SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

Filing Date: **2013-01-14** | Period of Report: **2013-01-14**
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Avalon Rare Metals Inc.

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SIC: **1000** Metal mining

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FORM 6-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of **January 2013**

Commission File Number **001-35001**

AVALON RARE METALS INC.
(Translation of registrant's name into English)

130 Adelaide Street West
Suite #1901
Toronto, Ontario M5H 3P5
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F ☐ Form 40-F ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

DOCUMENTS FILED

See the Exhibit Index hereto.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVALON RARE METALS INC.

Date: January 14, 2013	By: /s/ R. James Andersen
	R. James Andersen
	Vice President, Finance and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Interim Financial Statements for the period ended November 30, 2012
99.2	Management Discussion and Analysis for the period ended November 30, 2012
99.3	Certificate of CEO
99.4	Certificate of CFO
99.5	Consent of D. Bubar
99.6	Consent of W. Mercer
99.7	Consent of T. Ciuculescu
99.8	Consent of B. Webb
99.9	Consent of D. Marsh

Exhibit 99.1

Condensed Consolidated Interim Financial Statements

For the three months ended November 30, 2012 and 2011 (Unaudited)

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NOTICE TO READER

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian Dollars)
(unaudited)

	November 30, 2012	August 31, 2012
Assets		
Current Assets		
Cash and cash equivalents (note 5)	$ 25,061,777	$ 38,299,998
Receivables	687,554	639,836
Prepaid expenses	1,153,834	1,098,405
	26,903,165	40,038,239
Exploration and Evaluation Assets (note 6)	90,757,387	83,043,978
Property, Plant and Equipment (note 7)	949,290	999,106
	$ 118,609,842	$ 124,081,323
Liabilities		
Current Liabilities		
Accounts payable	$ 2,084,556	$ 5,463,683
Accrued liabilities	437,655	1,237,586
	2,522,211	6,701,269
Accrued Site Closure and Reclamation Costs (note 9)	103,600	103,600
	2,625,811	6,804,869
Shareholders' Equity		
Share Capital (note 8)	149,045,671	149,045,671
Reserve for Warrants (note 8)	3,655,732	3,655,732
Reserve for Share Based Payments (note 8)	13,597,957	12,361,851
Reserve for Brokers' Compensation Warrants (note 8)	-	-
Accumulated Deficit	(50,315,329)	(47,786,800)
	115,984,031	117,276,454
	$ 118,609,842	$ 124,081,323

Approved on behalf of the Board

"Donald S. Bubar", Director

"Brian MacEachen", Director

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

For the three months ended November 30, 2012 and 2011

Condensed Consolidated Interim Statements of Comprehensive Loss
(expressed in Canadian Dollars, except number of shares)
(unaudited)

	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Revenue		
Interest	$ 161,760	$ 330,545
Expenses		
Corporate and administrative expenses	1,583,852	1,581,616
General exploration expenses	17,558	6,842
Amortization (note 7)	49,816	53,755
Share based compensation (note 8d)	1,046,160	2,077,087
	2,697,386	3,719,300
Loss from Operations	(2,535,626)	(3,388,755)
Foreign Exchange Gain	7,097	51,545
Net Loss and Comprehensive Loss for the period	$ (2,528,529)	$ (3,337,210)
Loss per Share - Basic and Fully Diluted	$ (0.02)	$ (0.03)
Weighted Average Number of Common Shares Outstanding, Basic and Fully Diluted	103,621,986	102,810,531

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars, except number of shares)
(unaudited)

