Avalon Rare Metals Inc.
Prefeasibility Results Conference Call
June 22, 2010

Operator: Good day ladies and gentlemen and welcome to the Avalon Rare Metals Prefeasibility Results Conference Call. At this time all participants are in a listen-only mode. After formal remarks we will hold a question and answer session at which time participants may press star, one to ask a question. Should you require any assistance at any point throughout the call, please press star, zero. As a reminder, this conference is being recorded. Today is June 22, 2010. It is now my pleasure to turn the call over to Jim Andersen. Please go ahead, sir.

Jim Andersen: Thank you and good morning and good afternoon to everyone. We would like to welcome you to Avalon Rare Metals conference call to discuss the results of the prefeasibility study released yesterday on the Nechalacho Rare Earth Element Deposit located in the Northwest Territories. For those of you who have not seen it, the news release is on Avalon's website.

My name is Jim Anderson and I am Avalon's CFO. With me are Don Bubar, the Company's President and Chief Executive Officer; Bill Mercer, VP of Exploration; David Swisher, VP of Operations; and Pierre Neatby, Avalon's Sales and Marketing Consultant. The first portion of the call Don Bubar will review yesterday's prefeasibility announcement. After that there will be a question and answer period. For the sake of brevity and in keeping with the one hour time limit, during the Q&A session we will be giving priority to analysts, institutional investors and shareholders.

Now for the obligatory disclaimer. 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 materially 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.

I would now like to hand over the call to Don Bubar, President and CEO of Avalon Rare Metals. Don?

Don Bubar: Thanks, Jim. First of all I'd like to thank you all for taking the time to join us on this call today. We value your support and want to assure you that Avalon's management team is focused on moving the Nechalacho Rare Earth Element Project forward in a systematic fashion and adding to shareholder value. It's been an exciting year for us and we are pleased to finally be able to present the results of our prefeasibility study. It's a major milestone for the Company and indeed a major milestone for the entire industry. There's never been a primary rare earths producer in Canada and there's never been a rare earths producer anywhere in the world, outside of China, able to offer global markets a significant new supply of the heavy rare earths. We're moving into unchartered territory in terms of investment opportunity with little to guide investors as to the value proposition for which this study now serves as a new precedent.

Nechalacho is a unique mineral deposit. With its uniqueness this brings both opportunities and challenges. The main technical challenges are clearly in the extractive metallurgy where the unusual metallurgy meant developing new process methodology which has taken over two years to bring to this stage of advancement. To produce a marketable form of the rare earths involves building a hydro metallurgical plant, a secondary processing facility akin to a smelter, which is designed to extract the rare earths and other valuable rare metal byproducts from the mineral concentrate produced at the mine site. As many of you have already noted, these are expensive facilities to build. Yet, despite the substantial capital requirements and high costs associated with operating this type of metallurgical facility, we are pleased to see that our prefeasibility study has successfully produced a positive result and with it, enhanced prospects for the ultimate development of the project. I'm sure this comes as welcome news to not only our shareholders, but also the industrial consumers of heavy rare earths all around the world looking for new suppliers of these scarce, yet vital commodities.

Now I'd like to briefly go through some of the key points that were presented in the news release that was disseminated yesterday. First of all, the prefeasibility study is being prepared by independent consultant, Scott Wilson Roscoe Postle Associates from Toronto here. The news release provides disclosure on the financial analysis on the project and the relevant context. The complete report is not quite finished. It will be SEDAR filed when it is finished by the end of July, 2010. The development model proposed has two site components, a 2,000 tons per day underground mine and floatation plant at the Thor Lake site and a hydrometallurgical plant at the former Pine Point Mine site near Hay River on the south shore of Great

Slave Lake, with initial production scheduled for 2015. The prefeasibility study is based on a 12 million ton probable mining reserve, which is a portion of the currently defined 14.48 million ton indicated resource in the heavy rare earth rich Basal Zone part of the deposit. This provides for an 18 year mine life. The current indicated and inferred resources are based only on the drilling results available up to the end of 2009. The results for the 2010 Winter Drilling Program are not included and the resources will be updated later this summer when all the analytical data is available from the Winter Program.

