



AVALON
RARE METALS INC.

**Proactive Investors
One2One Investor Forum
Toronto
January 18, 2011**

Don Bubar, President & CEO

Safe Harbour Statement

Forward looking information

Certain statements contained in or incorporated by reference into this presentation constitute forward-looking statements. Such statements reflect the current views of Avalon Rare Metals Inc. with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Avalon Rare Metals Inc. that may be expressed or implied by such forward-looking statements to vary from those described herein should one or more of these risks or uncertainties materialize. Avalon Rare Metals Inc. does not intend, and does not assume any obligation, to update these forward-looking statements.

Capital Structure

January 14, 2010



Canada - TSX: AVL

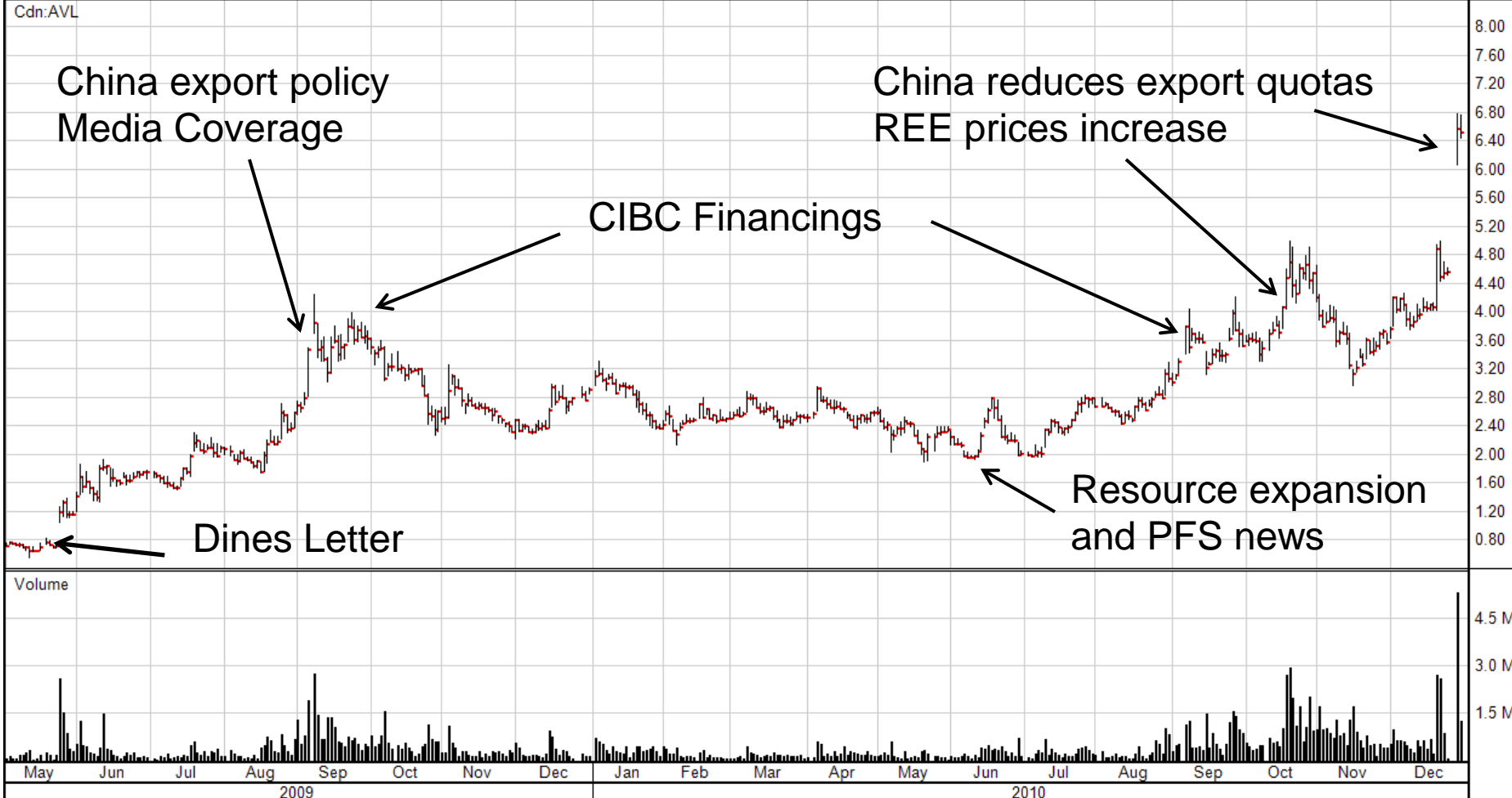
United States - NYSE Amex: AVL

Frankfurt- OU5

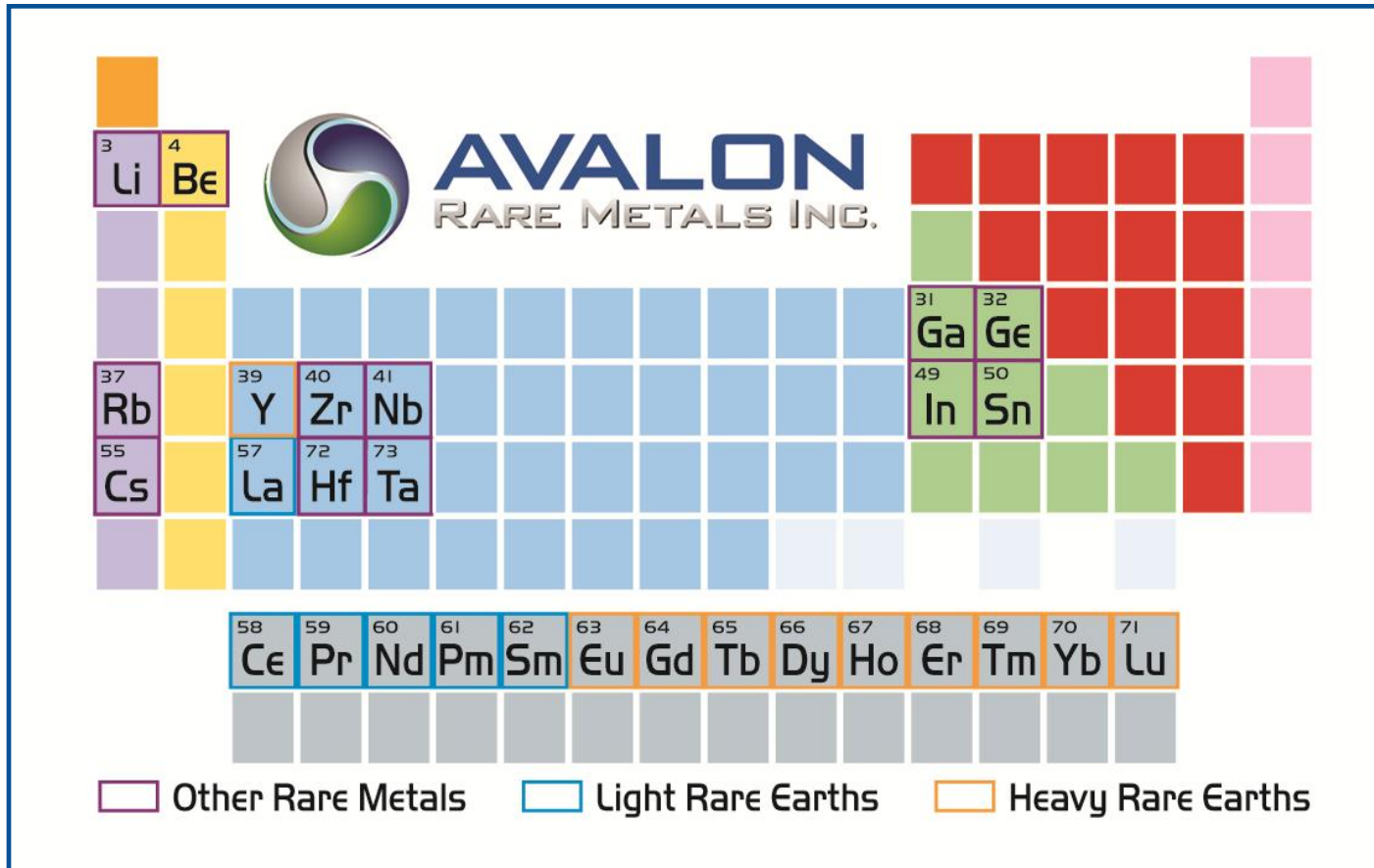
Shares Outstanding	93,113,523
Fully Diluted	103,508,970
Market Capitalization	US \$532 million (S.O. @ \$5.75)
