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## NEWS RELEASE

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### New 43-101 Resource Estimate confirms increased tonnage and grade for Lake Zone REE deposit, Thor Lake, NWT.

Avalon Ventures Ltd. TSX: AVL (“Avalon” or the “Company”) is pleased to announce the results of a new NI 43-101 estimate of rare earth element (“REE”) resources in the Lake Zone deposit, Thor Lake, NWT. prepared by independent consultant Wardrop Engineering Ltd. (“Wardrop”). The new resource estimate is based on the drill holes completed by Avalon since 2007, plus four pre-2007 drill holes, re-analysed to include the full suite of Rare Earth Elements. The new resource estimate focuses on the Basal Zone which has produced the most attractive grades due to its enrichment in the more valuable heavy rare earths. The results are summarized below at a range of cut-off grades for each of the Basal Zone, the Upper Zone and the two sub-zones combined (Total):

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
Basal	IND	1.60	2,186	2.14	0.43	20.0%
Basal	IND	1.80	1,573	2.31	0.47	20.4%
Basal	IND	2.00	1,054	2.52	0.53	20.9%
Basal	IND	2.20	731	2.71	0.57	21.1%

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
Basal	INF	1.60	28,447	1.99	0.44	22.1%
Basal	INF	1.80	18,181	2.16	0.49	22.4%
Basal	INF	2.00	11,795	2.31	0.52	22.4%
Basal	INF	2.20	6,594	2.48	0.57	22.9%

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
Upper	IND	1.60	1,873	1.96	0.19	9.7%
Upper	IND	1.80	1,161	2.12	0.20	9.3%
Upper	IND	2.00	723	2.26	0.20	9.1%
Upper	IND	2.20	313	2.46	0.21	8.7%

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
Upper	INF	1.60	32,707	2.10	0.17	8.2%
Upper	INF	1.80	19,825	2.36	0.18	7.7%
Upper	INF	2.00	13,070	2.60	0.19	7.1%
Upper	INF	2.20	8,548	2.87	0.20	6.8%

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
TOTAL	IND	1.60	4,059	2.06	0.32	15.5%
TOTAL	IND	1.80	2,734	2.23	0.35	15.9%
TOTAL	IND	2.00	1,778	2.41	0.40	16.4%
TOTAL	IND	2.20	1,045	2.64	0.46	17.6%

ZONE	Resource Class	Cut-off TREO (%)	Tonnes (x1000)	TREO (%)	HREO (%)	H/T (%)
TOTAL	INF	1.60	61,154	2.05	0.30	14.5%
TOTAL	INF	1.80	38,006	2.27	0.33	14.4%
TOTAL	INF	2.00	24,865	2.46	0.34	13.9%
TOTAL	INF	2.20	15,142	2.70	0.36	13.2%

\*Notes:

1. HREO (Heavy Rare Earth Oxides) is the total concentration of: Y<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>4</sub>O<sub>7</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub> and Lu<sub>2</sub>O<sub>3</sub>.
2. TREO (Total Rare Earth Oxides) is HREO plus: La<sub>2</sub>O<sub>3</sub>, Ce<sub>2</sub>O<sub>3</sub>, Pr<sub>6</sub>O<sub>11</sub>, Nd<sub>2</sub>O<sub>3</sub> & Sm<sub>2</sub>O<sub>3</sub>
3. Wardrop considers a 1.60% TREO cut-off grade to be a reasonable estimate of potentially economic resources, based on a preliminary estimate of operating costs of \$197.00/tonne.
4. To determine a recommended cut-off grade, Gross Metal Values (GMV) were calculated using 4 year average REE prices (where available) and assuming recoveries of: 74.6% for Y<sub>2</sub>O<sub>3</sub> and 82.1% for all other rare earth elements. The metallurgical recoveries include both mineral processing (flotation) and hydrometallurgical recoveries. A 1.60 % TREO cut-off grade closely approximates a \$200/tonne GMV.
5. IND = Indicated, INF = Inferred, H/T = ratio of HREO to TREO expressed as percent.

Management considers the results encouraging for the following reasons:

- Significantly higher grades of TREO and HREO are present in the Basal Zone at higher cut-off grades, which would potentially enable mining higher grade resources during initial years of operation.
- The Basal Zone shows good lateral continuity and consistent enrichment in high value HREO at 20% to 22% of TREO.
- The REE mineralization is open for expansion especially to the south, where some of the greatest thicknesses and highest grades have been intersected to date in the Basal Zone and where airborne magnetic data indicates potential for extensions.

