



AVALON
RARE METALS INC.

MATERIALS FOR CLEAN TECHNOLOGY

Corporate Presentation

Donald S. Bubar, President & CEO

May 29, 2014

TSX & NYSE MKT: AVL

Safe Harbour Statement

Forward looking information

This corporate presentation contains “forward-looking statements” (“FLS”) within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Generally, these FLS can be identified by the use of forward-looking terminology such as “plans” or “estimates” or derivations thereof. FLS contained herein include, without limitation, Avalon Rare Metals Inc (“Avalon”)’s forecasts of a correlation between REE prices and Avalon’s stock price, predictions of the future supplies and prices of and demand for REE, potential future applications for REE, Avalon’s beliefs and expectations concerning its strategic advantage, the Nechalacho REE Project’s technical and economic feasibility, the Nechalacho REE Project’s status as the most advanced heavy rare earth elements project in the world outside China, the key measures, timelines and economics reported in the Feasibility Study, life of mine, social, community and environmental impacts, mineral resource and mineral reserve estimates, off-take agreements and purchasers for the Company’s products, environmental assessment and permitting, securing sufficient financing on acceptable terms, opportunities for short and long term optimization of the Nechalacho REE Project, and continued positive discussions and relationships with local communities and stakeholders. FLS are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Avalon to be materially different from those expressed or implied by such FLS. FLS are based on assumptions management believes to be reasonable at the time such statements are made. Although Avalon has attempted to identify important factors that could cause actual results to differ materially from those contained in FLS, there may be other factors that cause results not to be as anticipated, estimated or intended. Factors that may cause actual results to differ materially from expected results described in FLS include, but are not limited to those risk factors set out in the Company’s current Annual Information Form, Management’s Discussion and Analysis and other disclosure documents available under the Company’s profile at www.SEDAR.com. There can be no assurance that FLS will prove to be accurate, as actual results and future events could differ materially from those anticipated in FLS. FLS have been provided for the purpose of assisting investors in understanding the Company’s plans and objectives and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on FLS. Avalon does not undertake to update any FLS that are contained herein, except in accordance with applicable securities laws.

The technical information contained in this presentation has been reviewed and approved by William Mercer, Ph.D., P.Geo. (Ont), P.Geo. (NWT), Vice President, Exploration and Donald Bubar, P.Geo. (Ont), President and CEO of Avalon, qualified persons for the purposes of National Instrument 43-101. For additional information on the Nechalacho Rare Earth Elements Project, see the technical report entitled “Technical Report Disclosing the Results of the Feasibility Study of the Nechalacho Rare Earth Elements Project” dated May 31, 2013 and effective April 17, 2013.

CORPORATE OVERVIEW

A nighttime photograph of a campsite in a forest. Several white tents are illuminated from within, their light reflecting on the ground. In the background, a bright green aurora borealis (Northern Lights) arches across the dark blue sky. A single bright star and a crescent moon are also visible. The foreground shows the dark silhouettes of evergreen trees.

Vision and Mission

Vision

Avalon will be the leading outside-of-China supplier of heavy rare earths and other rare metal and mineral products to the global market.

Mission

Avalon will create shareholder value and community prosperity through the development of scalable, multi-generational businesses that will deliver quality rare metals products to customers while remaining committed to the principles of sustainable practices, effective partnerships, and high performance in all aspects of its operations and business practices.

Rare Metals Projects

Avalon is not just about rare earths

Avalon offers diversified exposure to a broad range of rare metals



Capital Structure

May 15, 2014

Canada - TSX: AVL

United States - NYSE MKT: AVL

Frankfurt- OU5

Shares Outstanding	113,006,945
Fully Diluted	122,287,195
Market Capitalization	US\$62 million (S/O @ \$0.55)
Recent Price Range	US\$0.60 - \$0.50
52 Week High / Low	US\$1.21 - \$0.46
Cash Reserves	C\$4-5 million (No debt)
Insider Share Position	3 million shares
Institutional Investors	Manulife, Global X, Encompass, Chilton & others
Analyst Coverage	Euro-Pacific, Roth, Cowen, Citigroup. Edison

Avalon Share Price vs. REE Prices 2008-2013

Rare Earth Oxide Commodity Price Index (FOB \$US/tonne) vs Share Price (\$CAD)



Management and Board of Directors

- Donald S. Bubar, P.Geo.
President, CEO & Director
- Jim Andersen, CA, CPA
V.P. Finance & CFO
- David Marsh, FAusIMM (CP)
Senior V.P. Metallurgy
- Bill Mercer, Ph.D., P.Geo.
V.P. Exploration
- Pierre Neatby, BA Econ
V.P. Sales and Marketing
- Mark Wiseman, B.Sc., MBA
V.P. Sustainability
- Cindy Hu, CA, CPA, CGA
Controller
- Gerry Liepert , P.Eng.
Senior Project Manager
- Melanie Smith , LL.B
Senior Legal Counsel

- Charlotte May
Corporate Secretary
- Ron Malashewski, P.Eng (AB)
Manager, Investor Relations