	Share Capital		Reserves				
	Number of Shares	Amount	Warrants	Share Based Payments	Brokers' Compensation Warrants	Accumulated Deficit	Total
Balance at September 1, 2011	102,617,912	$ 146,244,597	$ 3,670,248	$ 6,646,427	$ 96,688	$ (36,634,606)	$ 120,023,354
Issued for other considerations (note 8b)	10,000	14,800	10,057	-	-	-	24,857
Exercise of warrants	64,991	198,508	-	-	-	-	198,508
Reserve transferred on exercise of warrants	-	24,573	(24,573)	-	-	-	-
Exercise of options	855,000	1,312,500	-	-	-	-	1,312,500
Reserve transferred on exercise of options	-	968,585	-	(968,585)	-	-	-
Exercise of brokers' compensation warrants	74,083	185,420	-	-	-	-	185,420
Reserve transferred on exercise of brokers' compensation warrants	-	96,688	-	-	(96,688)	-	-
Share based compensation	-	-	-	6,684,009	-	-	6,684,009
Net loss for the year	-	-	-	-	-	(11,152,194)	(11,152,194)
Balance at August 31, 2012	103,621,986	149,045,671	3,655,732	12,361,851	-	(47,786,800)	$ 117,276,454
Share based compensation	-	-	-	1,236,106	-	-	1,236,106
Net loss for the three month period	-	-	-	-	-	(2,528,529)	(2,528,529)
Balance at November 30, 2012	103,621,986	149,045,671	3,655,732	13,597,957	-	(50,315,329)	$ 115,984,031

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars, except number of shares)
(unaudited)

	Share Capital		Reserves				
	Number of Shares	Amount	Warrants	Share Based Payments	Brokers' Compensation Warrants	Accumulated Deficit	Total
Balance at September 1, 2011	102,617,912	$ 146,244,597	$ 3,670,248	$ 6,646,427	$ 96,688	$ (36,634,606)	$ 120,023,354
Exercise of warrants	64,991	198,508	-	-	-	-	198,508
Reserve transferred on exercise of warrants	-	24,573	(24,573)	-	-	-	-
Exercise of options	380,000	579,250	-	-	-	-	579,250
Reserve transferred on exercise of options	-	425,736	-	(425,736)	-	-	-
Exercise of brokers' compensation warrants	74,083	185,420	-	-	-	-	185,420
Reserve transferred on exercise of brokers' compensation warrants	-	96,688	-	-	(96,688)	-	-
Share based compensation	-	-	-	2,077,087	-	-	2,077,087
Net loss for the three month period	-	-	-	-	-	(3,337,210)	(3,337,210)
Balance at November 30, 2011	103,136,986	$ 147,754,772	$ 3,645,675	$ 8,297,778	$ -	$ (39,971,816)	$ 119,726,409

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian Dollars)
(unaudited)

	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
Operating Activities		
Cash paid to suppliers and employees	$ (1,578,646)	$ (1,379,084)
Interest received	160,764	330,545
	(1,417,882)	(1,048,539)
Financing Activities		
Share capital – exercise of warrants	-	198,508
Share capital – exercise of options	-	579,250
Share capital – exercise of brokers' compensation warrants	-	185,420
Share issuance costs paid	-	(314,438)
	-	648,740
Investing Activities		
Exploration and evaluation asset expenditures	(11,687,149)	(7,142,385)
Purchase of property, plant and equipment	(139,132)	(134,159)
	(11,826,281)	(7,276,544)
Change in Cash and Cash Equivalents	(13,244,163)	(7,676,343)
Foreign Exchange Effect on Cash	5,942	27,326
Cash and Cash Equivalents – beginning of period	38,299,998	70,858,678
Cash and Cash Equivalents – end of period	$ 25,061,777	$ 63,209,661

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

1. Nature of Operations

Avalon Rare Metals Inc. (the "Company") is a publicly listed company incorporated in Canada and continued under the *Canada Business Corporations Act*. The Company's common shares are listed on the Toronto Stock Exchange (TSX: AVL), on the NYSE MKT (NYSE MKT: AVL), and the Frankfurt Stock Exchange in Germany.

The registered address, principal address and records office of the Company is located at 130 Adelaide Street West, Suite 1901, Toronto, Ontario, Canada, M5H 3P5.

The Company is in the process of exploring and developing its mineral resource properties. To date, the Company has not earned significant revenues and is considered to be in the development stage.

The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to develop these properties, and future profitable production or proceeds of disposition from these properties.

The Company is principally engaged in the mining exploration and development of rare metal and mineral properties located principally in Canada.

These unaudited condensed consolidated interim financial statements have been reviewed and approved by the Company's Audit Committee and the Board of Directors on January 10, 2013.

2. Basis of Presentation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended August 31, 2012.

These statements have been prepared using the historical cost basis, except for certain financial instruments which are measured in accordance with the policies disclosed in Note 3.