Recent Price Range	US \$4.32 - \$7.18
52 Week High / Low	US \$8.20 - C \$1.89
Cash Reserves	C \$38 million (No debt)
Insider Share Position	4.1 million shares (4.5%)
Institutional holdings (est. 30-40%)	CPP, TDAM, Front St., Excalibur, MFC Global Middlefield, AGF , Cantara, Sentry, Chilton
Employees	20 (including part-time)

18 Month Price Chart

Historic Chart for Cdn:AVL by Stockwatch.com 604.687.1500 - (c) 2010
 Thu Dec 30 2010 Op=6.60 Hi=6.75 Lo=6.44 Cl=6.52 Vol=1,241,246 Year hi=6.77 lo=0.55



What are Rare Earth Elements?



Light REE:
 La = Lanthanum
 Ce = Cerium
 Pr = Praseodymium
 Nd = Neodymium
 Sm = Samarium

Heavy REE:
 Eu = Europium
 Gd = Gadolinium
 Tb = Terbium
 Dy = Dysprosium
 Ho = Holmium
 Er = Erbium
 Tm = Thulium
 Yb = Ytterbium
 Lu = Lutetium
 Y = Yttrium

Neodymium, Dysprosium, Terbium and Europium in highest demand

Canadian Rare Earths Projects 2005



TSX & NYSE AMEX: AVL



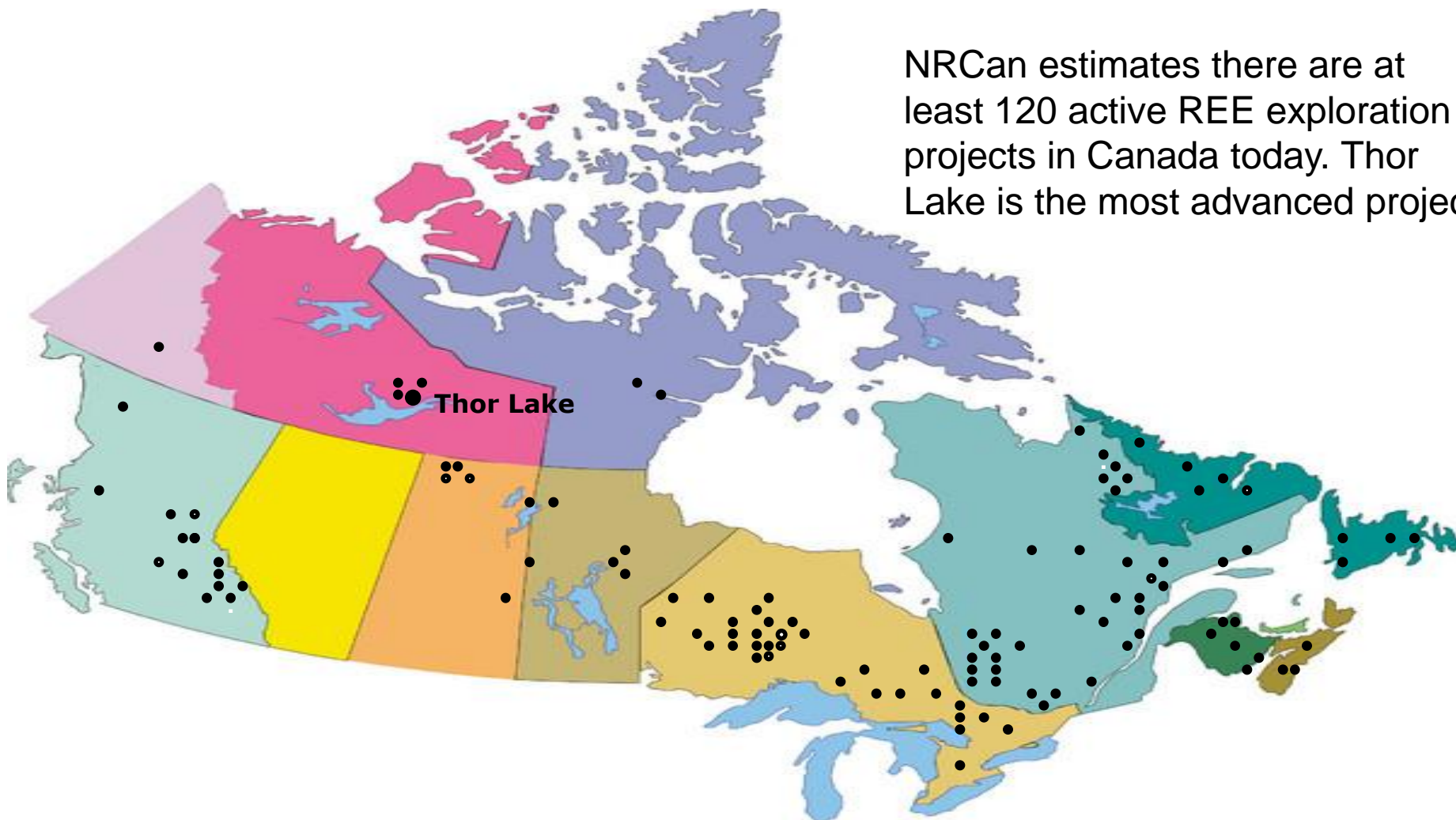
Avalon's 100% owned Thor Lake project was one of only two active REE projects in 2005