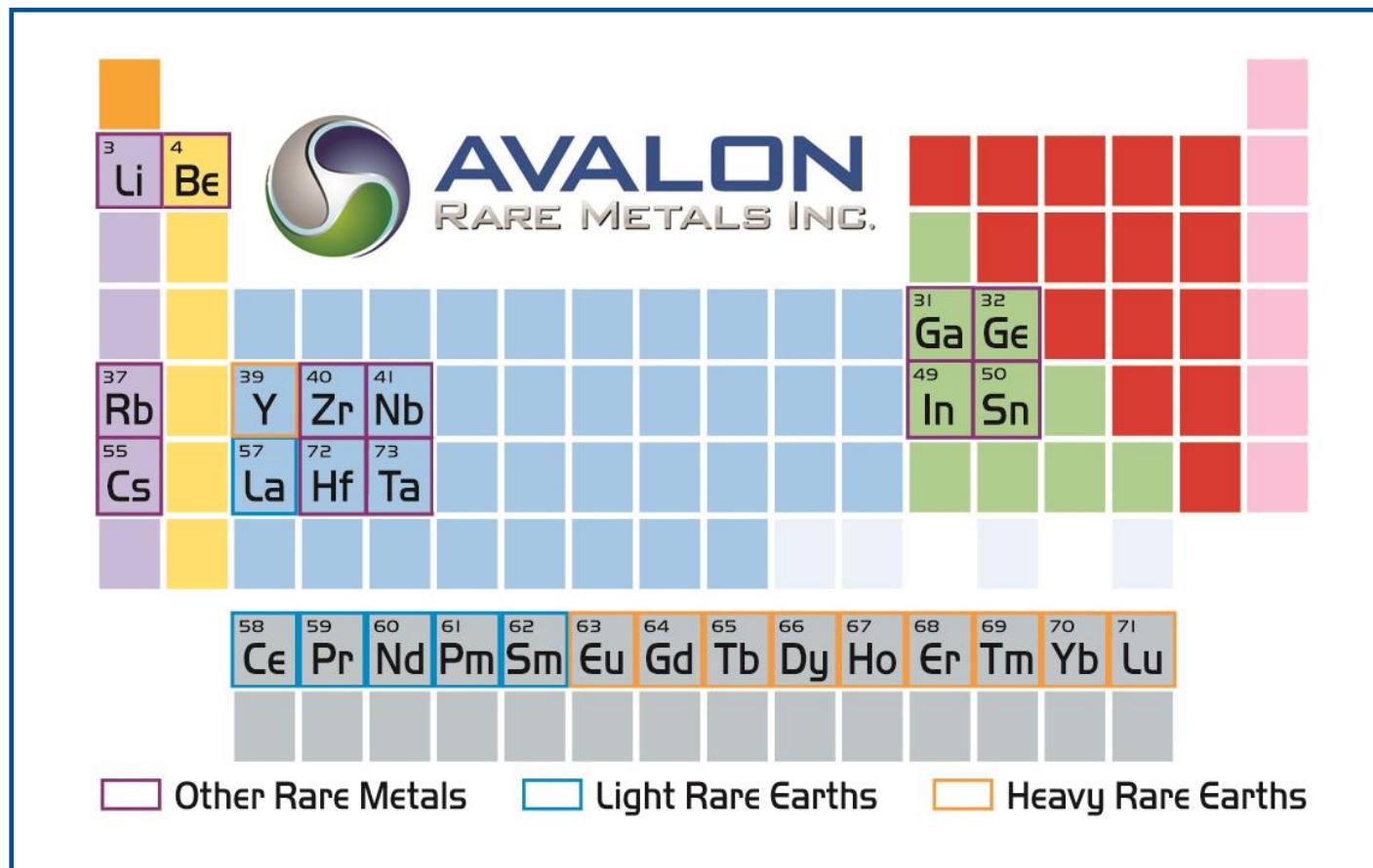
BOARD OF DIRECTORS

- Brian D. MacEachen, C.A.
Chairman and Audit Committee Chair
- Donald S. Bubar, P.Geo. *CEO*
- Alan Ferry, CFA
Past Chairman
- Phil Fontaine, B.A., LL.D.
Sustainability Advisory Committee Member
- Hon. Sergio Marchi, P.C.
Governance/Compensation Committee Member
- Peter McCarter, B.A., LL.B., M.B.A.
Governance/Compensation Committee Chair
- Kenneth Thomas, Ph.D., P. Eng.
Technical Advisory Committee Member

RARE EARTHS INDUSTRY

A nighttime photograph of a northern landscape under a dark sky. The Aurora Borealis (Northern Lights) are visible as a bright, greenish-blue arc in the upper left. In the foreground, several white, rectangular industrial tents are arranged in a row, their interiors illuminated from within. The tents are set against a dark background of tall evergreen trees. The overall atmosphere is cold and industrial.