3. Summary of Significant Accounting Policies

The principal accounting policies followed by the Company are summarized as follows:

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 8110131 Canada Inc., Nolava Minerals Inc. ("Nolava"), Avalon Rare Metals Ltd. ("ARML"), Avalon Rare Metals Processing Inc. ("ARMP") and Avalon Rare Metals Processing LLC ("ARMLLC"). Nolava, ARML, ARMP and ARMLLC are incorporated in the United States of America ("USA")). ARML, ARMP and ARMLLC have not carried on any significant operations since their inceptions. 8110131 Canada Inc. acquired certain NSR royalty interests in the Company's properties which were held by third parties during the year ended August 31, 2012. Nolava holds certain mining claims in Utah, USA and has been conducting exploration work on these mining claims since fiscal year 2011. All intercompany transactions and balances have been eliminated on consolidation of the accounts.

3. Summary of Significant Accounting Policies (continued)

b) Foreign Currency Transactions

Functional and Presentation Currency

Items included in the financial statements of the Company and each of its subsidiaries (the "Group") are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional and presentation currency of the Company and its subsidiaries are the Canadian dollar ("$"). The consolidated financial statements of the Group are presented in Canadian dollars.

Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the foreign exchange rates prevailing at the end of each reporting period. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in income or loss.

Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated using the foreign exchange rates prevailing at the end of each reporting period;
- income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in profit or loss as part of the gain or loss on sale.

c) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Any excess of the purchase price over fair value is recorded as goodwill. Acquisition-related costs are recognized in profit or loss as incurred.

d) Share Based Payment Arrangements

Equity-settled share based payments to employees (including directors and senior executives) and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the share-based payment is measured by reference to the fair value of the equity instrument granted, which in turn is determined using the Black-Scholes option-pricing model on the date of the grant, with management's assumptions for the risk-free rate, dividend yield, volatility factors of the expected market price of the Company's common shares, expected forfeitures and the life of the options.

3. Summary of Significant Accounting Policies (continued)

The fair value of the equity-settled share based payments is recognized over the period in which the performance and/or service conditions are fulfilled, ending on the date in which the grantee becomes fully entitled to the award, based on the Company's estimate of equity instruments that will eventually vest, and is either expensed or capitalized to exploration and evaluation assets, with a corresponding increase in equity. Vesting assumptions are reviewed at each reporting date to ensure they reflect current expectations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as a finance lease obligation within long-term debt.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f) Income Taxes

Current Income Taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Comprehensive Income (Loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Income Taxes

Deferred tax assets and liabilities represent income taxes expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company’s financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax assets also represent income taxes expected to be recoverable on unclaimed losses carried forward.

Deferred taxes are calculated using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, with some exceptions described below. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be used. Neither deferred tax liabilities, nor deferred tax assets, arerecognized as a result of temporary differences that arise from the initial recognition of goodwill or a transaction, other than a business combination, that affects neither accounting profit nor taxable profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. Summary of Significant Accounting Policies (continued)

Deferred tax asset and liabilities are measured using the enacted or substantively enacted tax rates as of the date of the statement of financial position that are expected to be in effect when the differences reverse or when unclaimed losses are utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for asset recognition, a deferred tax asset is recognized.

Deferred tax is recognized in the Statement of Comprehensive Income, unless it relates to items recognized directly in equity, in which case the deferred tax related to those items is also recognized directly in equity.

g) Flow-through Shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of the flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers at an agreed upon date.

The excess of cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense.

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

h) Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended August 31, 2012 and August 31, 2011, all the outstanding stock options, warrants and brokers' compensation warrants were anti-dilutive.

i) Other Comprehensive Income (Loss)

Other Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances that are not related to the Company's shares and that are not included in net profit or loss. Such items include unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), components of other comprehensive income, and cumulative translation adjustments are presented in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

3. Summary of Significant Accounting Policies (continued)

j) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid short-term money market investments such as bankers acceptance notes, treasury bills and guaranteed investment certificates (“GICs”).

k) Exploration and Evaluation Assets

These assets relate to mineral rights acquired and exploration and evaluation expenditures incurred in respect to resource projects that are in the exploration and pre-development stage.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition, surveying, geological, geochemical, geophysical, exploratory drilling, land maintenance, sampling, and assessing technical feasibility and commercial viability. These expenditures are capitalized until the technical feasibility and commercial viability of the extraction of mineral reserves in a project is demonstrated. During the exploration period, exploration and evaluation assets are not amortized.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Once a project is determined to be technically feasible and commercially viable and a decision has been made to proceed with development, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a mine development asset in property, plant and equipment. All subsequent expenditures to ready the property for production are capitalized within mine development assets, other than those costs related to the construction of property, plant and equipment.