This new mineral resource estimate confirms that potentially economic resources are present to justify commencing a prefeasibility study. However, considerable in-fill definition drilling will be required to increase the confidence level on a significant portion of the *inferred* resources to the *indicated* category. A Phase 3 drilling program is commencing this week to achieve this objective and further delineate the southern end of the deposit where some of the best grades and greatest thicknesses of REE mineralization have been intersected to date.

Further, it is observed that resource size is very sensitive to the cut-off grade applied, which is, in turn, very sensitive to metallurgical operating costs. For this exercise, Wardrop relied largely on the results of historical metallurgical testwork completed in 2002 mainly to determine tantalum recoveries. The Company is steadily advancing its own metallurgical studies at SGS Lakefield Research under the direction of John Goode, P.Eng. with the objective of developing a more cost-efficient and effective metallurgical flowsheet.

An REE market study is being carried out by Industrial Minerals Company of Australia Pty Ltd. of Perth, Australia to provide estimates of potential sales volumes, which will be used to provide guidance on sizing the operation. Initial results are expected in March, 2009. This study will also provide forecasts of future REE market demand and prices. This is a challenging exercise as the global REE market is very dynamic at the present time, with increasing supply constraints from China and rapidly growing demand for hybrid and electric cars and various other green energy technologies.

Finally, it is expected that work on a Prefeasibility study, including another resource model update, will commence in the second quarter once a preliminary metallurgical flow sheet has been defined and results from additional definition drilling become available. It is presently anticipated this study will be completed in the second half of 2009.

Commented President, Don Bubar, “We are very pleased with these initial results. While a large portion of the resource continues to be classified as *inferred*, we are confident that increasing the portion of *indicated* resources is purely a function of completing additional in-fill drilling and we are excited about the potential for expanding the higher grade part of the resource to the south.”

## ESTIMATION METHODOLOGY

The resource estimate is based on the following parameters:

- The number of drill holes utilized in the estimate were 93 holes totalling 17,582.5 metres of diamond drilling.
- Mineralized outlines were defined using a combination of:
  1. geological logging of alteration and potentially REE bearing minerals
  2. logging using a Niton hand held XRF analyzer calibrated for REE
  3. assays on the drill core for all 14 REE plus yttrium.
- The estimation method used ordinary kriging on blocks 10m by 10m by 5m high. Specific gravities as well as the grades for individual rare earth elements and associated elements were independently estimated for each block. The resource estimates were completed for the Basal Zone and for all material between the Basal Zone and surface (Upper zone) separately and then summed for the total estimate.

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Pass	X	Y	Z	Min	Max	Max/dh
1	60	60	30	4	15	3
2	120	120	60	3	15	3
3	240	240	120	3	15	3

- Samples were composited to a length of 2.5m, no capping was required.
- The Rare Earth Oxide prices used to calculate the GMV were 4 year averages using data reported by Metal Pages (oxide basis, FOB China ) and tabulated below:

Element	Oxide	4-Yr Ave. US\$/kg	Note
Yttrium	Y <sub>2</sub> O <sub>3</sub>	\$8.74	1
Lanthanum	La <sub>2</sub> O <sub>3</sub>	\$3.57	
Cerium	Ce <sub>2</sub> O <sub>3</sub>	\$2.43	
Praesodymium	Pr <sub>2</sub> O <sub>3</sub>	\$19.45	
Neodymium	Nd <sub>2</sub> O <sub>3</sub>	\$20.19	
Samarium	Sm <sub>2</sub> O <sub>3</sub>	\$3.33	
Europium	Eu <sub>2</sub> O <sub>3</sub>	\$321.52	
Gadolinium	Gd <sub>2</sub> O <sub>3</sub>	\$10.29	1
Terbium	Tb <sub>2</sub> O <sub>3</sub>	\$507.42	
Dysprosium	Dy <sub>2</sub> O <sub>3</sub>	\$76.33	
Holmium	Ho <sub>2</sub> O <sub>3</sub>	\$25.50	2
Erbium	Er <sub>2</sub> O <sub>3</sub>	\$55.00	2
Thulium	Tm <sub>2</sub> O <sub>3</sub>	\$90.00	2
Ytterbium	Yb <sub>2</sub> O <sub>3</sub>	\$25.00	2
Lutetium	Lu <sub>2</sub> O <sub>3</sub>	\$500.00	2

1. For Gd<sub>2</sub>O<sub>3</sub>, only 3 years of data was available from Metal-Pages and consequently, the 3 year average was used.
2. For Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub> and Lu<sub>2</sub>O<sub>3</sub>, no data was available from Metal-Pages and the prices were sourced directly from commercial sources within REE markets.