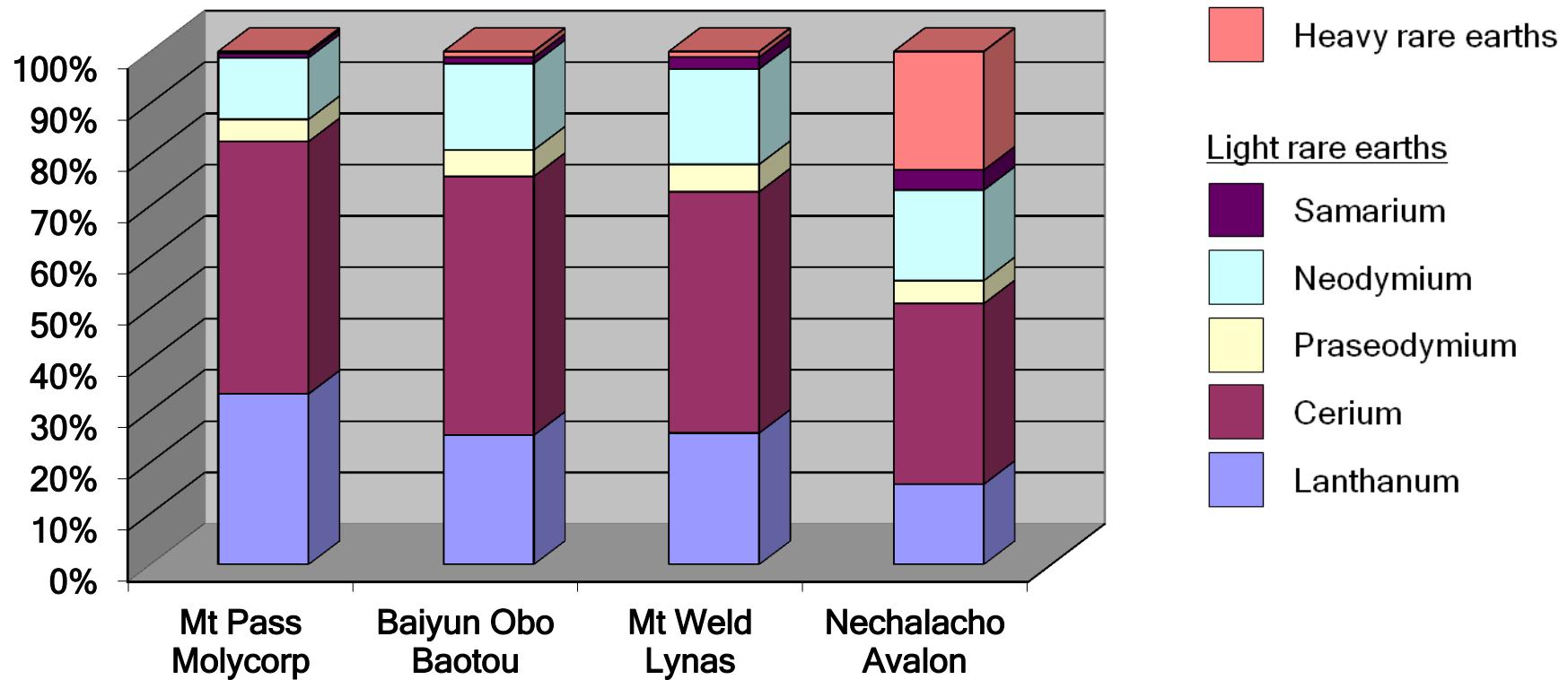
The Rare Earth Elements



Neodymium, Dysprosium, Terbium and Europium in highest demand

REE Balance is Key: *The more heavies, the better!*

All deposits contain mostly cerium and lanthanum, which will be over-supplied with Molycorp and Lynas in full production