Once production has commenced, all costs included in mine development assets are reclassified to mining properties.

Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as expense in the period in which they are incurred.

l) Property, plant and equipment

Property, plant and equipment (“PPE”) are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is provided over the estimated useful lives of the Company’s assets on the following basis and rates per annum:

Airstrip	- 8% on a declining balance basis
Computer equipment	- 30% on a declining balance basis
Computer software	- 33 1/3% on a declining balance basis
Exploration equipment	- 30% on a declining balance basis
Office furniture and equipment	- 25% on a declining balance basis
Leasehold improvements	- straight line basis over the term of the lease

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in income or loss for the period.

3. Summary of Significant Accounting Policies (continued)

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

m) Impairment of Long Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities recorded at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss are recognized immediately in the Statement of Operations and Comprehensive Income.

Financial Assets

The Company recognizes all financial assets initially at fair value and classifies them into one of the following specified categories: fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS") and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period.

3. Summary of Significant Accounting Policies (continued)

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial Liabilities and Equity Instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss for the period. Other financial liabilities including borrowings are initially measured at fair value net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the Statement of Comprehensive Income (Loss) on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company's financial assets and liabilities are classified and subsequently measured as follows:

Asset/Liability	**Classification**	**Subsequent Measurement**
Cash and cash equivalents	FVTPL	Fair value to profit or loss
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

3. Summary of Significant Accounting Policies (continued)

o) Accrued Site Closure and Reclamation Costs

The Company's mining exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations or constructive obligations.

Accrued site closure costs are recorded at the time an environmental disturbance occurs, and are measured at the Company's best estimate of the expected value of future cash flows required to reclaim the disturbance upon site closure, discounted to their net present value. The net present value is determined using a pre-tax discount rate that is specific to the liability. The estimated net present value is re-measured on an annual basis or when changes in circumstances occur and/or new material information becomes available. Increases or decreases to the provision arise due to changes in legal or regulatory requirements, the extent of environmental remediation required and cost estimates. The net present value of the estimated costs of these changes is recorded in the period in which the change is identified and quantifiable.

Upon initial recognition of site closure costs, there is a corresponding increase to the carrying amounts of related assets and the cost is amortized as an expense on a unit-of-production basis over the life of the related assets. The value of the provision is progressively increased over the life of the operation as the effect of discounting unwinds, such increase is recognized as interest expense.

p) Other Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

r) Critical Accounting Judgements and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

3. Summary of Significant Accounting Policies (continued)

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recoverability of Exploration and Evaluation Assets, Mineral Properties and Property Plant and Equipment

The Company assesses all exploration and evaluation assets, mine development assets and PPE at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates, foreign exchange rates, future capital requirements, exploration potential and operating performance.

Property, Plant and Equipment - Estimated Useful Lives

Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

Determination of Reserve and Resource Estimates

Mineral reserves and resources are estimates of the amount of ore that can be economically and legally extracted from the Company's exploration properties. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, production costs, production techniques, future capital requirements and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine development assets, PPE, accrued site closure and reclamation liabilities and amortization expense.

Fair Value of Share Based Payments

The Company follows accounting guidelines in determining the fair value of share based payments. The calculated amount is not based on historical cost, but is derived based on subjective assumptions input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

Accrued Site Closure and Reclamation Costs

The Company's accounting policy for the recognition of accrued site closure and reclamation costs requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

3. Summary of Significant Accounting Policies (continued)

The provision for accrued site closure and reclamation costs recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognized in the Statement of Financial Position by adjusting both the closure and rehabilitation asset and provision.

4. Recent Accounting Pronouncements

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") enhances the disclosure required when offsetting financial assets and liabilities.