- The grades of other potentially economic rare elements (Zirconium, Tantalum, Niobium, Hafnium, and Gallium) were estimated in the block model but were not assigned any economic value, as markets for these by-products have yet to be confirmed.
- Rare earth recoveries and reagents' consumption are largely based on metallurgical tests completed by SGS Minerals (then Lakefield Research) in 2002 as interpreted by Wardrop. Recoveries used were 74.6% for Y<sub>2</sub>O<sub>3</sub> and 82.1% for all other rare earth elements including both mineral processing and hydrometallurgical recoveries.
- Updated operating costs were estimated based on the 2007 NI 43-101 compliant Scoping Study (Preliminary Economic Assessment) estimates prepared by Wardrop.
- The GMV cutoff grades were determined by using 1) the metal prices listed above, 2) the metal recoveries from the historic metallurgical tests and 3) estimated operating costs of \$197/tonne for underground mining at an operating rate of 1200 tpd, milling and flotation to a REE concentrate and then hydrometallurgical treatment to recover individual REE. .
- A 1.6 % TREO cut-off grade closely approximates a \$200/tonne GMV.

## COMPARISON WITH 2007 REPORTED RESOURCES

The resource estimate reported here can be compared with that from the May, 2007 Preliminary Economic Assessment on the Thor Lake Rare Metals Project, NWT, also prepared by Wardrop Engineering Ltd.

For the 2007 study, the yttrium oxide grade ( $Y_2O_3\%$ ) was utilized to establish potential cutoff grades as it was one of the few target elements for which there was systematic analytical data available. The 2007 estimate was based on the assumption of open pit mining and lower mineable grades, which in turn lowered the operating costs. Accordingly, the recommended resource in 2007 was based on 0.10%  $Y_2O_3$  cutoff. The current scenario envisions underground mining via ramp access and room and pillar type mining methods,

For comparison purposes, the table below provided by Wardrop, summarizes the resources for the 0.10%  $Y_2O_3$  (1000ppm) cutoff grade:

YEAR	ZONE	Resource Category	Cut-off $Y_2O_3$ (%)	Tonnes	TREO (%)	HREO (%)	H/T (%)	Ta <sub>2</sub> O <sub>5</sub> (%)	Nb <sub>2</sub> O <sub>5</sub> (%)	ZrO <sub>2</sub> (%)	SG (t/m <sup>3</sup> )
2007	TOTAL	INF	0.100	14,005,000	1.23	N.D.	N.D.	0.025	0.330	1.730	
2009	Upper	IND	0.100	1,381,000	1.57	0.24	15.4%	0.033	0.459	3.170	2.99
2009	Upper	INF	0.100	16,667,000	1.58	0.25	15.8%	0.028	0.384	2.799	2.89
2009	Basal	IND	0.100	3,519,000	1.81	0.37	20.7%	0.046	0.514	3.473	2.92
2009	Basal	INF	0.100	69,418,000	1.55	0.35	22.6%	0.040	0.431	3.165	2.88
2009	TOTAL	IND	0.100	4,900,000	1.74	0.34	19.4%	0.042	0.498	3.388	2.94
2009	TOTAL	INF	0.100	86,084,000	1.56	0.33	21.3%	0.038	0.422	3.094	2.88
Change from 2007 to 2009, Total-Inferred				515%	27%			51%	28%	79%	

Note: IND = Indicated, INF = Inferred, N.D. = Not Determined

The table illustrates the change in tonnage and grade, where tonnage at the same cutoff for total resources has increased 515% from 14.005M tonnes to 86.084M tonnes. Grade also increased by 27% for TREO from 1.23% to 1.56%. Note that at the time of the 2007 report, the Basal Zone had not been recognized as a distinct sub-zone within the Lake Zone REE deposit.

Grades for other associated rare metals notably tantalum, niobium and zirconium were also higher in the new resource estimate compared with that done from historical data in 2007.