Canadian Rare Earths Projects 2010



TSX & NYSE AMEX: AVL

NRCan estimates there are at least 120 active REE exploration projects in Canada today. Thor Lake is the most advanced project



Nechalacho REE Deposit at Thor Lake: Key Facts

- Positive pre-feasibility study completed in 2010. C\$27 million invested to date. 59,000m of drilling in 266 holes
- Bankable feasibility underway. C\$43 million cost is financed
- High proportion of heavy rare earths (20-28%)
- Largest defined REE deposit in the world outside China
- Amenable to low cost underground mining methods
- Recovery process defined. Pilot plant work in progress
- By-product recovery of zirconium, niobium and tantalum
- Environmental assessment and permitting process in progress
- Production start-up in 2015
- Scoping study for Separation plant complete
- +C\$1.0 billion estimated total capital cost



Comparison of HREE Distributions for Major REE Deposits

REE OXIDE		Nechalacho Canada	Bayan Obo China	Mt Weld Australia	Mountain Pass USA	Nolans Australia
Europium	Eu	0.49%	0.19%	0.44%	0.12%	0.40%
Gadolinium	Gd	3.71%	0.40%	0.97%	0.17%	1.00%
Terbium	Tb	0.54%		0.07%		0.08%
Dysprosium	Dy	2.71%	0.30%	0.12%		0.33%
Holmium	Ho	0.48%				
Erbium	Er	1.26%				
Thulium	Tm	0.17%				
Ytterbium	Yb	1.01%				
Yttrium	Y	11.69%	0.20%	0.37%	0.10%	1.32%
Lutetium	Lu	0.14%				
Total Heavies		22.20%	1.09%	1.98%	0.39%	3.13%
Lanthanum	La	15.83%	27.10%	25.50%	33.20%	19.74%
Cerium	Ce	35.72%	49.86%	46.74%	49.10%	47.53%
Praseodymium	Pr	4.51%	5.15%	5.32%	4.34%	5.82%
Neodymium	Nd	17.83%	15.40%	18.50%	12.00%	21.20%
Samarium	Sm	3.91%	1.15%	2.27%	0.80%	2.37%
Total Lights		77.80%	98.66%	98.33%	99.44%	96.66%

Competitive Advantages with other emerging REE producers

• Relatively Advanced

- 5 years down a 10 year development timeline

• Prefeasibility Study Completed

- Allows company to enter into discussions with customers about off-take

• Metallurgical Flowsheet Determined

- No issues with contaminants and good recoveries confirmed (75%)
- Significant By-product revenue indicated (Zr, Nb, Ta)

• Heavy Rare Earth Enrichment Marketing Opportunity

- No other advanced projects have all the heavies to offer

• First Mover Advantage is Key

- First to market will capture available market share
- Only room for a handful of new producers “first come, first served”

Recent Developments in REE Markets

- China reduces export quotas by 35% for first half of 2011 compared to first 6 months of 2010
- Lynas and Sojitz Corporation announce Strategic Alliance to supply Japanese market
- Molycorp completes \$390 million IPO in July, 2010, signs MOU with Sumitomo for \$130 million debt / equity financing, and enters joint venture with Hitachi Metals for magnet alloy production
- Chinese REE exports to Japan curtailed in 2010 over territorial dispute creating global security-of-supply concern
- Increasing media coverage and commentary on REE supply/demand issues stimulates surge in investor interest
- REE prices as a group increased some 300% in 2010