IFRS 7 is effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments ("IFRS 9") introduces the new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.
IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements ("IFRS 11") introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13 Fair Value Measurement ("IFRS 13") sets out one single framework under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. IFRS 13 also expands the required disclosures related to fair value measurements to help user understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

4. Recent Accounting Pronouncements (continued)

IAS 27 continues to include the requirements relating to separate financial statements which are unchanged and included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 Investments in Associates and Joint Ventures is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 10, 11, 12, 13 and IAS 26 and 27 have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards). The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IAS 32 Financial Instruments: Presentation has been amended to provide application guidance on the offsetting of financial assets and financial liabilities. The guidance is effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

IFRIC Interpretation 20: Stripping Costs ("IFRIC 20") summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine. IFRIC 20 requires the costs be allocated to inventory and the relevant mining asset where the stripping costs produce a combination of ore and waste.

IFRIC 20 is effective effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this new standard on the Company's consolidated financial statements.

5. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following:

	November 30, 2012	August 31, 2012
Cash in bank	$ 423,245	$ 318,678
Guaranteed investment certificates	24,638,532	37,981,320
	$ 25,061,777	$ 38,299,998

6. Exploration and Evaluation Assets

	September 1, 2012	Expenditures	Dispositions/ Write-down	November 30, 2012
Thor Lake Rare Metals Project (a)	$ 74,356,108	$ 7,674,012	$ -	$ 82,030,120
Separation Rapids Lithium-Tantalum Project (b)	4,267,467	1,923	-	4,269,390
Warren Township Anorthosite Project (c)	1,393,057	3,748	-	1,396,805
East Kemptville Rare Metals Project (d)	1,392,007	8,067	-	1,400,074
Spor Mountain Rare Metals Project (e)	1,497,388	21,877	-	1,519,265
Miramichi Tin Project (f)	137,951	3,782	-	141,733
	$ 83,043,978	$ 7,713,409	$ -	$ 90,757,387

	September 1, 2011	Expenditures	Dispositions/ Write-down	August 31, 2012
Thor Lake Rare Metals Project (a)	$ 43,149,886	$ 31,206,222	$ -	$74,356,108
Separation Rapids Lithium-Tantalum Project (b)	3,950,901	316,566	-	4,267,467
Warren Township Anorthosite Project (c)	1,232,048	161,009	-	1,393,057
East Kemptville Rare Metals Project (d)	1,372,264	19,743	-	1,392,007
Spor Mountain Rare Metals Project (e)	692,337	805,051	-	1,497,388
Miramichi Tin Project (f)	-	137,951	-	137,951
	$ 50,397,436	$ 32,646,542	$ -	$83,043,978

a) Thor Lake Rare Metals Project, Northwest Territories

During the year ended August 31, 2005 the Company acquired a 100% interest in five mining leases covering the Thor Lake rare metals deposit located in the Mackenzie Mining District of the Northwest Territories. In addition, three mineral claims were staked in 2009 to cover favourable geology to the west of the mining leases. The property was subject to two underlying net smelter returns ("NSR") royalty agreements, one for a 3.0% royalty and one for a 2.5% royalty.

During the year ended August 31, 2012, the Company bought out the 3.0% NSR royalty for a cash payment of $2.0 million. The remaining 2.5% NSR royalty can be bought back at the principal amount of $150,000 compounded annually at the average Canadian prime rate from May 2, 1982 to the buyback date, which currently approximates $1.3 million.

During the year ended August 31, 2012, the Company entered into an accommodation agreement ("Accommodation Agreement") with the Deninu K'ue First Nation ("DKFN"). The DKFN is one of three Akaitcho bands who have used, occupied and have constitutionally protected aboriginal rights with respect to the lands on which the Project is located.

The Accommodation Agreement provides for business and employment opportunities for the DKFN related to the Company's Thor Lake Nechalacho Deposit and associated facilities in the Northwest Territories (the "Project") and contains measures to mitigate environmental and cultural impacts that may result from the project development. The Accommodation Agreement also commits the DKFN to supporting timely completion of the environmental assessment, permitting and development processes of the Project.