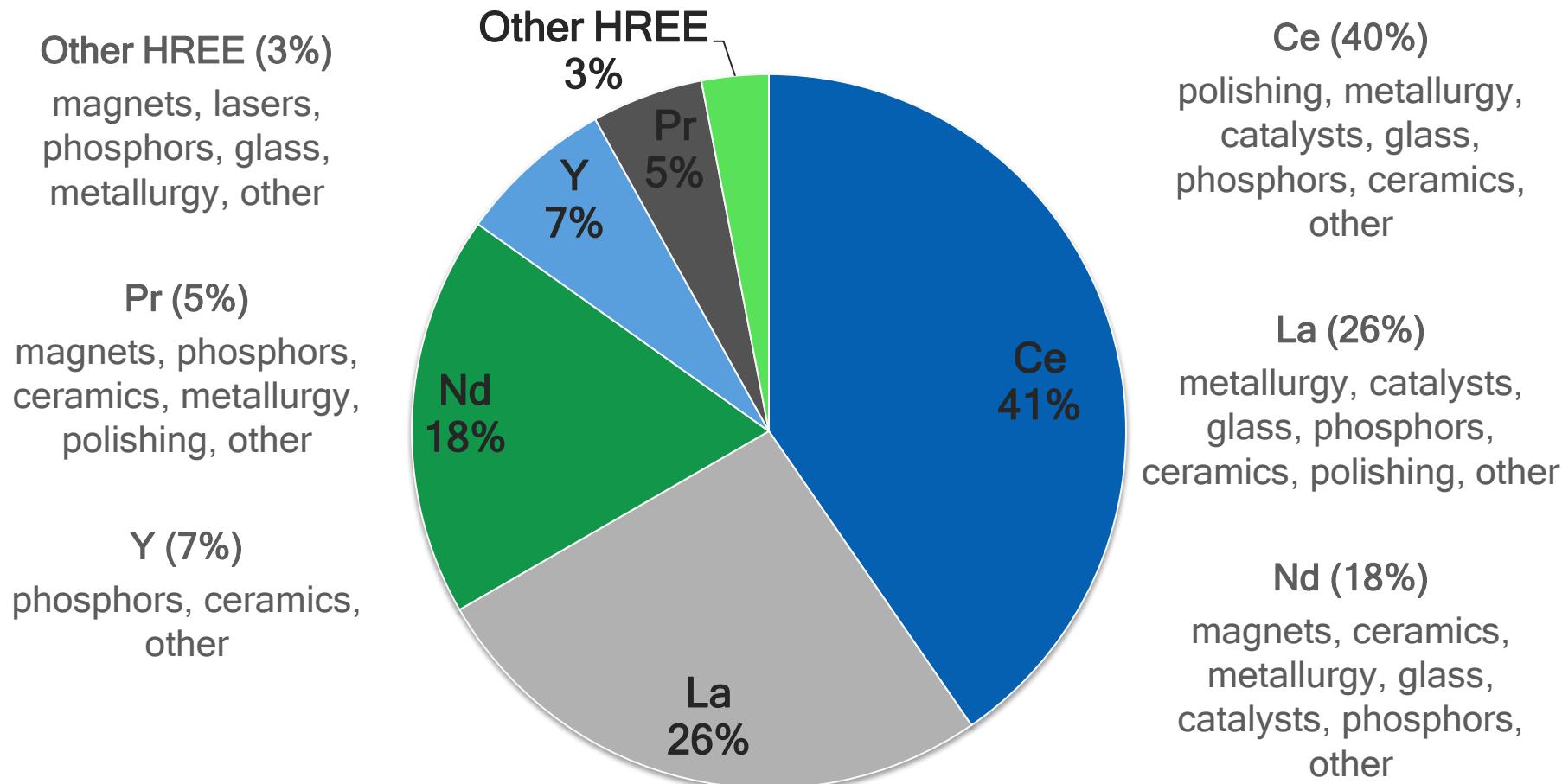


Rare Earths and Rare Metals Are Found in Many Everyday Applications

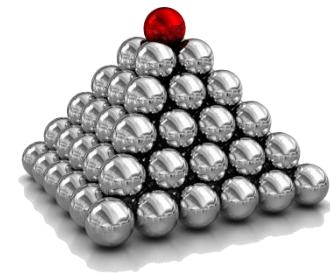
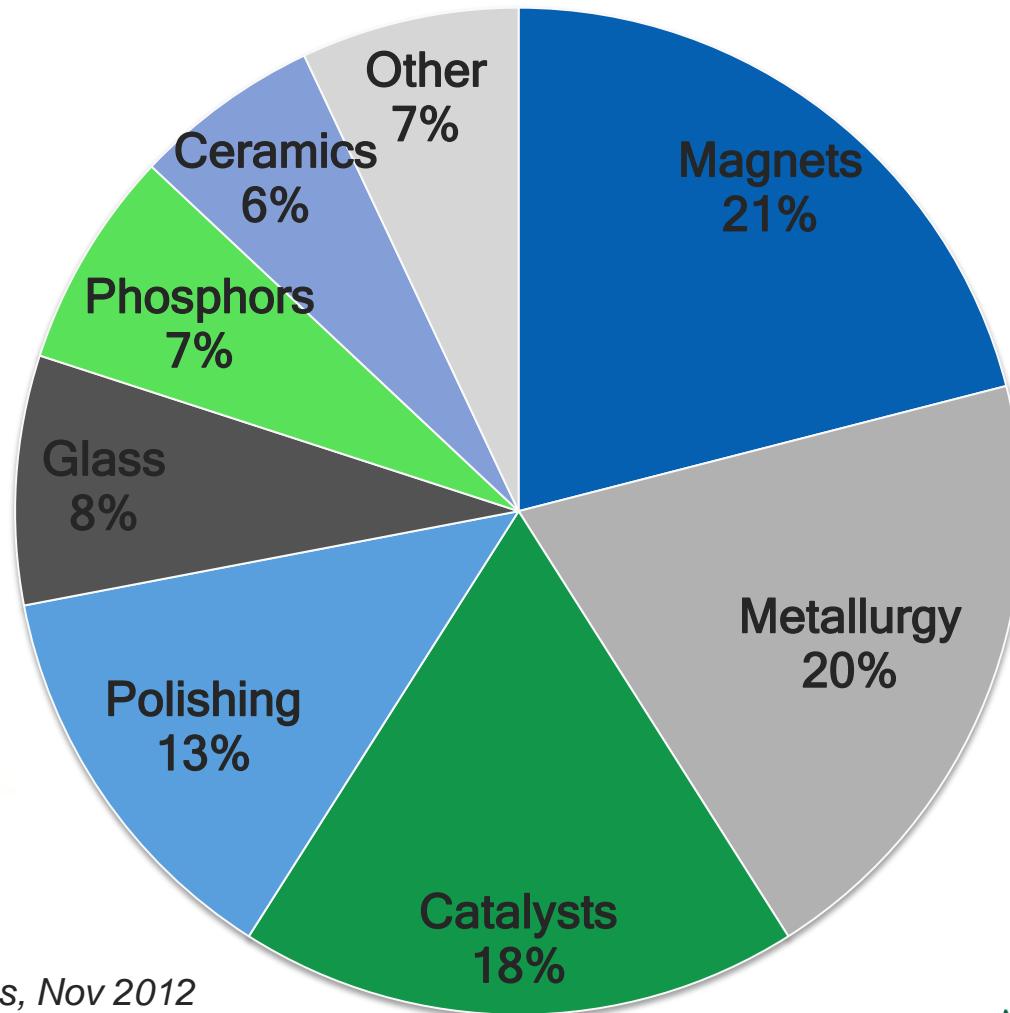


Demand for REE (2012)

By element



Global Demand for REE by End-Use in 2012



Source: Roskill estimates, Nov 2012

Rare Earth Elements Lifecycle

- Underground mining and crushing of ore
- Flotation
- Hydrometallurgy
- Separation
- Chemical and metal producers
- Manufacturers of end user products
- Recycling

Engineered Tailings Management Facility

Avalon's tailings are non-acid generating non-rare earth bearing materials resulting from the flotation and hydrometallurgy processes



Underground mining and **crushing** of ore to gravel size, then crushed ore is **milled** to finer size for mineral separation



Flotation of milled ore designed such that the rare earth-containing minerals bond to chemicals and rise to the surface where they can be skimmed off and separated from non-rare earth containing materials. The output produced is mixed rare earth mineral concentrate.



Hydrometallurgy extracts all the rare earths elements from the mineral concentrate to produce a mixed rare earth oxide concentrate.



Separation is when individual rare earth oxides are separated from the mixed rare earth oxide concentrate. The individual rare earth oxides, in powder form, are sold to chemical and metal producers.



Chemical and metal producers further purify the individual rare earth oxides to create chemicals, metals, magnets and phosphor compounds used to produce end user products.



Manufacturers produce end user products such as consumer electronics, hybrid and electric cars, wind turbines, medical equipment, solar panels, LED lighting and most high or clean tech products.



Recycling of rare earths reflects prudent environmental stewardship, however is influenced by individual collection, processing and market economics.

The China Factor

- China produces most of the world's REE
- China will soon consume 60-70% of the world's REE
- In the next 5-10 years, China may import heavy rare earths (HREE)
- China consolidating REE producers to improve environmental practice
- China is limiting exports of REE and now stockpiling
- Created China Rare Earth Industry Association to regulate industry
- Illegal mining and exports (mainly HREE) are being curbed

Experts believe that 2-3 HREE projects outside China will come into the market in the next 5-6 years and will grow with the market