The total estimated capital cost, inclusive of a 22% contingency sustaining capital reclamation cost and EPCM is $899.7 million. The estimated capital cost, specifically for the mine, mill and hydromet plant total $589.3 million. Operating costs at full production have been calculated at an all-inclusive $255 per ton, and these are all expressed in Canadian dollars. Total average operating costs over the life of the mine is $267 per ton, which factors in higher costs during the initial ramp-up period, before it reaches full production, or $5.93 per kilogram of product. The financial analysis produced a pre-tax IRR of 14%; net cash flow of CND$2.1 billion and a net present value of $428 million, pre-tax basis, at an 8% discount rate, or $246 million at a 10% discount rate.

The model calls for production to start at 5,000 tons per year of a mixed total rare earth oxide or TREO product and ramp-up to 10,000 tons per year by year four. Production levels are dictated by supply-demand factors and were based on published forecasts of demand growth and conservative levels of market share capture, estimated less than 5% of the forecast global TREO demand in 2014. More detailed market studies could ultimately identify additional demand to justify a higher production rate. The mixed TREO product from the hydromet plant will require further treatment to produce separated rare earth oxides. It's contemplated that this mixed product will either be toll-processed or sold to a separator located outside of China, elsewhere in the world.

In addition to the rare earth elements, zirconium, niobium and tantalum oxides will also be produced from the ore and these account for 44% of the projected revenues. The production of these other rare metals, tantalum, niobium, zirconium does not involve any significant extra costs as they are in the same minerals that contain the heavy rare earths and are captured in the mineral concentrate at—that will be produced at the mine site.

The price forecast used in this model; these are all expressed in U.S. dollars, per kilogram, are $21.94 per total rare earth oxide TREO, $3.77 for zirconium oxide, $130 for tantalum oxide and $45 for niobium oxide. The

TREO price assumption involved a complex analysis of market factors since there are no directly comparable products available in the world today, outside of China. The TREO price assumption also includes some price forecasts that are higher than current prices.

So, we're now proceeding with the bankable feasibility study—or preparation of a bankable feasibility study which we're targeting for completion by 2012. Some of the next steps in that process include metallurgical pilot plant work that's commencing this summer to prove both the floatation process and the hydromet process to the bankable feasibility study's standards, an environmental impact assessment related to the project permitting requirements, further market studies and market development work to better define future product demand and identify customers and potential strategic partners, continued drilling to further define the resource, identify higher grade subzones and collect more sample material for pilot plant work. And the Nechalacho deposit remains open for expansion. There's certainly considerable untested exploration potential elsewhere on the property and our exploration programs will continue. And finally, there have been lots of opportunities identified in the force of producing this prefeasibility study for further optimization of the project economics and these will be investigated in the course of preparing the bankable feasibility study.

That concludes my remarks. Now, back to Jim.

Jim Andersen: Thanks, Don. We are now open for questions and for this portion of the call I'm going to hand over the call over to Michelle.

Operator: Thank you. Ladies and gentlemen, if you do have a question, please press star, one on your touchtone phone. If you are using a speakerphone, lift your handset before entering your request. If you find your question has already been answered, you may remove yourself form the queue by pressing star, two. Once again, if you do have a question, please press star, one at this time.

Your first question comes from Peter Traves of CIBC Wood Gundy. Please go ahead.

Peter Traves: Oh hi Don, it's Peter. I was wondering what the plan is to raise that rather large amount of money that's required to put the mine into operation.

Don Bubar: Well, the next steps are to produce a bankable feasibility study, Peter, and in the course of that we will be doing a lot of market development work and talking to potential financial partners on the project. And, we will be looking at various alternatives in terms of accessing both debt financing and equity financing.

