

Avalon Rare Metals takes one giant step towards rare earths production

✘ It took years to prepare and just one brief moment to sign, but on March 3, in occasion of the largest mining event in the global calendar (the Prospectors and Developers Association conference – PDAC), Avalon Rare Metals ('Avalon', TSX: AVL | NYSE MKT: AVL) signed a formal agreement for the Nechalacho project with the Northwest Territory Métis Nation (NWTMN). The agreement is the result of Avalon's goals to pursue its project in an ethical and responsible manner, ensuring that its pursuit of natural resources will benefit the local population and respect the local environment. Avalon's concern for sustainability suggests that it is one of the most far-sighted companies in the rare earths sector; it also shows that the company is being well managed. The agreement means that rather than antagonists, the local people will support the project in the short and long term. The agreement with the NWTMN effectively concludes Avalon's 'bureaucratic' phase. The Project was already granted ministerial approval of the Environmental Assessment for the project.

Avalon took the 'heat' from the community and the media during hearings and also worked to ensure that community relations would not be an afterthought; rather, that they be included in the planning since the very first stages of the project. This means the company has a well rooted plan for continuity as it proceeds toward mine construction and then production. In the context of the participation agreement, Avalon has issued 10,000 shares and 20,000 non-transferable subscription rights to the NWTMN. Therefore, thanks Avalon's culture of sustainability, it has obtained the trust of the First Nations communities, who now have a stake the project's success.

Avalon is now set to join those few companies challenging China's dominance in the rare earths industry. Currently, China produces around 90 % of the global rare earth supply, but the industry is suffering from illegal mining, smuggling due to export quotas, severe environmental degradation and lack of global competitiveness due to weak research and development activities. Avalon has the ambitious goal of going into production by 2017 and to become one of the leaders in research and development in the sector. On February 25, the market showed its confidence in Avalon's project with a 12.5% share price increase and high trading volumes. Avalon has continued to rise in the weeks following that 'jump' as it races to become what could be Canada's first rare earth mine. The cost for the construction of the mine and the processing and refining facilities will be about USD\$ 1.6 billion as noted in the Feasibility Study. This is in line with other rare earths projects around the world, whereby a cost of 1 billion might even be considered 'discounted'. Avalon has reached memorandum of understanding agreements with potential end-users who have shown interest in the project and plans to generate the funds to build the mine through these.

Apart from the formal ceremony announcing the partnership with NWTMN, Avalon's CEO, Don Bubar, announced that it has signed a 10-year processing agreement with Solvay, a French chemical company, which will process rare earth concentrate into oxide products at Solvay's facility in La Rochelle, France. This will avoid a number of regulatory issues, as La Rochelle has been one of the world's main rare earth processing facilities for decades. Solvay would also purchase the REE concentrate from Avalon, as it is one of the largest suppliers of rare earths to the European automotive industry. Avalon's CEO, Don Bubar, said that Solvay would also support the design and construction of Avalon's hydrometallurgical processing plant, which should be built in Geismar, Louisiana. The proposed USD\$ 300 million facility would employ 175 people.

Avalon's Nechalacho REE, among the various REE projects that have been launched around the world, is one of the few that actually have reserves and that are at an advanced stage of development. Avalon investors, moreover, may rest assured that the Company has a valuable resource and that it has completed all phases of the project in the run up to production, expected in 2016-2017. Avalon was one of the first companies to embark in the rare earth adventure and years before the 2010-2011 spike that attracted so many other juniors to this space. Avalon is confident in its technical and economic potential to reach production, which includes highly desirable heavy rare earths such as dysprosium and neodymium as well as an enriched zirconium concentrate (EZC), a highly desirable compound for its heat resistance and in demand by the nuclear and aerospace industry.