NECHALACHO PROJECT

Thor Lake, Northwest Territories, Canada



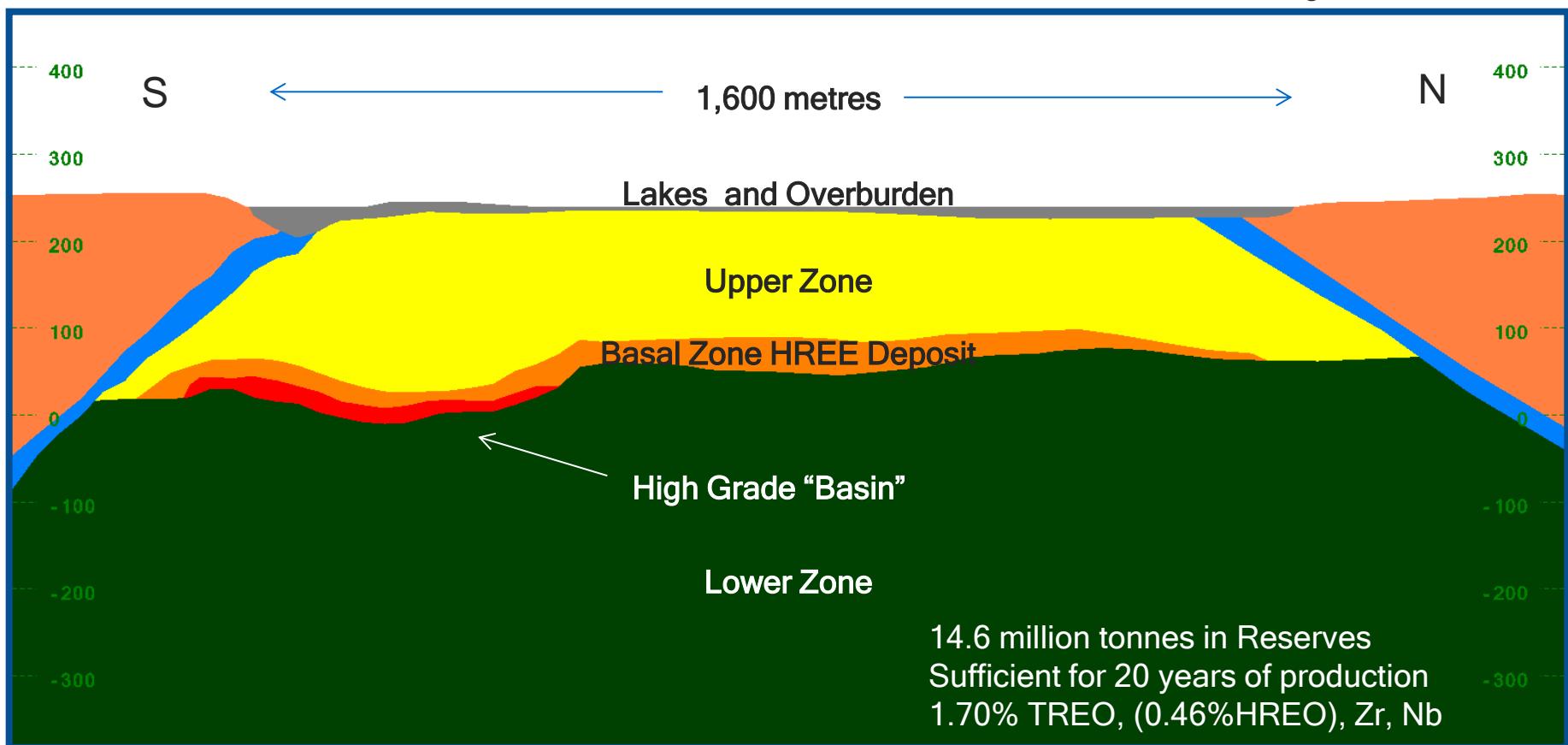
Nechalacho Project: Thor Lake Area and Regional Infrastructure



Nechalacho General Geology

(Vertical Cross Section Looking West)