Peter Traves: All right. Thank you.

Operator: Thank you. Your next question comes from David Thomas of CIBC. Please go ahead.

David Thomas: Don, I just wanted to ask if you could talk a little bit about what you're going to try and accomplish with the bankable feasibility study in terms of optimizing the prefease and where some of the opportunities may exist to improve the economics of the project.

Don Bubar: David Swisher, would you like to handle that question?

David Swisher: Sure. No problem. Good morning everyone. Good morning, David. There's several initiatives currently in place that we are targeting in the next phase of the bankable feasibility study. Those predominantly include the inclusion of the 2010 drilling results, which will identify additional high grade basal heavy rare earth zones. That will allow us the opportunity to do some more selective mining underground, identify higher grade regions to mine upfront to pay off the capital sooner, increase our cash flow and we also have additional opportunities to improve our metallurgical recovery in some of the rare earths. We're looking at possibly recovering some additional rare metals. We've got some more test work that we're undergoing there as well. And, we're also looking at, probably a big one, is the hydromet facility and the location of that facility. There is a significant amount of material that needs to be shipped to support the hydromet facility and we certainly have to ship a lot more of that to the north, the old Pine Point site.

So, we're looking at alternative locations, and at the same time we're working with our aboriginal partners and the government of the Northwest Territories on benefits to keep that location in the north, while bringing the cost structures down, through either energy support and/or taxation cuts. There's also some pricing and marketing initiatives we're going to look at. And, probably, lastly, would be the production rate. If the markets look like we can increase our production rate then instead of starting out at 1,000 tons per day in the first three years and then ramping up to 2,000 tons per day mining rate, we may be able to ramp up much sooner and/or increase our production rate. The great thing about this deposit is we're not limited by the amount of material we can mine and the ground conditions are fantastic, so we can increase that production rate at any time.

David Thomas: Okay, thanks very much.

Operator: Thank you. Your next question comes from Anupum Khaitan of Scarsdale Equities. Please go ahead.

Anupum Khaitan: Hi, Don and everyone else. Thanks for the call. I had a few questions. One was regarding analyst coverage. I was wondering if you know of any new analysts are looking at the stock and providing an update to the investor community.

Don Bubar: Yes, there are. I know of at least two or three that are following the story now and looking at initiating coverage sometime following having the information from the prefeasibility study available. So, we're looking forward to seeing stuff on our research coverage being produced sometime this summer.

Anupum Khaitan: Okay, that's good. And then the next question has to do with financing. When—have you ball parked yet when you're looking to do that financing and whether it would be after the feasibility study or even if it would be before that?

Don Bubar: David Swisher, would you like to address that question?

David Swisher: Sure. Sure. You know I think there's going to be a lot of steps prior to the completion of the bankable feasibility with regards to working with our potential customers in the future, which will help set the stage for future financing. As well as once we're done with the bankable feasibility study, then it gives—whether we do, as Don mentioned, debt equity, it gives the opportunity then for everyone to start diving into the actual numbers and the details of those numbers so we can actually come up with a very good financial plan.

Anupum Khaitan: Okay. And then, with respect to the downstream side, have you looked at—have you started talking with any partners regarding where you can send your, I guess, your concentrate to after you've started the initial processing, I guess, onsite at Thor Lake?

Don Bubar: I'll let Pierre Neatby respond to that question. Pierre is our Sales and Marketing Consultant, who we are going to engage to lead our market development work going forward. Pierre?

Pierre Neatby: Thank you Don. The prefeasibility stops production after the hydromet plant and creates a total rare earths oxide combined product. And we will be looking to enhance the value of that product with potential partners for separation and separation outside of China. We have initiated discussions with a few partners and we've signed confidentiality agreements and therefore we can't share the names of those individuals, but hopefully before the prefea—or as part of the feasibility study, we'll be able to release more information with respect to further downstream refining of the products.

