



NEWS RELEASE

February 26, 2009

No. 09-03

Avalon and Chapleau Cree First Nation agree to MOU around the development of the Warren Township Calcium Feldspar Project

Avalon Rare Metals Inc. TSX: AVL (“Avalon” or the “Company”, formerly Avalon Ventures Ltd.) and the **Chapleau Cree First Nation** (“CCFN”) are pleased to announce that they have agreed to enter into a Memorandum of Understanding (“MOU”) regarding the co-operative development of the Warren Township Calcium Feldspar project, located near Foleyet, Ontario, 125 km west of the city of Timmins. A formal signing ceremony is planned for Tuesday March 3, in Toronto, at the annual convention of the Prospectors and Developers Association of Canada.

The Warren Township project consists of three claims totaling 727 ha that are located in the traditional territory of CCFN and possibly other local First Nations and Aboriginal groups who are represented by CCFN. Under the terms of the MOU, CCFN has agreed to support the further development of the project provided that it is assured that:

- CCFN and other First Nations and Aboriginal groups with an interest in the land benefit equitably from the operation; and
- the environmental risks associated with the development, operation and closure of the operation are deemed to be acceptable.

“We are pleased to have the support of CCFN and other local Aboriginal groups, as well as the community of Foleyet, in advancing the project and look forward to developing mutually-beneficial partnerships” commented Avalon’s President, Don Bubar. “This small operation would provide business opportunities to First Nations and needed jobs to a part of the province where jobs are scarce, and with net environmental benefits to Ontario.”

“The environmental benefits stem from the use of the calcium feldspar product in fibreglass manufacturing where it has been demonstrated to reduce energy consumption and CO2 emissions, a primary goal of the Province’s proposed new Green Energy legislation” noted Mr. Bubar. “Furthermore, the contemplated fibre glass products are used in manufacturing energy efficient composite construction materials for wind turbines, another major green energy initiative being promoted by the province.”

Previous work on the project has demonstrated the presence of a significant resource of high purity calcium feldspar amenable to a low-cost, small-scale quarrying operation. The operation, as presently conceived, would involve development of a processing plant near a major railway line at Foleyet, to facilitate product shipping to potential markets in the southern Ontario and the

northeastern United States. Capital costs are estimated to be in the order of \$10 million and the operation could create at least 20 direct jobs.

The Company conducted a bulk sampling program and a successful furnace trial in late 2007, in association with a major US-based glassmaker, but further trials are required to fully demonstrate the product's technical advantages. This work has been delayed due to the downturn in the construction sector, which has negatively impacted the glass industry.

The MOU contemplates that a Resource Benefits Agreement ("RBA") will be negotiated and agreed to between AVL and CCFN before the commencement of any mine development work. The RBA will provide an arrangement for sharing of economic benefits from the operation through some combination of equity participation, resource revenue sharing, service contracts and community program sponsorship, at a level that does not unreasonably encumber its future economic viability. The MOU also contemplates that Avalon will assist CCFN in securing expert advice to evaluate technical information and the business opportunities related to the project and secure financial support from applicable government programs to pay for such expert advice.

CCFN has been supporting Avalon in its efforts to secure the necessary operating permit under the *Aggregate Resources Act* of Ontario. Operating permit requirements including environmental studies and development of a mining closure and rehabilitation plan were completed and submitted in 2007. "We are waiting for the Chapleau District office of the Ministry of Natural Resources to issue the operating permit and we remain optimistic that final permitting of the full 727 hectare site will be forthcoming in the near future" noted Mr. Bubar.

One of the unique features of the MOU involves the role that Chapleau Cree First Nation has agreed to assume, with the support of the other Chiefs in the region, in coordinating input from the affected First Nations and Aboriginal groups. "The Crown's current approach to Aboriginal consultation and accommodation is not working and Aboriginal people are in the best position to oversee consultation processes that deal with their rights and responsibilities" stated Chapleau Cree First Nation Chief Keith Corston, adding that "the cost of consultation would, of course, remain with the Crown."

About Chapleau Cree First Nation

Chapleau Cree First Nation is situated adjacent to the town of Chapleau, 200 km west of Timmins, Ontario. Three other First Nations have reserve lands within the vicinity of the town of Chapleau including Brunswick House First Nation, a key participant in the Warren Township project. The total Aboriginal population in the Chapleau area is estimated at 1,000 – approximately 30% of the total regional population.

To find out more about Chapleau Cree First Nation, please visit our website at www.chapleaucreefirstnation.com. For questions and feedback, please e-mail Chief Keith Corston at keeter.corston@bellnet.ca or by telephone at 705-864-0784.

About Avalon Rare Metals Inc.

Avalon Rare Metals Inc. 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: 68,152,248. Cash resources: approximately \$8.5 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.Geo., 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.