Looking west at 416200E



Nechalacho Deposit Diamond Drill Hole Location Map

As of April 2014

Drill Holes

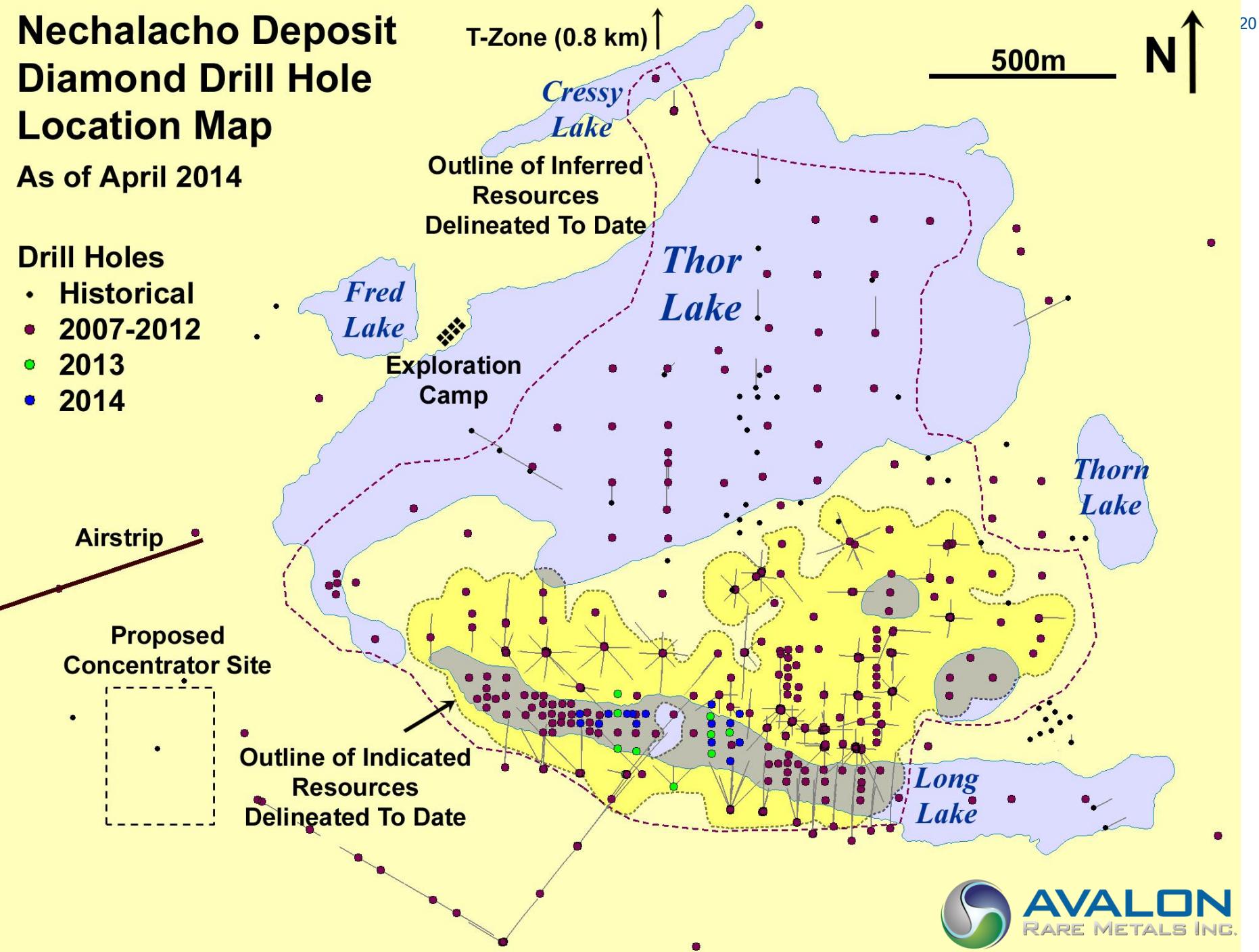
- Historical
- 2007-2012
- 2013
- 2014

Outline of Inferred
Resources
Delineated To Date

500m

N

20



Conceptual Nechalacho Mine and Concentrator Plan



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Measured and Indicated Resources in the Basal Zone at Various NMR Cut-offs

(August 2013)

Basal Zone	Tonnes (millions)	% TREO	% HREO	% HREO/TREO	% ZrO ₂	% Nb ₂ O ₅	% Ta ₂ O ₅
US\$345 NMR Cut-Off (Reflects entire Basal Zone)							
Measured	12.56	1.71	0.38	22.50	3.20	0.405	0.0404
Indicated	49.33	1.62	0.35	21.27	3.07	0.405	0.0398
US\$800 NMR Cut-Off (Approximately Reflects High Grade “Basin”)							
Measured	5.11	2.20	0.58	26.17	4.23	0.52	0.0544
Indicated	16.15	2.20	0.55	24.87	4.13	0.52	0.0542
US\$1,000 NMR Cut-Off (Selected parts of High Grade “Basin”)							
Measured	2.49	2.49	0.68	27.38	4.77	0.59	0.0620
Indicated	6.99	2.52	0.66	26.03	4.66	0.58	0.0614

CN Route

From Hay River to Geismar, LA



Proposed Refinery (or Hydromet) plant site, Geismar, LA



- On Mississippi River
- Served by CN Rail and Interstate Highway



- Well-established Chemical Industry Cluster
- Ready availability of chemical reagents
- Availability of skilled labour

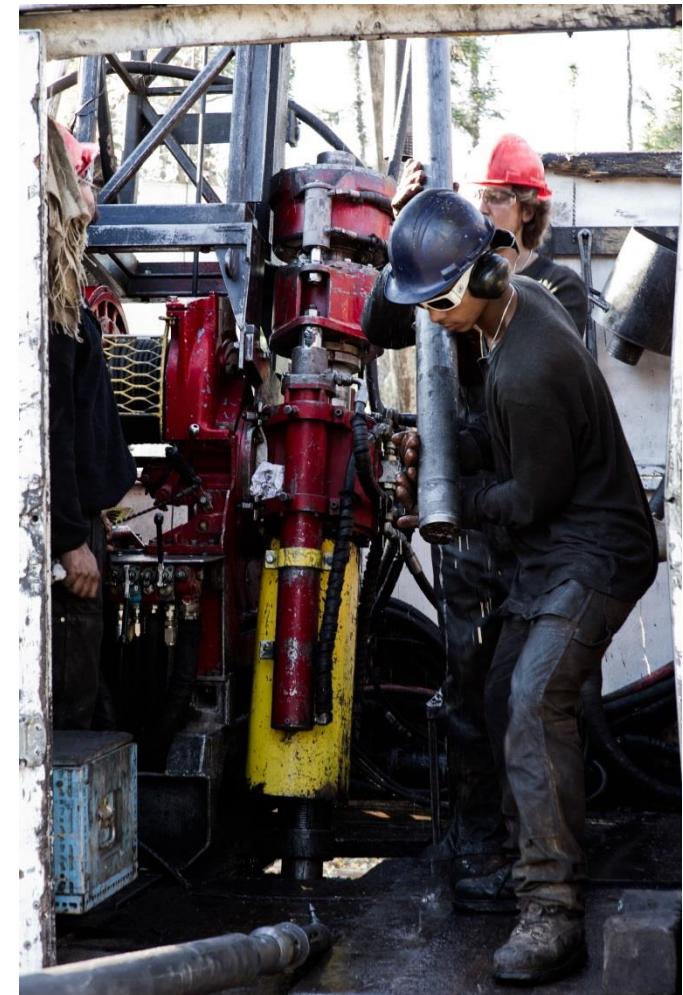
Nechalacho Feasibility Study Development Concept *(as of April 2013)*

- Mining underground drift and fill/long-hole stoping at 2,000 tpd, or 730,000 tonnes per year (tpy)
- Flotation process to produce 130,000 tpy of mineral concentrate (conc)
- Hydrometallurgical treatment of mineral conc by sulphuric acid bake at Pine Point to yield 55,000 tpy of REE conc and 112,000 tpy of Enriched Zirconium Conc (EZC)
- Rail shipment of REE Conc to Refinery in southern U.S. (Geismar, Louisiana)



Nechalacho Feasibility Study Development Concept *(continued)*

- Planned initial production of 7,000 tpa separated REE oxides plus EZC (with Nb, Ta, HREE)
- CAPEX: CAD\$1.575 billion (includes refinery and sustaining capital)
- Operating Costs: CAD\$265 million/ year or \$362/mined tonne of ore (all inclusive)
- Revenues: CAD\$646 million /yr or \$885/ mined tonne of ore
- Pre-tax IRR: 22.5%
- NPV @ 10%: \$1.35 billion



Nechalacho Recent Developments

- Completion of positive comprehensive Feasibility Study on Nechalacho in April 2013
 - First in the world outside China on a large new heavy rare earth project
 - Proves technical and economic viability of project
 - Allows for negotiations on off-take agreements and strategic investment
- Published 2nd annual Sustainability Report
- Environmental Assessment approved by Federal Government
- Promising initial results from metallurgy process optimization
 - Improved recoveries reduced technical risk and enhanced economics indicated
- **Entered into toll-refining agreement and strategic partnership with Solvay**
- Initial land use permit received for 2014 program

Who is Solvay?