Anupum Khaitan: Okay. And I believe you said that the feasibility study is planned to be completed sometime in mid-2012? Or is that in the beginning or in the end of 2012?

Don Bubar: Yes, we're targeting early 2012.

Anupum Khaitan: Okay, sounds good. Also, with respect just to the other assets, would you look to monetize that to help with the cap ex costs for this particular project? Or are those projects kind of—are those standalone projects which you're really not going to look at for liquidity for—you know, for the Thor Lake site?

Don Bubar: Good question. We haven't really decided what to do with the other assets. We think they're pretty attractive development opportunities all on their own. As Nechalacho and Thor Lake recently emerged as our top priority in demanding most of our time and attention, our plan is to look at opportunities to partner with other players that might be able to focus more attention on it to advance these projects separately. We're looking at a number of different models on how we might achieve that.

Anupum Khaitan: Okay. And then finally, what are the climatic conditions around Thor Lake? Are they—do they permit year-round mining or is this an area where you really have to kind of take advantage of the seasonal changes?

Don Bubar: David?

David Swisher: Yes, no, we'll be operating 24/7, 365 days a year from Thor Lake. The conditions really are quite conducive for mining all year round. We do have colder weather in the wintertime, as everybody knows, but we have planned for that and it's accounted for. So, really no issues with the operating regime.

Anupum Khaitan: Okay. Thank you very much guys and congrats on the PFS.

Operator: Thank you. Your next question comes from Charles Fazio, shareholder. Please go ahead.

Charles Fazio: Good morning, Don. How are you?

Don Bubar: Good Charles.

Charles Fazio: My question concerns the contingency fee at 22%; over $144 million. As you know, I'm a retired architect and I designed and built an industrial facility in South America. The figures that we used for hard costs, or what you'd call primary project component costs, were between three and five percent. That was based on research and experience. That being the case, if that figure could be applied, total project capital costs could be reduced by more than $111 million, giving us quite a different financial picture, particularly in terms of IRR. What do you think about something like that?

Don Bubar: I'm sure David Swisher would love to comment on that.

David Swisher: Oh, you bet. I'm chomping at the bit. Yes, you're absolutely correct. And in this state where we're at, the prefeasibility, typically when you do prefeasibility a contingency factor is included anywhere between, you know 20% and 30%, depending on the level of review that is done. And I believe in this case Scott Wilson has done a very detailed review of all the capital requirements for this project, along with Melis Engineering and John Goode. And so, the contingency at 22% does seem a bit high. However, for prefeasibility that's not out of line. Obviously for the next phase, for the feasibility level, is to confirm a good portion of the work that's been done, optimize that and bring that level of contingency, as you mentioned, down more closer to the 10% range.

Charles Fazio: Okay, sounds good.

Operator: Thank you. Your next question comes from Ron Thomas of Baron Capital Markets. Please go ahead.

Gabriella: Hi, Don, this is Gabriella from Baron Capital Markets. I have a couple of questions for you. Firstly, I would like—can you give us some color in terms of your short-term exploration program?

Don Bubar: Sure. Bill Mercer can answer that.

Gabriella: Okay.

Bill Mercer: Yes, the main focus of the exploration program is details really now, to outline higher grade parts of the deposit, as we know it. We will also do some step-out drilling to expand the deposit because it is open in three directions and we may find higher grade areas in new areas that we haven't drilled yet. And, in addition to that, the other objective of our drilling, moving forward, is to acquire a sample that we can use for pilot scale metallurgical studies in the future.

Gabriella: Okay, thank you. My second question would be: Are you guys at a stage where you can start a pilot plant or have you done this already?

Bill Mercer: Yes, so, we're planning on starting a pilot plant probably in September. We're in sort of final discussions with the contracting company to do that run. And, we just need to work out some details and they're ready to take our samples in September.