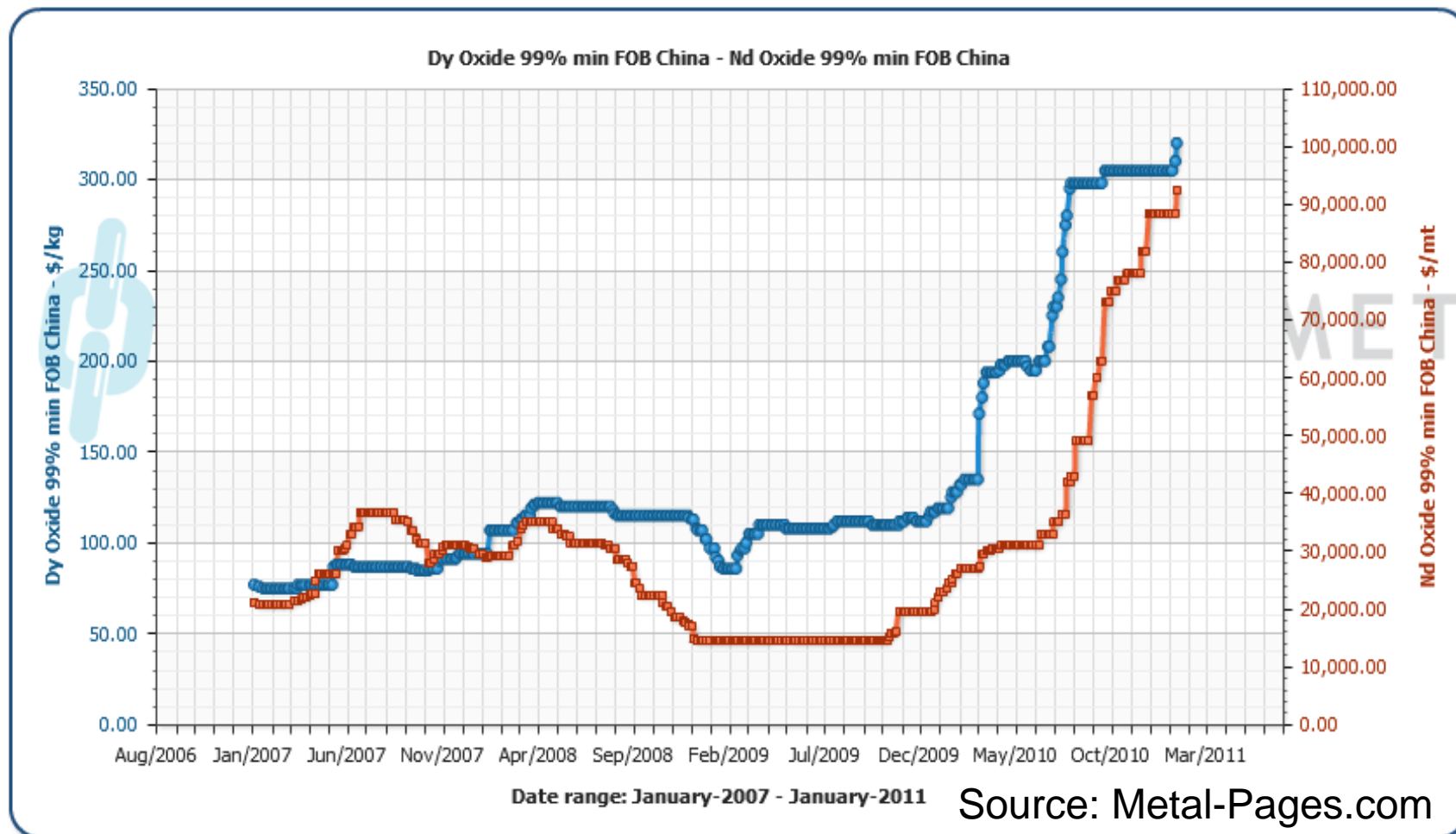
Rare Earth Element Prices

Source: Metal-Pages.com, January 13, 2011

Prices are indicative based on FOB China

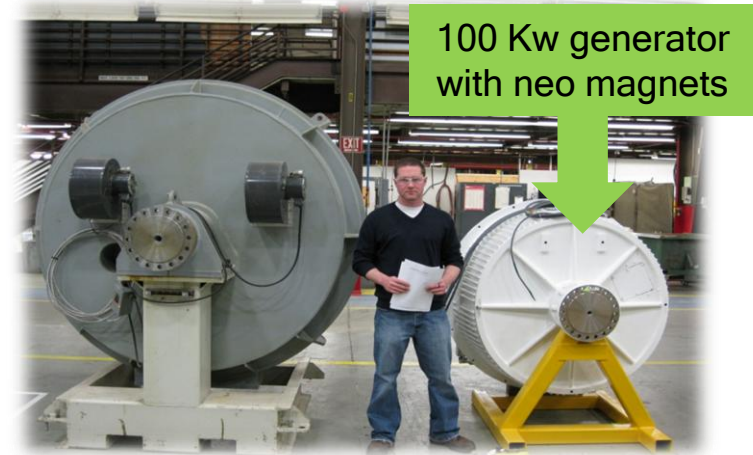
Metal Oxide	Principal Uses	Price US\$/kg
<u>Light Rare Earths</u>		
Lanthanum Oxide 99% min	Re-chargeable Batteries	61.00 - 63.00
Cerium Oxide 99% min	Catalyst, glass, polishing	66.00 - 68.00
Praseodymium Oxide 99% min	Magnets, glass colourant	85.00 - 88.00
Neodymium Oxide 99% min	Magnets, lasers, glass	89.50 - 92.50
Samarium Oxide 99% min	Magnets, lighting, lasers	54.00 - 55.00
<u>Heavy Rare Earths</u>		
Europium Oxide 99% min	TV colour phosphors: red	620.00 - 640.00
Terbium Oxide 99% min	Phosphors: green, magnets	610.00 - 630.00
Dysprosium Oxide 99% min	Magnets, lasers	310.00 - 320.00
Gadolinium Oxide 99%min	Magnets, superconductors	53.00 - 56.00
Yttrium Oxide 99.999% min	Phosphors, ceramics, lasers	70.00 - 75.00

Dysprosium, Neodymium: 4 year FOB China price trends



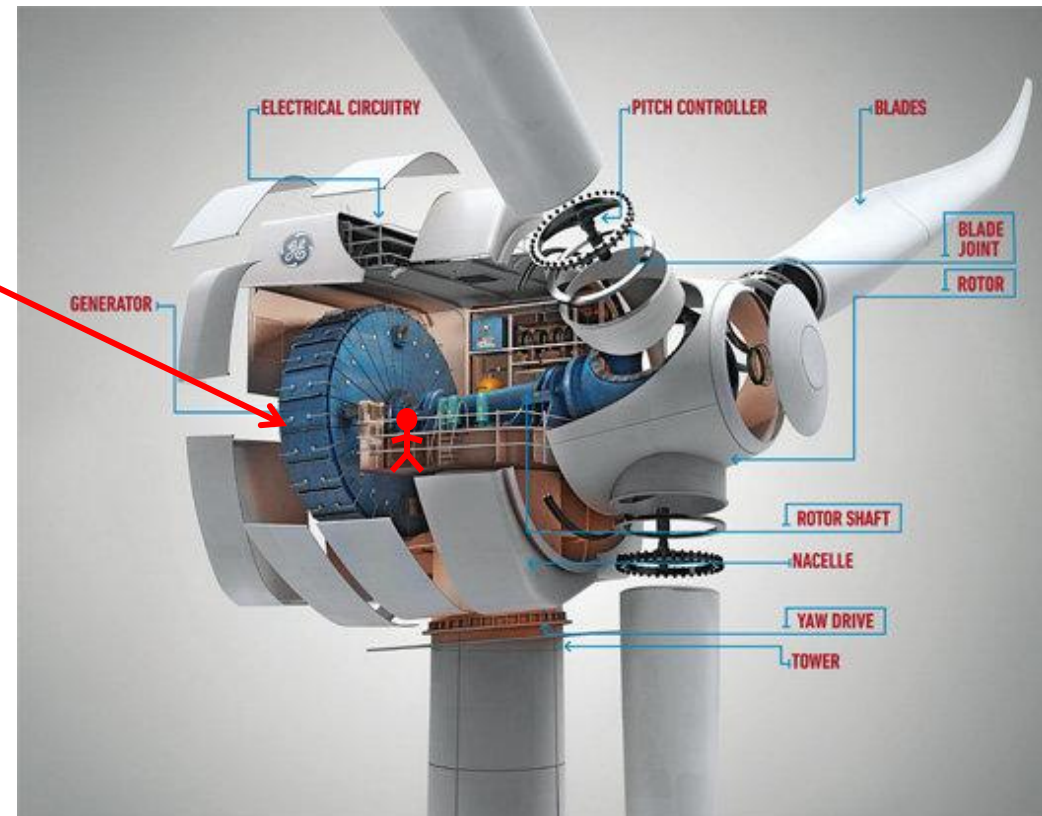
Key Applications of REE: Magnets for Electric Motors