6. Exploration and Evaluation Assets (continued)

The definitive financial structure for the Project has not been finally determined, but it is expected that it will take the form of a limited partnership (the "LP"), in which the DKFN will participate as one of its business opportunities. Upon receipt by the Company of certain regulatory permits and approvals, the DKFN will acquire 3,333 limited partnership units (the "Partnership Units"), out of a projected total of 100,000 limited partnership units to be held by the Company and its Aboriginal partners. The DKFN may, at its option, borrow from the Company all or a portion of the capital required to acquire the 3,333 Partnership Units or for any subsequent cash contributions to the LP.

In conjunction with the Accommodation Agreement, the Company has issued an aggregate of 10,000 common shares of the Company, and agreed to grant an aggregate of 50,000 non-transferrable common share purchase warrants of the Company to the DKFN. The common shares are subject to certain statutory restrictions on resale, as well as contractual restrictions on transfer pending receipt of certain regulatory permits and approvals for the Project. As at August 31, 2012, the Company has issued 10,000 warrants with an exercise price of $1.48 per share to the DKFN with an expiry date of August 9, 2017. The remaining 40,000 warrants will be issued in four installments of 10,000 warrants per year over the next four years on the anniversary of the effective date of the Accommodation Agreement. These warrants will have a term of five years and will have an exercise price based on the then current market price of the Company's common shares at the date of issue of the warrants.

b) Separation Rapids Rare Metals Project, Ontario

The Company owns a 100% interest in certain claims and a mining lease in the Paterson Lake area of Ontario. The claims were subject to a 2.0% NSR, which was bought back by the Company for $220,000 during the year ended August 31, 2012.

c) Warren Township Anorthosite Project, Ontario

The Company owns a 100% interest in certain claims located near Foleyet, Ontario, which were staked by the Company during the year ended August 31, 2003.

d) East Kemptville Rare Metals Project, Nova Scotia

During the year ended August 31, 2007, the Company was granted a special exploration licence to search and prospect for all minerals except for coal, salt, potash and uranium within four claims in the East Kemptville area of Yarmouth, Nova Scotia. In order to keep the licence in good standing, the Company was required to incur $2,250,000 in exploration expenditures by August 1, 2011, of which $770,338 had been incurred by August 31, 2011. During the quarter ended August 31, 2011, the Company requested a new two year special licence from the Minister of Natural Resources of Nova Scotia to extend its expenditure obligations under the original special licence to August 1, 2014.

Subsequent to the three months ended November 30, 2012, the Province of Nova Scotia granted the Company a new special licence and the Company is required to incur additional exploration expenditures of $1,500,000 by September 30, 2014.

The Company also has a number of regular exploration licences covering certain mineral claims in the same proximity to the claims covered under the special exploration licence.

e) Spor Mountain Rare Metals Project, Utah

The Company owns a 100% interest in certain claims located in Juab County, Utah, USA, which were staked by the Company during the year ended August 31, 2011.

6. Exploration and Evaluation Assets (continued)

f) Miramichi Tin Project, New Brunswick

The Company owns a 100% interest in certain claims located in York County, New Brunswick, which were staked by the Company during the year ended August 31, 2012.

g) Other Resource Properties

The Company has a 100% interest in several mining claims in the Lilypad Lakes Tantalum Property, a 2.0% NSR interest in certain mining claims of the East Cedartree Gold Property located near Kenora, Ontario, and a 0.4% NSR interest in the Wolf Mountain Platinum-Palladium Project.

