

# Avalon to remain on track toward 2016 Production after management changes

✘ Avalon Rare Metals ('Avalon', TSX: AVL | NYSE MKT: AVL) recently announced some senior management changes. Mr. Brian Chandler, Senior Vice President and Chief Operating Officer will leave Avalon at the end of May and Mr. Dave Marsh, Senior Vice President, Metallurgy, will replace him for the time being. Mr. Marsh is an expert in metallurgy and mineral processing, which are ideal qualifications for Avalon as it moves ahead toward the production stage. Mr. David Swisher, Vice-President, Operations has also left Avalon. No reasons were given for the departures; however, both Chandler and Swisher played key roles in preparing the FS that was released last April.

Chandler was also a key proponent of the sustainability culture that has allowed Avalon to obtain the trust of the First Nations communities that now have a stake in the project's success. Avalon signed an accommodation agreement for the Nechalacho REE project in Thor Lake, Northwest Territories (NWT), Canada with the Deninu K'ue First Nation (DKFN) as well as MOUs with two other local First Nations communities, continuing to negotiate an accommodation agreement with these as well. CEO Don Bubar recognized Swisher's role in managing some of the key sustainability aspects of the Project. Swisher 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 as an integral component of the project since the very first stages. This means the company has a well rooted plan for continuity in the absence of Mr. Swisher. Mr. Chandler will stay on a part time and advisory basis.

Meanwhile, Avalon presented its feasibility study for its Nechalacho project last April. As an indication of the investments and effort to bring a rare earth project from exploration to production stage, one need merely consider that the Feasibility Study (FS) alone cost some USD\$ 70 million to achieve. Avalon included an estimate to build a refinery in the FS responding to an interest by potential end users to have a refining facility outside of China. And that is the point that Avalon's CEO, Don Bubar, has been making all along, which is that the FS is a milestone that few companies can reach under the current – difficult – market conditions.

The 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. However, Avalon's share price itself has seen a bit of a rollercoaster ride since the start of 2013, even as the company saw further progress. Namely, last March, despite some debate, the community hearings for the project suggested that the community welcomes and needs the opportunity. The Nechalacho project was also backed by the Mayor of Hay River, Andrew Cassidy and by the Premier of the NWT, Bob McLeod, who is keen to promote mining as a key to his territory's development, citing Avalon Rare Metals' role as a key ingredient of this strategy. The markets definitely recognized the value as well, seeing as since the middle of April the stock regained 30% of its value on May 12 after falling sharply in mid April, over the past year by the challenging market conditions: Avalon lost some 50% on a year to year basis after peaking last September.

Management and investors still need stamina and strong nerves as the roller coaster market ride for junior commodities still seems to have room to go before reaching some sort of stability. The one assurance they have is that rare earths as raw materials have a future and that also applies to the stock market. 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.

As for the FS, the cost estimate of building the mine is USD\$ 1.5 billion which is in line with other rare earths projects around the world, whereby a cost of 1 billion is even 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.

Avalon will use the FS as the centerpiece of its efforts to attract investors. The question now is how easily such investors will emerge given the tough market both in terms of the performance of commodities and the current prices of rare earths themselves. However, the more optimistic among us will recognize that 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. Interestingly, given China's dominant role in the REE sector, Avalon has even identified some potential EZC buyers in Asia.