



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

NEWS RELEASE

August 31, 2009

No. 09-14

Avalon Announces \$12.5 Million Bought Deal Financing

Toronto, ON - Avalon Rare Metals Inc. (TSX:AVL, OTCQX:AVARF) ("Avalon") is pleased to announce that it has entered into an agreement with a syndicate of underwriters led by CIBC and including Cormark Securities Inc. (collectively, the "Underwriters") pursuant to which the Underwriters have agreed to purchase and offer for resale on a private placement basis (the "Offering") approximately \$12.5 million of a combination of special warrants ("Special Warrants") and flow-through special warrants ("FT Special Warrants"). The Special Warrants will be issued at a price of \$2.30 per Special Warrant and the FT Special Warrants will be issued at a price of \$2.65 per FT Special Warrant. The maximum amount of FT Special Warrants to be issued will not exceed approximately \$2.0 million.

Each Special Warrant is exercisable into one unit (the "Unit") of Avalon. Each Unit shall be comprised of one common share (a "Common Share") and one-half of a common share purchase warrant. Each whole warrant (a "Warrant") will entitle the holder to purchase one additional common share of the Company, at a price of \$3.00 per Common Share, for a period of 24 months following closing of the Offering. The Company will use its best efforts to obtain a receipt for a final prospectus within 60 days of closing of the Offering which will qualify for sale the Common Shares and Warrants underlying the Special Warrants and the flow-through common shares underlying the FT Special Warrants issued pursuant to the Offering. In the event that such date is not met by Avalon, each Special Warrant will thereafter entitle the holder thereof to receive one Unit and an additional 0.1 Common Shares without further payment on the part of the holder. No adjustment will be made for holders of FT Special Warrants.

Avalon has also granted the Underwriters an option (the "Underwriters' Option") to purchase up to an additional 2,174,000 Special Warrants, for additional gross proceeds of up to approximately \$5.0 million. The Underwriters' Option is exercisable in whole or in part up until 48 hours before the closing of the Offering.

Avalon plans to use the net proceeds from the Offering to continue development of the Lake Zone Rare Earth Element deposit on its 100% owned Thor Lake project, located near Yellowknife, NWT, and for general corporate purposes. The proceeds from the sale of FT Special Warrants will be used for exploration activities which will constitute Canadian Exploration Expenditures as defined in the Income Tax Act.

The Offering is scheduled to close on or about September 17, 2009 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX.

This press release is not an offer of Special Warrants for FT Special Warrants for sale in the United States. The Special Warrants or FT Special Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration.

About Avalon Rare Metals Inc. (TSX:AVL, OTCQX:AVARF)

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: 70,484,448. Cash resources: approximately \$6.0 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.Geol., President, at 416-364-4938. For general discussion and commentary on the rare metals, please visit www.raremetalblog.com.

This news release contains forward-looking information and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. The forward-looking information contained herein is given as of the date hereof and the Company assumes no responsibility to update or revise such information to reflect new events or circumstances, except as required by law.