- REE (NdFeB) or “Neo” Magnets reduce electric motor/generator size and weight, and improve efficiency
- Major applications include:
 - Electronics (grams)
 - Hybrid-electric cars (1-2 kg)
 - Industrial air conditioners (500 kg)
 - Wind turbines (0.6-1.0 tonne/MW)
 - MRI machines (1-3 tonnes)
- Trend toward larger volume applications
- REE magnets can reduce power consumption by 50%
- Approximately 30% of the magnet is Neodymium metal
- HREE dysprosium and terbium additions are key to making “heat resistant” magnets vital to automotive and other applications
- HREE phosphors key to energy efficient lighting, display screens



Key Application of REE Magnets in Wind Turbines

- New GE 4 MW wind turbine uses a 90-ton generator with 2-3 tons of NdFeB permanent magnets to eliminate the need for a gearbox, reducing breakage and energy loss
- Permanent magnet generator (PMGs) make the whole assembly (nacelle) lighter weight allowing higher tower
- Already planning to build 10 MW size turbines



Red stickman (approx. 6' tall) shown to demonstrate scale. The wind turbine blades on this 4MW model are 176 foot long.
Photo: Popular Science / GE

Niobium Production

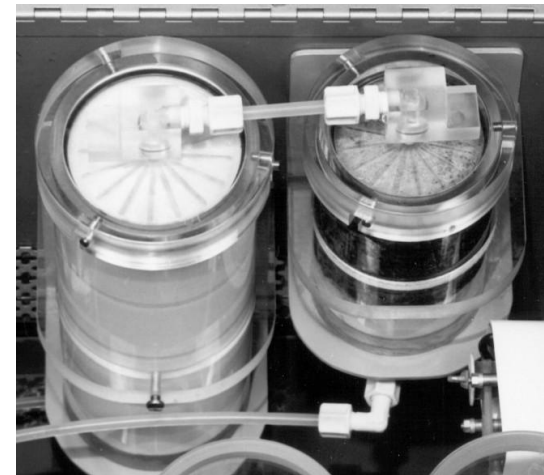
- Giant Araxa deposit in Brazil (CBMM) produces 80% of world supply (150,000 tpy Nb₂O₅)
- Nechalacho is now the 3rd largest deposit in the world and will produce 1,700 tpa Nb₂O₅ as by-product
- Demand increasing for main use in High strength low alloy (HSLA) steels as use of HSLA steels is expected to double in next few years
- Traditional markets in architecture, ships, bridges.
- Increasing use in automotive... Reduces the weight of the vehicle and improves fuel efficiency.
 - \$9 of Nb = 100kg less weight = 1 litre of fuel savings per 100km

Zirconium Production

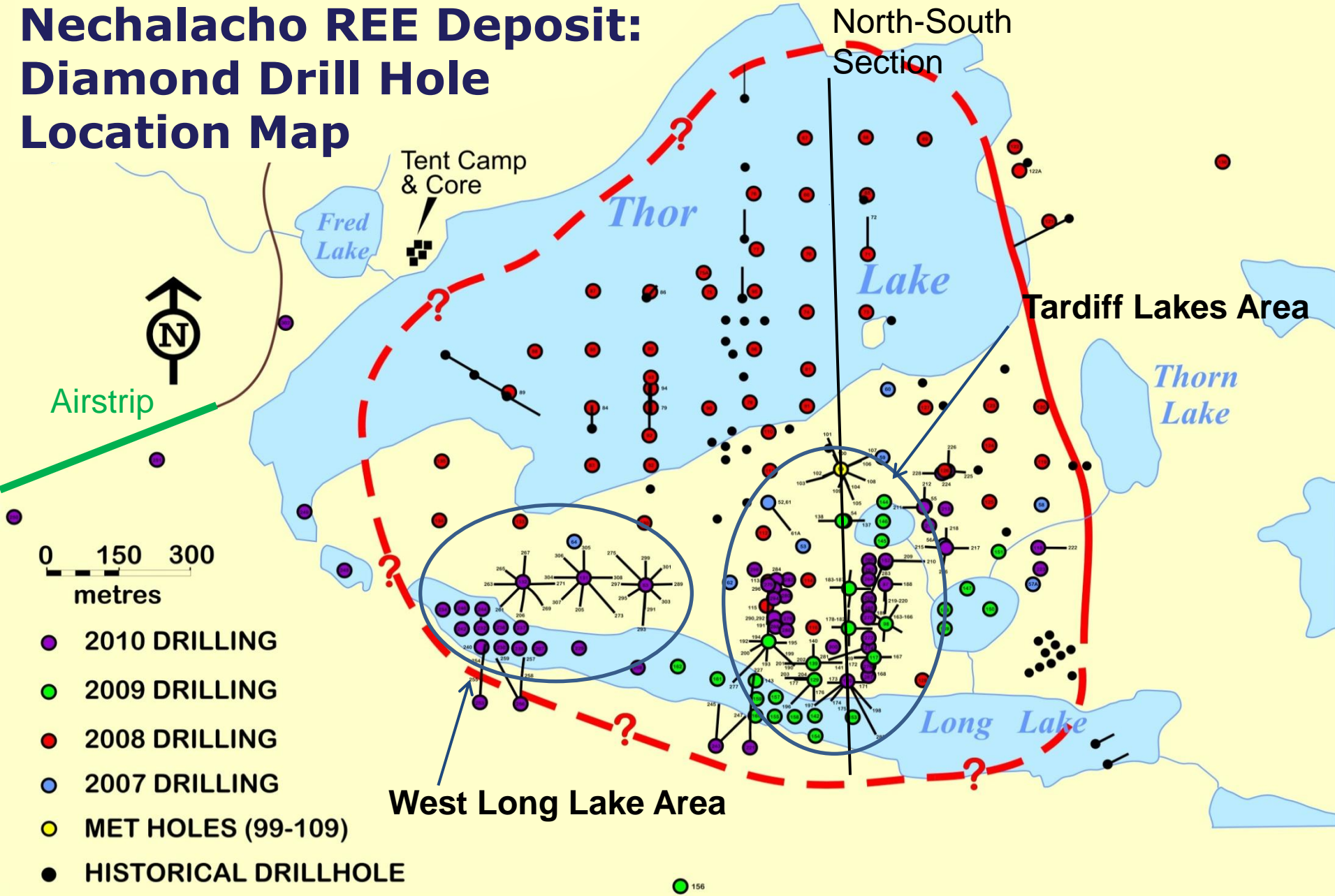
- Primary zirconium production mainly from zircon sands in Australia and South Africa (1.5 million tpa zircon)
- China imports zircon sands and is the only global producer of Zirconium Oxychloride (ZoC) the basic chemical feedstock for producing Zr metal and other chemicals
- China increasing ZoC consumption, applying export taxes
- Zr Metal critical for nuclear reactors as fuel cladding
- Many emerging uses:
 - Hemodialysis treatment (zirconium phosphate)
 - Solid Oxide Fuel Cells (yttrium stabilized zirconia)