Gabriella: Okay, thank you.

Operator: Thank you. Your next question comes from Barry Allan of Mackie Research. Please go ahead.

Barry Allan: Good morning.

Don Bubar: Hi, Barry.

Barry Allan: Just a couple items: I notice that your reserves are about 12 million tons and yet you have quite a—quite a sizable resource in the Basal Zone. After this season of drilling, what kind of expectation would you have about increasing, converting more of that resource into the reserve category?

Don Bubar: Bill?

Bill Mercer: Yes, I expect that we will be increasing more of that resource into the reserve category as we've done quite a bit of drilling. We need to do about 50 meters space drilling in order to convert resources to reserves. And the history to date, if you look at what's happened, is that that conversion happens pretty much one to one, so far, and we expect that kind of ratio to continue. So, anywhere we have resources we expect to be able to convert those to reserves (inaudible).

Barry Allan: Would it be fair, Bill, to expect quite a material increase in the reserve category, given the size of that resource?

Bill Mercer: Yes, that's possible.

Barry Allan: Yes, okay.

Don Bubar: Another footnote to that—Barry, it's Don—is, you probably saw the initial assay results from the Winter Program that we published and disclosed in early May, and those provided quite a bit of encouragement in that regard about the potential for reserve additions in other parts of the zone. But, furthermore, we—you will recall we had a pleasant surprise in that we discovered a relatively high grade subzone in the upper part—upper zone, near surface, that we were pretty excited about too, in that it offers potential for a satellite deposit to produce a high grade extra source of feed for the mill to supplement the feed from underground. So, there's certainly potential for additions to the reserves and resources in the Upper Zone as well as in the Basal Zone

Barry Allan: Okay. Good. And then, it falls into the next question. I note that I think you've said something about 80% of your primary capital cost really is to build the facility and then like 8% after year four to kind of get it to 2,000 tons a day. Would it be reasonable to also conclude that to get this thing to maybe 4,000 tons a day would also be a rather minor increment on capital cost increase?

Don Bubar: David or Bill? Who wants to handle that?

David Swisher: Well, yes, I think, you know, probably the largest increases would just be some of the infrastructure and the handling of the infrastructure with regards to the throughput. You know, we've designed everything at 2,000 tons per day, but when you go to a 4,000 tons per day level, you're going to have an incremental increase in your throughput and some of the equipment will have to be upgraded at that point. However, it wouldn't be on parallel with that increase. So it would be probably a minor increase for a substantial increase in production. Of note, your operating cost would also come down quite a bit as well, if you increased your production that much.

Barry Allan: Okay. And, maybe I should have asked the question slightly differently in the sense that how much of the capital cost number would you put down to just a onetime infrastructure build cost, versus a scope change?

David Swisher: Well right now we're going to be around, you know, between four and 500 million, you know, give or take 15%, 20%. And, until we do some optimizing, which we plan on doing at this next phase, you know, we're hoping to come in at that level or lower or, you know, based on the 2,000 ton per day rate.

Barry Allan: Okay. And then, there was some question about the contingency and why a 22% contingency was the appropriate number. In final feasibility, what would your expectation be on a reasonable contingency level, given the fact that you've probably gone to contract on a lot of the infrastructure build costs?

David Swisher: You know, that will vary. We'll take a look at every aspect of the capital cost and determine the level of contingency that we'll need for each aspect of that. But I would suspect that we should be somewhere around the 10% contingency range when we go into the bankable feasibility.

Barry Allan: Okay, all right. And then, just finally, Don, the product pricing—I know it's pretty difficult to kind of put a price, given that you have a lot of different products that you'll be producing, but what were the basic kind of assumption—you're going to be producing effectively a bulk total rare earths concentrate. What kind of payable factor would it be reasonable to assume that to get that to final product form that a consumer would basically pay for that concentrate?

Don Bubar: Pierre Neatby did all that work for us, so I'll let him address that question.