7. Property, Plant and Equipment

	Airstrip	Computer Equipment	Computer Software	Exploration Equipment	Office Furniture & Equipment	Leasehold Improvements	Total
Cost							
As at September 1, 2011	$ 523,242	$ 49,794	$ 69,694	$ 629,724	$ 53,342	$ 29,928	$1,355,724
Additions	16,822	19,318	105,059	48,606	24,675	28,843	243,323
Disposals	-	(5,368)	-	(6,747)	-	-	(12,115)
As at August 31, 2012	540,064	63,744	174,753	671,583	78,017	58,771	1,586,932
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at November 30, 2012	$ 540,064	$ 63,744	$ 174,753	$ 671,583	$ 78,017	$ 58,771	$1,586,932
Accumulated Amortization							
As at September 1, 2011	$ 61,115	21,492	18,176	220,407	20,475	26,426	368,091
Amortization expense	36,970	12,040	34,679	129,732	11,301	7,128	231,850
Disposals	-	(5,368)	-	(6,747)	-	-	(12,115)
As at August 31, 2012	98,085	28,164	52,855	343,392	31,776	33,554	587,826
Amortization expense	8,503	2,669	10,157	23,454	2,890	2,143	49,816
Disposals	-	-	-	-	-	-	-
As at November 30, 2012	$ 106,588	30,833	63,012	366,846	34,666	35,697	637,642
Net Book Value							
As at September 1, 2011	$ 462,127	$ 28,302	$ 51,518	$ 409,317	$ 32,867	$ 3,502	$ 987,633
As at August 31, 2012	$ 441,979	$ 35,580	$ 121,898	$ 328,191	$ 46,241	$ 25,217	$ 999,106
As at November 30, 2012	$ 433,476	$ 32,911	$ 111,741	$ 304,737	$ 43,351	$ 23,074	$ 949,290

8. Share Capital

a) *Authorized*

The Company is presently authorized to issue an unlimited number of common shares without par value. The Company is also authorized to issue up to 25,000,000 preferred shares without par value, of which none have been issued.

b) *Common Shares Issued and Outstanding:*

	Number	Amount
Balance - September 1, 2011	102,617,912	$146,244,597
Issued pursuant to:		
other arrangement (i)	10,000	14,800
exercise of warrants	64,991	223,081
exercise of options	855,000	2,281,085
exercise of brokers' compensation warrants	74,083	282,108
Balance – August 31, 2012 and November 30, 2012	103,621,986	$149,045,671

i) During the year ended August 31, 2012, pursuant to the Accommodation Agreement described in note 6(a), the Company issued an aggregate of 10,000 common shares of the Company and agreed to grant an aggregate of 50,000 non-transferrable common share purchase warrants of the Company to the DKFN. The common shares are subject to certain statutory restrictions on resale, as well as contractual restrictions on transfer pending receipt of certain regulatory permits and approvals for the Project. As at August 31, 2012, the Company has issued 10,000 warrants with an exercise price of $1.48 per share to the DKFN with an expiry date of August 9, 2017. The remaining 40,000 warrants will be issued in four installments of 10,000 warrants per year over the next four years on the anniversary of the effective date of the Accommodation Agreement. These warrants will have a term of five years and will have an exercise price based on the then current market price of the Company's common shares at the date of issue of the warrants.

The fair value of the 10,000 warrants was estimated at $10,057 using the Black-Scholes pricing model, with the following assumptions: expected dividend yield of Nil; risk free interest rate of 1.38%; expected life of 5.0 years; and expected volatility of 87%.

The fair values of the common shares and warrants totaling $24,857 have been capitalized as part of the exploration and evaluation costs for the Thor Lake Rare Metals Project.

c) *Warrants*

The following table reconciles the warrants outstanding to purchase common shares of the Company at the beginning and end of the respective periods:

	Number of Warrants	Weighted Average Exercise Price
Balance - September 1, 2011	3,917,583	$ 3.60
Issued pursuant to Accommodation Agreement (b(i))	10,000	1.48
Issued upon exercise of brokers' compensation warrants	37,041	3.05
Exercised	(64,991)	3.05
Expired	(3,889,633)	3.60

Balance – August 31, 2012 and November 30, 2012	10,000	$	1.48

8. Share Capital (continued)

d) Stock Option Plan

The shareholders have approved a Stock Option Plan (the "Plan") that provides for the issue of up to 10% of the number of issued and outstanding common shares of the Company to eligible employees, directors and service providers of the Company.

The Plan authorizes the granting of options to purchase common shares of the Company at a price equal to or greater than the closing price of the shares on either the trading day prior to the grant or the day of the grant. The options generally vest over a period of one to four years, and generally have a term of two to five years (but can have a maximum term of 10 years).