Zirconium Use in Dialysis

- Zirconium Phosphate can be used for home dialysis treatment.
- The benefits of home dialysis:
 - No time-consuming trips to hospital
 - More frequent treatments possible, to mimic natural kidney function.
 - More mobility possible for patients
 - Less costly for government
- Individual consumption of ZrO_2 equivalent is 1lb per treatment, with 3 treatments per week or potential demand of 7,000 tonnes per year ZrO_2 to treat 100,000 patients
- Nechalacho will produce 18,000 tpy ZrO_2



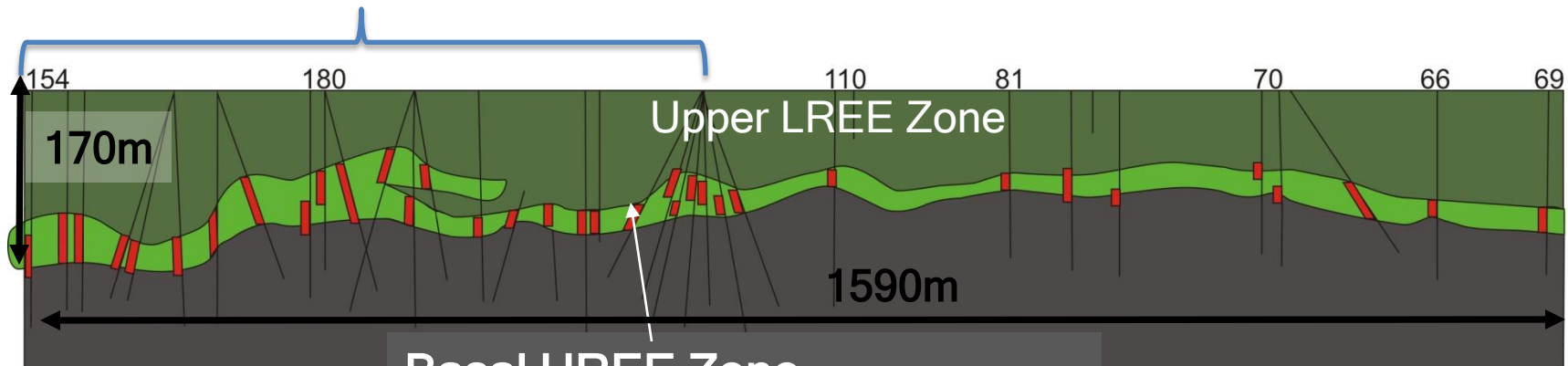
Nechalacho REE Deposit: Diamond Drill Hole Location Map



Nechalacho REE Deposit

N-S Composite Section (looking west)

Tardiff Lakes Area Indicated resources



Hole 154:
1.88% TReO
with 20.5%
HReO over
20.0 metres

Basal HREE Zone
Averages 30 m thick, 2%
TReO, 20% HReE

Hole 70: 1.90% TReO
with 32.6% HReO
over 6.0 metres

**Drill Hole with
Basal Zone
Intercept**



The diagram shows a vertical drill hole with a red segment in the light green basal zone, indicating a mineralization intercept.

Nechalacho Deposit: NI 43-101 Resources Updated Sept. 8, 2010



	Tonnes (millions)	% TREO	% HREO/TREO	% ZrO ₂	% Nb ₂ O ₅	ppm Ga ₂ O ₃	ppm Ta ₂ O ₅
Basal Zone							
Indicated	20.45	1.75	23.0%	3.29	0.42	139	432
Inferred	84.18	1.53	20.1%	3.04	0.43	131	409
Upper Zone							
Indicated	9.98	1.43	11.4%	1.95	0.28	169	193
Inferred	98.38	1.29	9.3%	2.41	0.36	171	207
Total Inferred	182.56	1.40	14.7%	2.70	0.39	153	300

- Total Inferred Resources represent 2.5 million tonnes contained TREO
- Prepared from 2009 data by Scott Wilson RPA detailed in Technical Report filed July 29, 2010. Updated for winter 2010 drilling by Finley Bakker, P.Geo., Sr. Resource Geologist
- Mineral Resources based on following price assumptions: US\$21.94/kg TREO, US\$3.76/kg ZrO₂, US\$130/kg Ta₂O₅, and US\$45/kg/ Nb₂O₅ and are estimated using a Net Metal Return cut-off value of CAN\$260/tonne. (CAN:USD FX \$1.11/\$1.00)

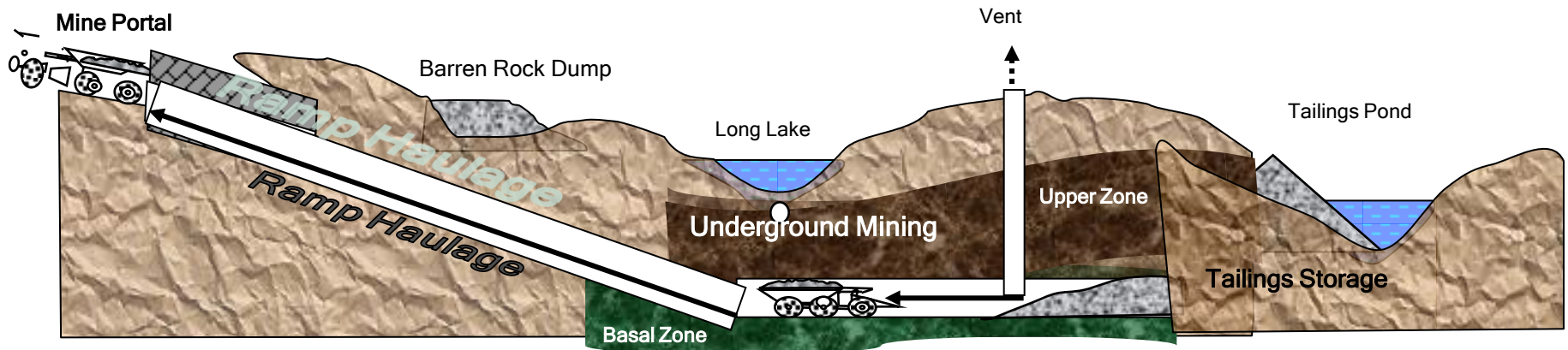
West Long Lake Area: Basal Zone Indicated Resources at Various NMR Cut-offs