Pierre Neatby: Barry, right now we're actually in discussion with several potential clients and at this point I think that we'd prefer not to reveal what our payable levels are to not interfere, as it were, with these discussions that we're having with potential clients.

Barry Allan: Well, maybe to take another sort of tact. Clearly you're not going to be able to attract sort of the pure oxide pricing for each of the individual metals. There would be some form of discount to get it to that form. Is there a depth of ultimate processors that you would be able to talk to, to get a fairly good level of pricing?

Pierre Neatby: There are a number of processors, most of which right now are in China. Some of those companies are Chinese. Some of those companies are not Chinese. And so, at this moment, we have a pretty good indication of what those percentage differences are between the final rare earth oxide prices and the concern—the value of concentrate. And naturally, over the next year we would be refining that substantially because we will be having discussions with a significantly greater number of people.

Barry Allan: Okay. And then, in the average pricing that was used, I think you quoted it, at average per kilogram of concentrate, is there an assumption built in there for a spread between the final product price and what the site will in fact be producing?

Pierre Neatby: Absolutely.

Barry Allan: Okay, all right. Thanks very much, gentlemen.

Don Bubar: Thanks, Barry.

Operator: Thank you. Your next question comes from Simon Irish (sp?) of SWH Capital. Please go ahead.

Simon Irish: Don, hello. My question concerns your hydromet process. Could you—I think within the hy—your proposed hydromet process you have a sulfuric acid base step. Can you comment whether you are able to extract the thorium oxide and the rarer concentrates at that step or, if not, at any other step in your hydromet proposed process?

Don Bubar: Bill, would you like to handle that question?

Bill Mercer: Yes, we would do a sulfuric—right now our plan is sulfuric acid bake, followed by a caustic crack using sodium hydroxide. And basically, everything goes into solution that we need to get into solution. And we would be extracting the thorium at a later stage and separating it from the rare earths and so on, at a later stage. And basically, putting it back into the tailings which will be a similar volume to what we started with, with the rock. So the tailings will actually go back to a similar level of thorium as the rock originally contained.

Simon Irish: So, you're intending to have rare earth oxide concentrates without the small concentrations of thorium oxide. That is your—that has been your intention when you zone the hydromet process—the—your hydromet process?

Bill Mercer: Absolutely, yes.

Simon Irish: Okay. So, the lead-on question to that would be that with respect to the marketability of your rare earth oxide concentrate that there is no export market restriction because of the thorium now?

Bill Mercer: Yes, absolutely. We will be—there will not be thorium in our rare earth concentrate.

Simon Irish: Okay. Could you just—could you just tell me where you're going to extract the thorium oxide for your process?

Bill Mercer: Sorry, say that again?

Simon Irish: Could you tell me where you're going to extract the thorium oxide? At what step of your hydromet process you're going to do that?

Bill Mercer: Well, it—part way through the rare earth extraction but we're not ready to go into the details of how we do that kind of processing at the moment.

Simon Irish: Okay. Okay, thanks.

Operator: Thank you. Your next question comes from John Kaiser of Canspec Research. Please go ahead.

John Kaiser: Hi, Don, Bill, the rest of you guys.

Don Bubar: Hi, John.

John Kaiser: Building on Barry's questions, when I put in the current prices of rare earth oxides, I come up to about $24 a kilo and of course these include the separation process, which is not included in your mine development model. You are projecting prices of about almost $22 a kilo and presumably we will have much higher rare earth oxide prices down the road when you are in production. What would be the cost—the capital cost of adding separation capacity to your current operation? And what might that add in terms of operating cost per kilo of rare earths produced?

David Swisher: Well it's—I can take that one if you don't mind.

Don Bubar: Go ahead, David.

David Swisher: I—you know, we looked at that early on, particularly in the prefeasibility stage, with regards to developing a total rare earth oxide, versus separating them out. And, of course, it's very difficult at this time to determine which products we're going to separate out and how we're going to separate them and what the value is. For instance, is there value in separating three products for a light rare earth, a heavy rare earth oxide and maybe a seg product?

