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

NEWS RELEASE

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Avalon making excellent progress toward defining a viable metallurgical process for recovery of Rare Earth Element mineralization from Lake Zone deposit, Thor Lake, NWT

Toronto, ON -- Avalon Rare Metals Inc. (TSX:AVL) ("Avalon" or the "Company") is pleased to announce preliminary metallurgical test results for the Lake Zone REE deposit on the Thor Lake rare metals project, NWT. The results of the testwork completed to date demonstrate that approximately 80% of the rare earth element (REE) containing minerals can be recovered into a mineral concentrate by flotation type methods and that the minerals in this concentrate can be hydrometallurgically "cracked" to get the REE earths into solution. In fact, at least two different alternative methodologies have been identified for achieving this and current work is focused on defining the most cost-efficient methodology.

The metallurgical testwork has been based on composite samples of drill core obtained between 2007 and 2008, including a main bulk sample generated by drilling during May, 2008 in the central part of the deposit. The samples were selected by Avalon geologists as representative of the Basal Zone portion of the Lake Zone deposit. The metallurgical work was initiated in July 2008, following the completion of detailed mineralogical studies and has been progressing steadily as a series of trials designed to determine the optimal process flowsheet for REE recovery from the Basal Zone mineralization.

The work is being conducted at the SGS Minerals Services laboratory in Lakefield, Ontario, under the supervision of J.R. Goode, P. Eng., Consulting Metallurgist. SGS Minerals Services is a global leader in metallurgical testing, consulting and on-site services for the mining and minerals sector. Specific work to recover the other rare metals present in the Lake Zone ore such as tantalum, niobium, gallium, zirconium and hafnium has not yet been undertaken although it has been noted that several of these follow the REE and therefore are also likely recoverable.

Metallurgical processing of the Lake Zone mineralization to produce a saleable REE product is envisioned as a two-stage process. The first stage will be conventional milling and froth flotation to produce a mineral concentrate. The second stage will be hydrometallurgical treatment of the mineral concentrate in order to extract the REE from the minerals, bring them into solution, partially refine them, and then precipitate them out to produce one or more chemical concentrates in the form of high-grade mixed REE carbonates. These mixed REE carbonates will ultimately require further processing to separate the individual REE, which may initially be done by third parties or ultimately built into an integrated business model. Preliminary market studies also indicate that mixed REE carbonates containing a high proportion of heavy REE, will likely be a saleable product as is.

REVIEW OF WORK COMPLETED TO DATE

The first step in the metallurgical studies was completion of mineralogical analysis of drill core samples to map the distribution of the rare earth elements in the ore. The main technique utilized was QEMSCAN® analysis of composite samples coupled with microprobe analysis of individual minerals. The main conclusions of this work were:

- Light rare earth elements (LREE) in the Lake Zone are contained in typical light rare earth minerals such as bastnaesite, monazite, allanite, parisite and synchisite.
- The heavy rare earth elements (HREE) are contained about 45% in fergusonite, an yttrium niobium-tantalum oxide mineral, and 45% in zircon, a zirconium silicate mineral with the remainder in trace amounts in the LREE minerals listed above.

The Basal Zone contains a higher proportion of the HREE-bearing minerals than the Upper Zone resulting in its higher average HREE content (20% of the total).

Preliminary testing has proven a robust flotation route that yields a concentrate representing 25% of the feed mass and containing between 82% and 85% of the REEs, zirconium and niobium. This process has been shown to work on several samples of different ore types and grades. More recent tests demonstrate that the flotation mass can be reduced to under 15% with a small reduction in recovery rates. Further trials to optimize the flotation process are in progress. These tests were all performed on drill core composites collected from the Basal Zone in the central part of the deposit.

Numerous hydrometallurgical tests have been conducted on bulk samples of flotation concentrate produced in large-scale, locked-cycle tests. These tests have investigated sulphuric acid baking and sodium hydroxide (caustic) cracking - processes commonly used to decompose refractory minerals. The data show that a

caustic crack will give quite complete decomposition of all the REE-bearing minerals including zircon, whereas the acid bake process decomposes all minerals except zircon.

The emphasis is now on the caustic cracking route with carbonate cracking also receiving some attention. Tests show that caustic cracking followed by either hydrochloric leaching or a two-stage sulphuric acid-hydrochloric acid leach will put in excess of 90% of the REE into solution as well as the zirconium and niobium.

ON GOING TESTS

Bench-scale tests are continuing on the mineral decomposition route and parallel process trade-off studies. The choice between the two main leaching methods – hydrochloric acid alone or sulphuric acid followed by hydrochloric acid ("HCl") – will likely come down to a balance between recoveries, reagent consumption and costs, and plant capital costs.

As both leach methods – sulphuric plus a small amount of HCl or HCl alone – have been successful, the anticipated lower cost of sulphuric acid suggests that the former process will be more financially attractive. Sulphuric acid can be generated from elemental sulphur, which is a by-product of oil and gas production in Alberta and this market has an excess of supply over demand. It is estimated that the cost of sulphuric acid may be only about 20% of hydrochloric acid on a pure reagent basis. The use of HCl was assumed in the initial Scoping Study analysis prepared by Wardrop Engineering which was then used in developing the cost estimate for determination of cut-off grades used in the Lake Zone resource estimates announced on February 3, 2009.

FUTURE WORK

Once a preferred hydrometallurgical process has been identified, the Company will initiate testwork on the separation of the rare earth elements, zirconium and niobium from the leach solutions. It is expected that the solutions will be amenable to classical rare earth separation methods.

The process identified utilizing sulphuric acid followed by hydrochloric acid results in two chemical concentrates; one of which will contain most of the HREE along with about 20% of the LREE and a second with only LREE. The HREE concentrate is expected to contain 70% HREE and 30% LREE, while the LREE concentrate is anticipated to contain less than 10% of HREE. Initial guidance from marketing consultants Industrial Minerals Company of Australia Pty Ltd. ("IMCOA") indicates that having two such distinctly different mixed REE carbonate products may create some product marketing advantages.

Flotation tests are continuing on samples of various grades in order to determine the relationship of ore grade to REE recovery and to optimize the process. In parallel, once the best method of cracking and leaching the REE from the concentrate is clear, testwork will focus on separating the REE from the other elements in the solution, normally achieved by solvent extraction. The results from this work are expected to be available by October and will be used for plant design engineering in the Prefeasibility Study.

Finally, future work is being planned to assess the feasibility for recovery of gallium as a further potential valuable by-product in the Basal Zone ore. Gallium occurs in separate mineral phases associated with the REE minerals which are not completely removed during flotation resulting in some gallium going into the solution during hydrometallurgical processing. This could possibly be recovered along with zirconium and niobium.

The Company's Vice-President, Exploration, William Mercer, Ph.D., P.Geo. is providing overall direction on the project. The qualified persons for the purposes of this news release are William Mercer and J.R Goode, P. Eng. Consulting Metallurgist.

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. 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: 69,979,448. 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.

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