INDICATED NMR CUTOFF	Tonnes (millions)	TREO	Undiluted Grades				
			HREO/TREO %	ZrO ₂ %	Nb O %	Ta O ppm	Ga ₂ O ₃ ppm
>= \$ 260	5.970	1.57	25.5%	3.06	0.39	436	127
>= \$ 400	4.313	1.76	26.9%	3.47	0.42	490	126
>= \$ 500	3.094	1.95	27.9%	3.83	0.46	546	126
>= \$ 600	1.871	2.19	28.7%	4.29	0.50	626	125

Notes

1. CIM definitions were followed for Indicated Resources. An exchange rate of 1.11 was used.
2. HREO (Heavy Rare Earth Oxides) is the total of: Y₂O₃, Eu₂O₃, Gd₂O₃, Tb₂O₃, Dy₂O₃, Ho₂O₃, Er₂O₃, Tm₂O₃, Yb₂O₃ and Lu₂O₃. TREO (Total Rare Earth Oxides) is HREO plus: La₂O₃, Ce₂O₃, Pr₆O₁₁, Nd₂O₃ and Sm₂O₃
3. Prepared from 2009 data by Scott Wilson RPA detailed in Technical Report filed July 29, 2010 and updated for winter 2010 drilling by Finley Bakker, P.Geo., Sr. Resource Geologist
4. Mineral Resources are estimated using price forecasts for 2014 for rare earth oxides prepared early in 2010. Some of these prices are higher and some are lower than current prices. The prices used are the same as in the June 14, 2010 disclosure.
5. A cut-off NMR grade of \$260 Can was used for the base case. NMR is defined as "Net Metal Return" or the gross *in situ* value of all the payable rare metals in the ore.
6. ZrO₂ refers to Zirconium Oxide, Nb₂O₅ refers to Niobium Oxide, Ta₂O₅ refers to Tantalum Oxide, Ga₂O₃ refers to Gallium Oxide.

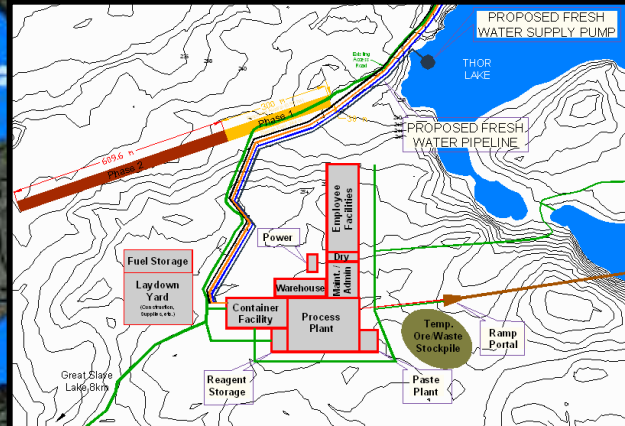
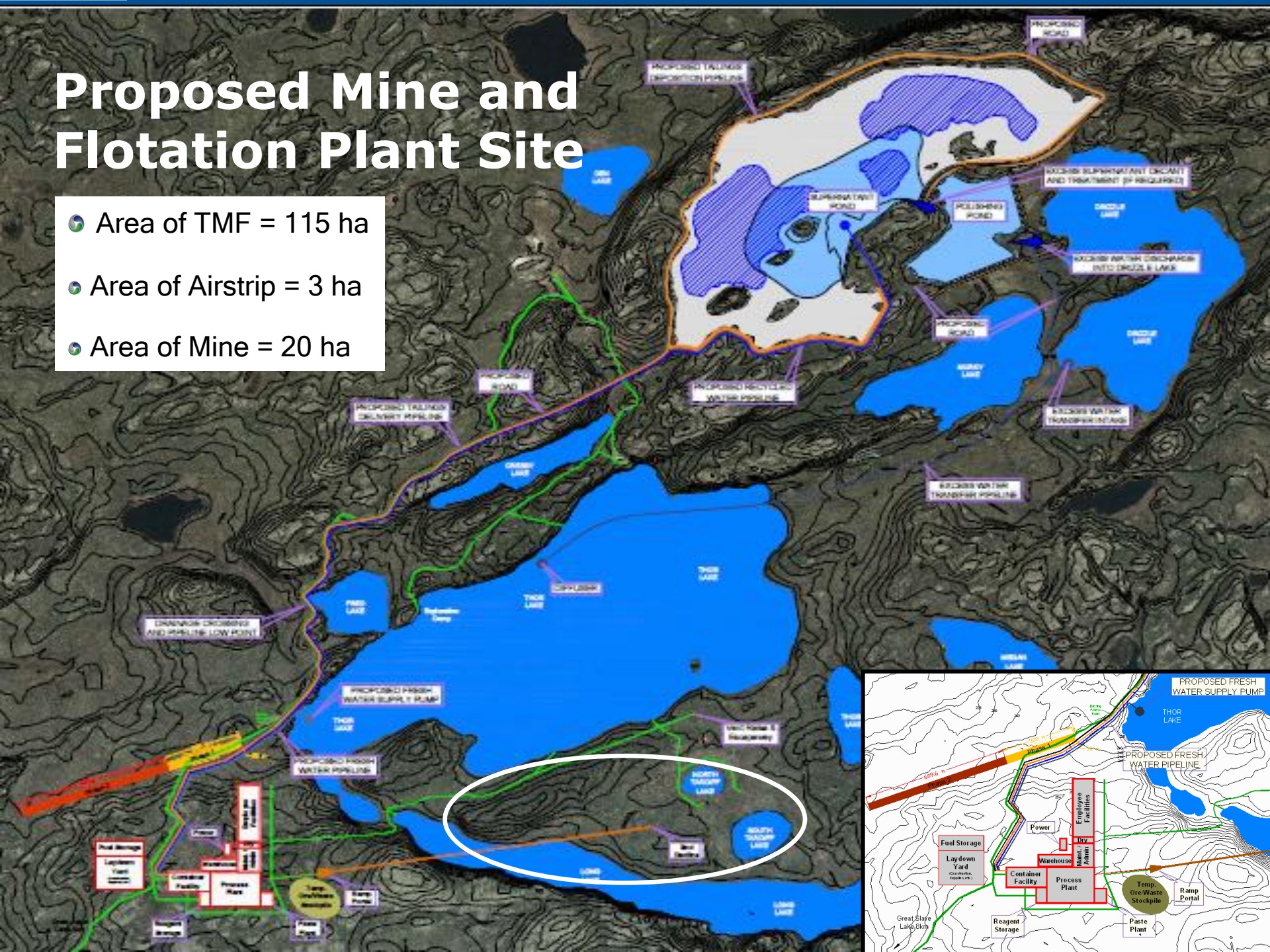
Nechalacho REE Deposit Conceptual Development Plan