So, we decided we'd do an all-inclusive one. But when we did do the initial desktop review, if you will, of what that would take, the initial estimates were anywhere between $15 and $30 million per circuit. In terms of what that adds on an operating cost level, it was quite low. So, it's just one of those items that we have to take a look at and balance the level of benefit for what we think we'll get for reduction and specific products, versus where we're at now. And certainly, the discussions that

Pierre is having with potential customers will help us define that for the feasibility level and incorporate that into the feasibility level stage.

John Kaiser: Okay. So, if an end-user were looking at this, where they would simply take out the project and then develop it as a private line with the intent of having security of supply of all these rare earths outside of China, how much time would that add to the development timeline you're proposing to actually include the final downstream processing stages?

David Swisher: Well, the advantage we have is that it probably wouldn't add much time at all. You know, our—the hydromet facility and where it's located is not restricted by seasonal barging, by winter road or air. It is accessible by rail and all-season highway. So, you know, we actually, in the schedule currently don't have to start the construction on the hydromet facility right away. So it leaves us a lot of flexibility to pull that back in the schedule and still meet our startup requirements.

John Kaiser: And I imagine the actual separation process, once you are producing the mixed oxides is standard off the shelf? You don't have to spend several years figuring out how to separate the oxides or at least somehow figure out how to transfer Chinese technology back into the—into North America?

David Swisher: Yes, that's correct.

John Kaiser: Okay. Thank you.

Operator: Thank you. There are no further questions in the queue at this time.

Don Bubar: In that case, one question that we're frequently asked about the project has to do with project permitting and our relationships with the local communities in the Northwest Territories. And, I thought it would be appropriate if David could update us on the status of the permitting process, how we see that unfolding and our—the relationships with the local communities in the Northwest Territories.

David Swisher: Sure. Sure, even though this wasn't part of the plan, I'd be glad to. The permitting process is progressing. We've just finished the prescreening process with the Land and Water Board, of which we had provided a detailed project description report. We are then just now starting the environmental assessment process, as it was referred to; the environmental assessment. That process is typically a year and a half, two year process. It's a detailed process so that all the stakeholders involved in the north have the opportunity to glean a good understanding of this project and the impact it may have in the north, in operating in the north. So, we're well underway there and our goal is to make sure that we stay on top of the process, work with the Environmental Impact Review Board in the Northwest Territories to ensure a timely completion of this process, as well as make sure we educate and communicate clearly what the project is about.

With that though, and most importantly, is our aboriginal relationships in the north. And that process is important in terms of building ownership and sustainability for this project in the Northwest Territories. And, I'd like to think that we have a very good relationship at this point with our key aboriginal stakeholders and we have done much follow-up in that regard with the groups. And we continue to engage those groups and provide opportunities, whether it be through business opportunities, employment, you know, we're going to continue working with our partners in that regard.

Lastly, we are working on MOUs with the key stakeholders in the area. And, we're hoping to have something worked out here through the end of the summer and at least this year that we'll be able to announce. So, I think all in all, it's been going quite well and we're quite excited. I'm excited to continue working in the north with our aboriginal partners and work with the local government in determining creative ways that we can both benefit by having the project in the north, but also benefit more importantly for our shareholders in this project.

Don Bubar: Thanks David. We're all really pleased with the progress that we've made in terms of building relationships with our First Nations neighbors in the north and proud to say that most First Nations are supporters of this project proceeding and that doesn't always happen in Northern Canada these days.

One of the other frequently asked questions that didn't surface yet this morning has to do with how we plan to generate power for the project, both at the Thor Lake site and at the hydrometallurgical facility and whether or not we will be able to take advantage of renewable energy alternatives. And we are doing some work in that area and I'd like to ask Bill Mercer to elaborate a little bit on the alternatives we have in terms of power costs for this project going forward, alternatives to traditional diesel power generation.

