

Drill Hole Number	Zone	From (m)	To (m)	Width (m)	TREO	HREO	HREO/TREO
L09-151		59.00	64.50	5.50	2.04	0.12	6.0%
L09-151		120.25	125.40	5.15	2.36	0.43	18.1%
L09-151	**Basal Zone**	**159.00**	**165.00**	**6.00**	**2.13**	**0.57**	**26.9%**
L09-152		27.00	32.00	5.00	2.07	0.12	5.6%
L09-152		43.00	54.00	11.00	2.07	0.18	8.6%
L09-152	**Basal Zone**	**139.00**	**150.60**	**11.60**	**2.96**	**0.81**	**27.2%**
	including	**141.40**	**143.70**	**2.30**	**4.41**	**1.27**	**28.8%**
L09-153		100.00	105.60	5.60	1.73	0.33	18.9%
L09-153		128.00	159.70	31.70	1.96	0.34	17.3%
L09-153	including	128.00	134.00	6.00	2.56	0.21	8.0%
L09-153	**and Basal Zone**	**141.75**	**159.70**	**17.95**	**2.06**	**0.45**	**22.0%**
L09-154	**Basal Zone**	**152.00**	**172.00**	**20.00**	**1.88**	**0.39**	**20.5%**
L09-155		151.50	159.00	7.50	1.64	0.12	7.5%
L09-155	**Basal Zone**	**173.00**	**191.30**	**18.30**	**2.57**	**0.76**	**29.4%**
	including	**183.00**	**189.00**	**6.00**	**3.35**	**1.00**	**29.8%**
L09-157		93.65	108.00	14.35	2.27	0.31	13.7%
L09-157	**Basal Zone**	**146.00**	**170.00**	**24.00**	**2.16**	**0.62**	**28.9%**
L09-158		133.55	148.00	14.45	1.76	0.31	17.8%
L09-158		152.00	160.00	8.00	1.58	0.38	24.2%
L09-158	**Basal Zone**	**174.00**	**186.00**	**12.00**	**1.83**	**0.51**	**28.0%**
L09-159	**Basal Zone**	**154.00**	**176.00**	**22.00**	**1.77**	**0.53**	**30.3%**
L09-160	**Basal Zone**	**143.95**	**149.25**	**5.30**	**2.12**	**0.80**	**37.6%**
L09-160	**Basal Zone**	**160.00**	**176.00**	**16.00**	**2.24**	**0.64**	**28.4%**
L09-160	**including**	**170.00**	**172.00**	**2.00**	**4.01**	**1.19**	**29.7%**
L09-161	**Basal Zone**	**122.50**	**151.00**	**28.50**	**2.17**	**0.40**	**18.5%**

Notes:

1. Widths represent drilled widths. Mineralization dips are close to horizontal, so drilled widths are generally close to true widths.
2. HREO represents total heavy rare earth oxides, comprising yttrium plus europium to lutetium. Conversion factors from elements to oxides as per NI 43-101 report.
3. TREO represents total rare earth oxides, which comprises HREO plus lanthanum to samarium as oxides. Conversion factors from elements to oxides as per NI 43-101 report.
4. Cutoff grade for complete zone intercepts at 1.6% TREO or higher for minimum width of 5 metres.

Figure 1: Drill Hole Locations, Lake Zone