The company

- Created in 1863
- Global chemicals company
- Anchored in Europe, serving diversified markets worldwide
- Consumer goods to energy, with one main aim - to improve quality of life and customer performance
- 90 percent of revenue being generated from businesses that are among the top three global leaders in their field

The numbers

- Net sales: \$16.5 billion (Ranked 22nd globally among major chemical companies)
- 29,100 employees
- 111 sites in 55 countries
- Publicly traded in Europe with market cap of \$13 billion

Solvay Rare Earth Systems

- Solvay acquired *Rhodia Operations* in 2011 making the world's number one REE supplier
- ~30% of global market
- Net sales €434 million
- 1,120 employees
- Rare earth catalysts and electronics applications
- Involved in REE recycling

Solvay Toll Refining Agreement and Strategic Partnership

- 10 year binding agreement
- Removes Capex for Refinery from economic model
- Reduced project risk due to increased certainty over refining, meeting product quality and delivery expectations with potential off-takers
- Assistance on hydromet plant design & commissioning
- Solvay to manage concentrate storage and finished goods inventory at their plant
- Solvay can produce “special” products (i.e. Y-Eu oxide)
- Solvay to do French customs clearance
- Can assist with design and construction of a new refinery if Avalon expands after 10 years

Feasibility Study: Opportunities

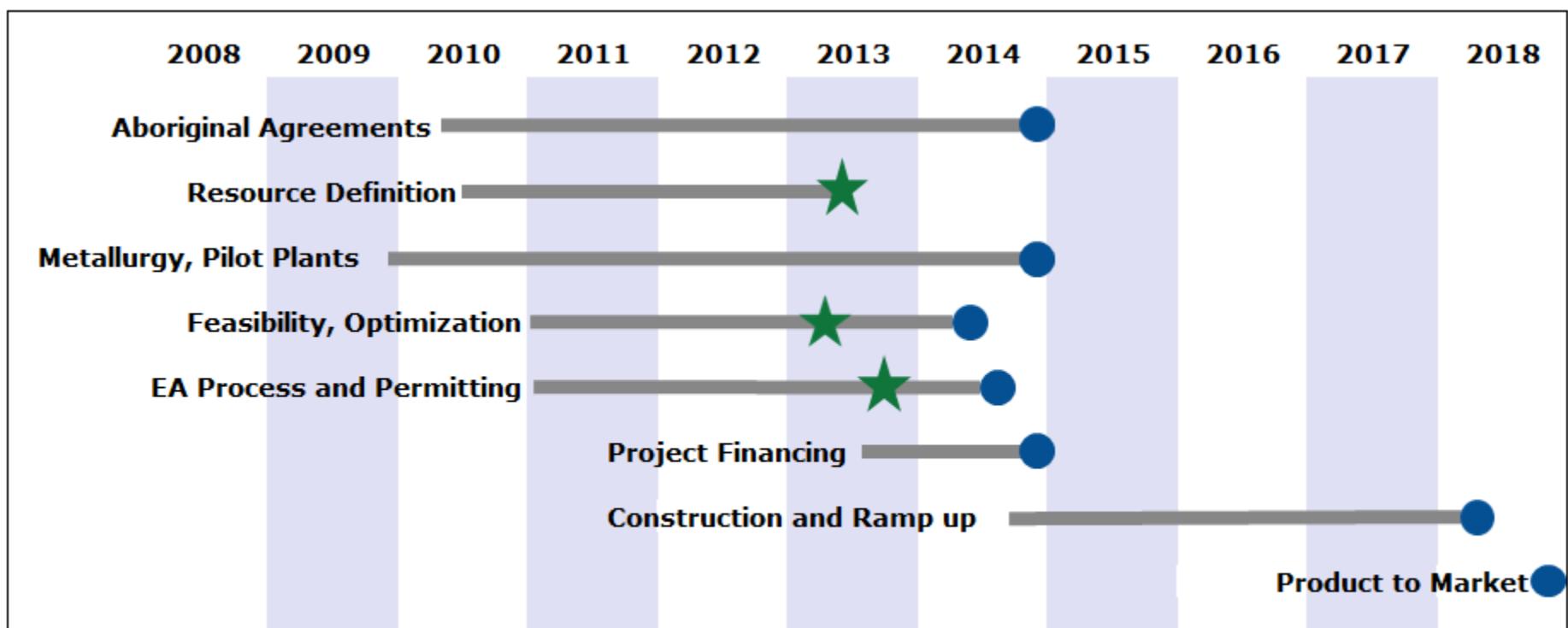
- Many opportunities to optimize project development model to reduce technical risk and increase revenues
 - Develop alternative mixed alkali hydromet process
 - Improve recoveries in flotation plant & simplify flowsheet
 - Revise mine plan to prioritize high grade sub-zones
- Toll-refining of mixed REE con to reduce CAPEX
- Public Policy initiatives to support development of REE industry outside of China
 - Canada establishes “CREEN”, Canadian REE research network

FS Optimization Progress

- Improved Mine Plan:
 - Increased recovered ore grades with more selective mining method and more efficient ore handling
- Improved Concentrator Operation:
 - Increased flotation recoveries, simplified flowsheet
- Improved Hydrometallurgical Plant:
 - Process change to HCl leaching, much higher HRE recoveries, cleaner product for Refinery, valuable Zr by-product (no EZC),
 - Testing process to recover Nb and Ta by-products

Nechalacho Project Timeline

As at April 9, 2014



★ Completed ● Goal

2014 Milestones and Value Drivers for Avalon

- Nechalacho Rare Earth Elements Project
 - Secure off-take agreements with consumers
 - Secure Land Use Permits for summer site work
 - Arrange next stage Project Financing
 - Complete Hydromet process optimization work (with assistance of Solvay) and pilot plant work
 - Finalize remaining Aboriginal Participation Agreements