- Mining underground room & pillar/long-hole stoping
 - 2,000 tonnes per day (tpd), (lower rate during start-up)
- Flotation processing to produce mineral concentrate
- Hydrometallurgical treatment of mineral con in plant south of GSL
- Production of 10,000 tpa mixed REE oxides for separation elsewhere
- Market capture less than 5% of est. 2014 TREO global demand
- Operating Costs: \$267/tonne inclusive mine, mill and hydromet
- CAPEX estimate in PFS: \$900 million

Proposed Mine and Flotation Plant Site

- Area of TMF = 115 ha
- Area of Airstrip = 3 ha
- Area of Mine = 20 ha



NECHALACHO METALLURGY

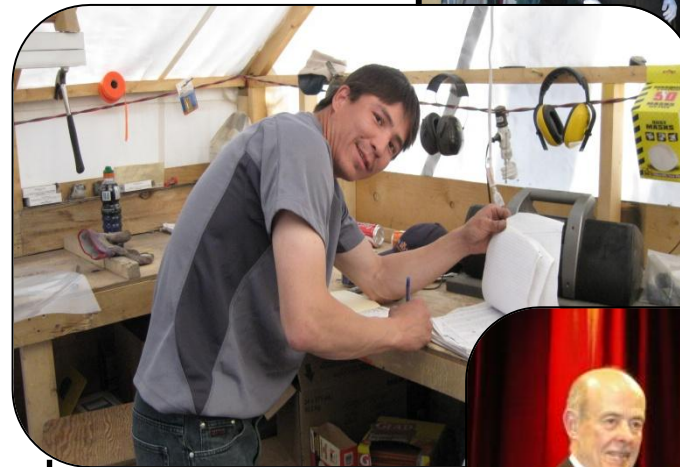
- Metallurgical testing at SGS Minerals Lakefield
 - Under supervision of John Goode, P.Eng, Consulting Metallurgist
- Flotation bench scale testing complete
 - Concentrate with REE, Nb, Ta, Zr at about 5X concentration
 - REE content approx. 10%, present recoveries 80-85%
 - Gangue minerals (silicates, etc.) ~40% of concentrate
- Mini-pilot flotation plant (4-5 tonnes) trial in progress
- Hydrometallurgical testwork ongoing
 - “Cracking” of minerals complete
 - Separation procedure for REE, Zr, Nb, Ta designed
 - Bench scale testing in progress
 - Pilot plant work scheduled for early 2011
- Scoping Study (SNC-L) on REE Separation Plant in North America: \$345 million CAPEX (+/- 35%)

REE Separation Plant Planning

- No large scale heavy REE separation capability outside China at present. Customers want an outside China separation solution
- CAPEX estimated at C\$345 million (+/- 35%) for 25,000 tpa HREE separation plant in North America by SNC Lavalin study
 - Sized to accommodate additional supply from other producers
- Next Steps:
 - Establish criteria for separation plant location (initiated)
 - Do preliminary review of possible sites (initiated)
 - Pursue partnership opportunities (ongoing)
 - Separation feasibility testwork (2011)
 - Integrate separation plant into bankable feasibility study

First Nations Community Engagement & CSR

- Community information sessions and site visits
- Aboriginal Training
 - First Aid, Driller Helper
- Employment at site
 - 40% Aboriginal
- Business development
 - Major contractors with Aboriginal ownership
 - Ice road haulage, airstrip
 - Wind power evaluation
- Won 2010 PDAC E3 award for consultation work
- Signed Negotiation Agreement with YKDFN



REE COMPARABLES: Market Capitalization Normalized to TREO Resources

Company	Market cap US\$ Millions	Million tonnes TREO**	US\$/tonne TREO	Stage
Molycorp	\$4,312	1.3950	\$3,091	Production / expansion
Lynas Corporation	\$3,469	1.1640	\$2,980	Construction
Great Western Minerals*	\$237	0.1344	\$1,765	Prefeasibility
Rare Element Resources	\$525	0.55	\$955	Prefeasibility
Quest Rare Minerals	\$355	0.551	\$645	Prefeasibility
Arafura	\$462	0.8400	\$550	Feasibility
Avalon Rare Metals	\$600	3.0538	\$197	Feasibility

(Market data and FX as of January 12, 2011)

*Great Western Minerals market cap includes GW T and LCM assets

** Based on published information/reports

Future Milestones and Value Drivers for Avalon in 2011

- Updated Resource Estimate with 2010 summer drilling
- Progress on Pilot Plant work
- Update of PFS Economic Model
- Attracting a consumer or consumers as strategic partners and entering into off-take agreements
- Defining the solution for HREE separation
- Defining FN Participation Agreements
- Increased investor interest following NYSE Amex listing and driven by Chinese export policy announcements
- Increased Research Analyst coverage

Management & Board of Directors



TSX & NYSE AMEX: AVL

Management

- Donald S. Bubar, P.Geo, President, CEO & Director
- Jim Andersen, C.A., C.P.A., V.P. Finance & CFO
- Bill Mercer, Ph.D., P.Geo., V.P. Exploration
- David Swisher, B.S. Min.Eng., V.P. Operations
- Pierre Neatby, B.A. Econ, V.P. Sales & Mktg
- Charlotte May, Corporate Secretary
- Cindy Hu, CA, CPA, CGA, Controller

- Ron Malashewski, P.Eng (AB), Manager, Investor Relations
- Virginia Morgan, Investor Relations (on maternity leave)

Directors

- Alan Ferry, CFA
Non-Executive Chairman
- David Connelly, CStJ, CD, MBA, B.Comm
- Phil Fontaine, B.A., LL.D.
- Brian D. MacEachen, C.A.
Audit Committee Chair
- Peter McCarter, B.A., LL.B., M.B.A.
Chair Governance/Compensation ctte
- Hari Panday, C.A.

Corporate Information

Avalon Rare Metals Inc.
130 Adelaide St. W, Suite 1901
Toronto, ON Canada M5H 3P5
T: (416) 364-4938 • F: (416) 364-5162

www.avalonraremetals.com
www.raremetalblog.com

Investor Relations:
ir@avalonraremetals.com

TSX & NYSE AMEX: AVL