Bill Mercer: Yes, thanks, Don. So, at the mine site, we will be needing maybe six or seven megawatts of power and the assumption in the prefeasibility now is that this will all be supplied by diesel. And at the hydromet plant, we will also need similar amounts. And the assumption right now, in the hydromet study is that a certain amount of that, about 5 megawatts, could be provided by the Taltson Dam, hydroelectric dam to the east of the hydromet site, which has about 5 megawatts of surplus power available—something between five or six or 7 megawatts of surplus power available, which is not being used at present. And any addition to that has been assumed to be—assumed to be diesel, but also using coal for heating in our base case in the prefeasibility study. So, there are a number of alternatives to improve that power situation and lower the costs from the present diesel dominated scenario.

And at the mine site we are doing testing for wind power at the moment because the Canadian government wind atlas indicates that potentially economic wind speeds for our area—the Thor Lake area. And our testing to date is proving up this that there is good potential to put a wind power tower in place and have integrated wind-diesel, where you can reduce your diesel consumption. And again, we've got almost a year's worth of test data now from a large test tower and that's looking very promising.

And, on top of that, the Taltson Dam has a large expansion capacity. And there are two main favorite groups, if you like. The main one favored by the power company at the moment is on the east side of Great Slave Lake and the other possible route is straight across Great Slave Lake. And there—the maps that they have at the moment, they go straight across Great Slave Lake, basically goes right over the top of our project. And this would be to expand the Taltson Dam more on the order of 30 megawatts or so and send this power to the diamond mine, but it would go over the top of our project, if they use the route across the Great Slave Lake. So that's another potential way to provide power in the future.

And, in addition, we're looking at biomass and geothermal. Biomass could be at the mine site and the NWT government is very convinced that biomass can be cost competitive with diesel and actually more favorable from a CO2 production point of view. And also at the hydromet site, the NWT government is doing research on geothermal power potential in that area because there is a balance of warmer rock, if you like, at depth, that runs from Yellowknife through the Fine Point area. And the government is quite encouraged that there is potential to use geothermal power by drilling deep holes in the area of the hydromet plant. And that would also make considerable savings over diesel power and serve as a supplement to the hydro power that we have at the hydromet site.

Don Bubar: Not to mention, reduce greenhouse gas emissions and protecting the environment. Do you have anything you'd like to add to that, David?

David Swisher: Yes, you know, it's—I guess the whole goal in mind is to determine where we can get supplemental power to the diesel, anywhere we can, to reduce those greenhouse gas emissions. And everything that we're doing within the design framework is to keep in mind our aboriginals' traditional territory and minimize those impacts as much as possible, as well as design a facility that's going to be as environmentally sound as possible. And I think we're well on our way to achieving that goal. And, of course, the supplemental power or solar power, plus the potential to replace diesel power altogether through either biomass generation or geothermal power is certainly at the top of our list.

Don Bubar: Operator, are there any more questions in the queue?

Operator: There are no questions at this time.

Don Bubar: Okay, well I think then we can probably conclude from that that we did an excellent job of answering all the questions in the news release yesterday. And so perhaps it would be appropriate to conclude the call now. Maybe give people one more chance to ask a question before we conclude.

Operator: Ladies and gentlemen, if you do have a question, please press star, one at this time.

There are no questions at this time.

Jim Andersen: Thank you. So, we'd like to thank all of you who took the time to dial in and the transcript of this call will be available on our website avalonraremetals.com at least 72 hours following the call. You may also call the company, (416) 364-4938 or email ir@avalonraremetals.com if you have any questions or you have any concerns that were not answered during the call. Pleasure talking to you all. Thank you and good day.

Operator: Ladies and gentlemen, this does conclude the conference call for today. You may disconnect your line and have a great day.

- END -