Nechalacho remains the most advanced potential large new source of heavy rare earths in the world outside China

How Avalon's Nechalacho Project is Positioned to Succeed

- **Exceptional Heavy Rare Earth Enrichment**
 - Large resource ensures multi-generational operational potential
- **Completed Feasibility Study**
 - Can engage in more formal discussions on off-take and investment
 - Relatively low CAPEX estimate for large HREE rich deposit
- **Approved Report of Environmental Assessment**
 - More certainty around permitting timelines
- **Strong Management Team**
 - Committed to developing the Project through to production
- **Principles of Sustainability are Core Values**
 - Environment, health and safety and community partnerships are priority

SUSTAINABILITY



Environmental and Social Responsibility

- Leaders in Aboriginal Community Outreach
- Accommodation Agreements
 - Signed with Deninu K'ue First Nation and NWT Métis Nation (Participation Agreement)
 - Negotiations completed with Lutsel K'e Dene
 - Continuing engagement with NSMA, Yellowknives Dene, Tlicho, KFN
- Low uranium and thorium content reduces concerns about radioactivity
- Completed and approved Report of Environmental Assessment
- Filed permit applications in Jan. 2014 and received LUP in April 2014

First deal for Deninu Kue

Impact Benefits Agreement with Avalon Rare Metals Inc. celebrated

by Thandie Vela
Nunavut News Service
Deninu Kue/Fort Resolution

The Deninu Kue First Nation has signed its first independent Impact Benefits Agreement (IBA) with a mining company.

In a ceremony on July 30 in Fort Resolution, Deninu Kue Chief Louis Balsillie and Avalon Rare Metals Inc. president Don Bubar signed the precedent-setting agreement over the junior exploration company's Nechalacho rare earth metals project at Thor Lake.

"I am really honoured that Avalon has come in and sat with us and negotiated an IBA," Balsillie said, noting that the Deninu Kue have benefited from mining projects as part of the Nechalacho Treaty in the past but it is the first time a mining

company has entered into an Impact Benefits Agreement with the Deninu Kue individually.

"It is the first Impact Benefits Agreement for Deninu Kue. Balsillie said.

"I'm really honoured that Avalon has come in."

It is the first time that a mining company has recognized our traditional territory – all of it – not just the portion of it that is located south of Great Slave Lake, he said.

Also present

for the signing ceremony

at the Nechalacho

mine were Tom Beaufils, MLA

for Tu Neelu and minister of

Health and Social Services,

David Ramsay minister of

Industry, Tourism and Invest-

ment in the past but it is the first time a mining

Please see Registry, page 28

BUSINESS Briefs

with Thandie Vela

e-mail: business@nml.com

Mary River hearings wrap up

Buffalo Island

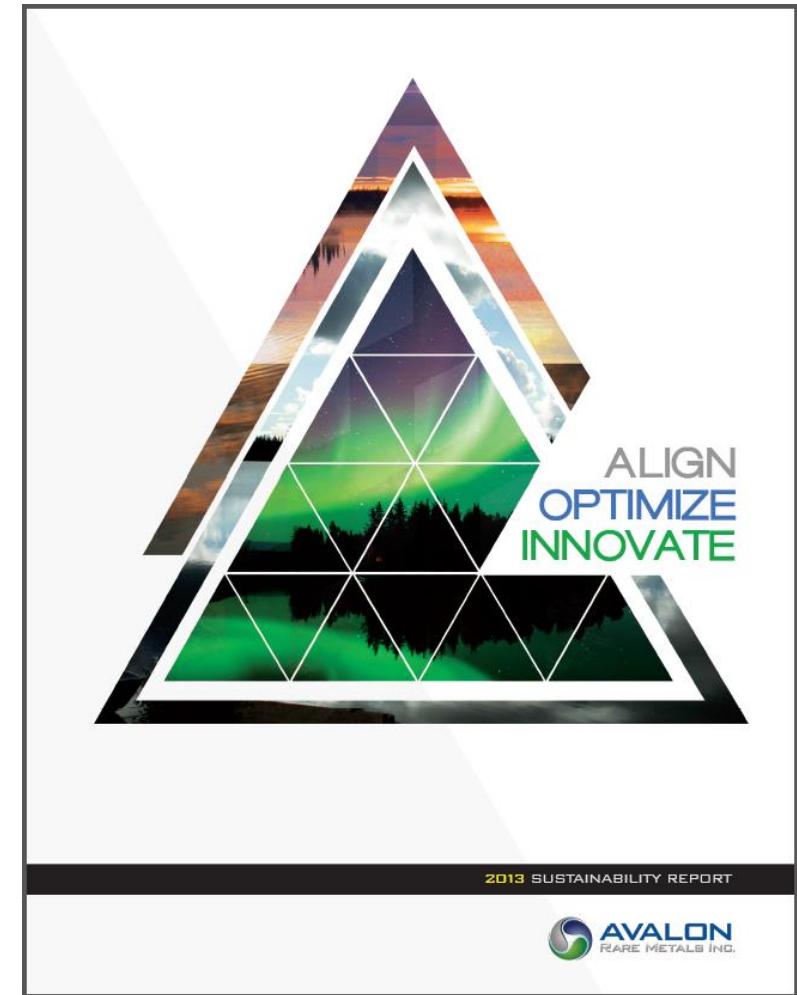


Avalon Rare Metals Inc. president Don Bubar, left, and Louis Balsillie, chief of the Deninu Kue First Nation, shake on an Impact Benefits Agreement in Fort Resolution on July 30 for Avalon's proposed Nechalacho rare earths mine at Thor Lake while NWT Premier Bob McLeod, centre, and other dignitaries watch.

Issued second Sustainability Report in accordance with GRI guidelines

2013 Corporate Sustainability Report

- *Align. Optimize. Innovate.*
- Published in Dec 2013
- MAC TSM Self Assessment and GRI Level G3.1 Level C
 - 42 GRI indicators
 - Economic: 6
 - Environmental: 18
 - Labour: 8
 - Human Rights: 7
 - Society: 3
- Aligns the Company's operating philosophy with its Cleantech customers





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