



Safety and Environmental Policy

Avalon Rare Metals Inc. (the 'Corporation') recognises that maintenance of environmental quality is vital to the Corporation's existence, progress, and continued development. The Corporation will maintain high environmental standards limited only by technical and economic feasibility. The Corporation will take positive action to protect the safety of its workers, conserve natural resources, and minimize the impact of its activities on the environment through diligent application of appropriate technology and responsible conduct at all stages of exploration, mine development, mining, mineral processing, decommissioning, and reclamation.

The purpose of Avalon Rare Metals Inc.'s Safety and Environmental Policy is to provide a measurable framework for the performance of the Corporation's activities in an environmentally responsible manner, ensuring compliance by the Corporation and its employees with all applicable environmental regulations and commitments.

Implementation

Avalon Rare Metals Inc. will:

1. Obey the law and conduct all business in an ethical manner.
2. Evaluate, plan, construct, and operate all projects and facilities to reduce adverse environmental impacts and to meet or exceed applicable environmental laws, regulations, and standards. In the absence of applicable regulations, the Corporation will apply cost effective best management practices to protect the environment. Require managers of all projects and operations to adhere to the Corporation Environmental Policy and to identify, evaluate, and minimize risks to the environment.
3. Continuously review environmental achievements and technology to seek and implement methods for further improvement.
4. Require all operations to have site specific emergency response plans which meet or exceed all applicable regulations.
5. Conduct regular environmental, health and safety preparedness and emergency response plans to verify compliance with the Corporation's policy and applicable regulations. Identify revisions or improvements to current practices in order to minimize environmental impacts. Report findings regularly to the Board of Directors.
6. Educate employees in environmental matters and responsibilities relating to performance of their assigned tasks.
7. Foster communication with shareholders, the public, employees, indigenous people and government to enhance understanding of environmental issues affecting the Corporation's activities.
8. Work pro-actively with government and the public to define environmental priorities. Participate in the development of responsible laws for the protection of the environment.

9. Allocate sufficient resources to meet the Corporation's environmental goals. Annually assess the projected costs of decommissioning and reclamation of appropriate amount to ensure that there will be sufficient cash reserves to pay for these costs upon closure.

Approved and Adopted by the Board of Directors Effective this 18th day of July, 2006.