## DISCUSSION

The Lake Zone deposit is now recognized as having two distinct sub-zones or layers; an Upper Zone which consists mainly of light rare earth dominant minerals such as bastnaesite, allanite and monazite and a lower Basal Zone which also contains the heavy rare earth bearing mineral fergusonite. The presence of fergusonite in the Basal Zone, and a species of zircon also containing heavy rare earths, results in a relative enrichment in the more valuable heavy rare earth elements Europium through Lutetium (“HREE”) plus yttrium in this zone. The lower contact of the Basal Zone is sharply defined while the upper contact is gradational with the Upper Zone. Collectively, the two sub zones combined represent a very large low grade REE resource. The zoning will enable development of a mine plan consistent with market demand for the individual rare earth elements.

The gradational contact and the large size of the combined resource, means the tonnage estimate for the Basal Zone is very sensitive to the cut-off grade applied. For example, varying the cutoff grade by just 0.4% from 2.0% to 1.6% TREO more than doubles the estimated *inferred* mineral resource tonnage in the Basal Zone from 11.795 million tonnes to 28.447 million tonnes.

The cut-off grade is influenced largely by metallurgical process costs and recoveries, and metal price assumptions. At present the metallurgical process costs and recoveries are subject to considerable uncertainty as the assumptions are based largely on the 2002 metallurgical test results. These tests were focused on the recovery of tantalum and were never optimized for REE recovery. Further, prices for some key reagents show considerable volatility and a check of recent spot reagent pricing indicates a higher current price than that used in the determination of the recommended cutoff grade. The spot prices were not used in the calculation of cutoff due to the current volatility within these commodity markets.

Finally, the metal price assumptions utilized in the resource model are based on 4 year averages of historical prices except where indicated. Given the growing demand for REE and marked increases in price for most of the REE over the past 2 years, these assumptions can be considered conservative. For comparison, using 3 year averages would increase tonnages at the 2.3% cut-off grade by 12% and if one uses October 2008 prices, the tonnage would increase by almost 30%.

## **DISCLOSURE**

A copy of the full NI 43-101 resource report being prepared by Wardrop will be filed on SEDAR as soon as it is available and no later than 45 days following the date of this news release.

The mineral resource estimates which are effective today were completed by Thomas C. Stubens, M.A.Sc., P. Eng, Senior Geologist of Wardrop Engineering, Vancouver, BC, and are based on geological interpretations supplied by the Company to Wardrop and modified by Wardrop Engineering Ltd/Inc. Stubens is an 'independent qualified person' for the purposes of National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators and has verified the data disclosed in this release.

Joanne Paul, P.Geo., also an 'independent qualified person' for the purposes of National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators, has verified the sampling procedures and QA/QC data delivered to Wardrop and is of the opinion that the data are of good quality and suitable for use in the resource estimates.

The field exploration program was carried out under the supervision of J.C. Pedersen, P.Geo., the Company's Senior Geologist. The Company's Vice-President, Exploration, Dr. William Mercer, P.Geo. provided overall direction on the project.

### **About Avalon Ventures Ltd.**

Avalon Ventures Ltd. is a Canadian junior mineral exploration and development company, with a primary focus on rare metals and minerals with high technology applications related to electronics, energy efficiency and a cleaner environment. Avalon currently holds a portfolio of five such projects, including three that are at, or close to, the feasibility stage. Shares Outstanding: 67,649,748. Cash resources: approximately \$9.0 million.

To find out more about Avalon Ventures Ltd., please visit our website at [www.avalonventures.com](http://www.avalonventures.com). For questions and feedback, please email the Company at [office@avalonventures.com](mailto:office@avalonventures.com) or phone Don Bubar, P.Geo. President, at 416-364-4938. Mr. Bubar and Dr. Mercer are the Qualified Persons responsible for the technical content of this news release. For general discussion and commentary on the rare metals, please visit [www.raremetalblog.com](http://www.raremetalblog.com).

*This news release contains forward-looking information. This forward-looking information includes, or may be based upon, estimates, forecasts, and statements as to management's expectations with respect to, among other things, the size and quality of the Company's mineral resources, progress in development of mineral properties, demand and market outlook for metals and future metal prices. 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. These factors include the inherent risks involved in the exploration and development of mineral properties, uncertainties with respect to the receipt or timing of required permits and regulatory approvals, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. 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.*