The following table reconciles the stock options outstanding at the beginning and end of the respective periods:

	Number of Options	Weighted Average Exercise Price
Balance – September 1, 2011	6,305,250	$ 3.38
Granted	3,150,000	2.44
Exercised	(855,000)	1.54
Expired	(100,000)	2.08
Cancelled	(500,000)	3.62
Balance - August 31, 2012	8,000,250	$ 3.21
Granted	985,000	1.69
Expired	(225,000)	1.82
Balance – November 30, 2012	8,760,250	$ 3.07

As at November 30, 2012, there were 4,369,000 options vested (August 31, 2012 – 3,812,750) with the average exercised price of $3.26 (August 31, 2012 - $3.13).

The estimated fair value of options earned during the three months ended November 30, 2012 was $1,236,106 (2011 - $2,077,087), of which $189,070 (2011 - $Nil) was capitalized as exploration and evaluation assets, $876 (2011 - $Nil) was charged to operations as general exploration expenses with the balance of $1,046,160 (2011 - $2,077,087) charged to operations as share based compensation expense.

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including expected life of the option award and share price volatility. The expected life of options granted is derived from historical data on employee exercises and post-vesting employment termination behavior. Expected volatility is based on the historic volatility of the Company's share. These assumptions involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest.

8. Share Capital (continued)

The weighted average assumptions for grants during the three months ended November 30, 2012 and the year ended August 31, 2012 are as follows:

	November 30, 2012	August 31, 2012
Exercise price	$ 1.69	$ 2.44
Closing market price on day preceding date of grant	$ 1,69	$ 2.44
Risk-free interest rate	1.29%	1.16%
Expected life (years)	4.2	3.4
Expected volatility	88%	88%
Expected dividend yield	Nil	Nil
Grant date fair value	$ 1.08	$ 1.43

The following table summarizes information concerning outstanding and exercisable options as at November 30, 2012:

Option Price Range	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life
$8.00 - $8.99	325,000	306,250	3.4 years
$7.00 - $7.99	1,000,000	400,000	3.5 years
$5.00 - $5.99	100,000	100,000	0.1 years
$4.00 - $4.99	700,000	512,500	3.6 years
$3.00 - $3.99	800,000	337,500	3.6 years
$2.00 - $2.99	2,100,250	1,181,500	2.8 years
$1.00 - $1.99	3,285,000	1,206,250	3.4 years
$0.01 - $0.99	450,000	325,000	1.2 years
	8,760,250	4,369,000	

e) Brokers' Compensation Warrants

The following table summarizes information concerning outstanding and exercisable Brokers' Compensation Warrants as at August 31, 2012 and November 30, 2012:

	Number of Compensation Warrants	Weighted Average Exercise Price
Balance - September 1, 2011	$ 74,083	$ 2.50
Exercised	(74,083)	2.50
Balance – August 31, 2012 and November 30, 2012	$ -	$ -

9. Site Closure and Reclamation Costs

A summary of the changes in the accrued site closure and reclamation costs is set out below:

	November 30, 2012	August 31, 2012
Balance - beginning of period	$ 103,600	$ -
Provision for site closure and reclamation costs	-	103,600
Balance – end of period	$ 103,600	$ 103,600

As at November 30, 2012, the current estimated closure costs to reclaim the Company's Thor Lake exploration camp site and the Warren Township exploration site are $90,000 and $13,600 respectively. The closure costs for the Thor Lake exploration camp site are expected to be incurred over the years of 2036 and 2037. The expected undiscounted future cash flow is estimated to be $183,000 for Thor Lake, assuming an annual inflation rate of 3%.

10. Capital Disclosures

Capital of the Company consists of the components of shareholders' equity.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;
(ii) to raise sufficient capital to finance its exploration and development activities on its Thor Lake Project; and
(iii) to raise sufficient capital to meet its general and administrative expenditures, and to explore and develop its other resource properties.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in light of changes in general economic conditions, the Company's short term working capital requirements, and its planned exploration and development program expenditure requirements.

As the Company is in the development stage, its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its existing working capital and raise additional funds as required.

The Company does not have any externally imposed capital requirements and there were no changes to the Company's approach to capital management during the three months ended November 30, 2012.

11. Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

a) Trading transactions

i) During the three months ended November 30, 2012 the Company incurred consulting fees of $Nil (2011 - $9,000) with an officer;

ii) During the three months ended November 30, 2012 the Company incurred consulting fees of $Nil (2011 - $13,350) with a person who is related to an officer and director, which were capitalized as exploration and evaluation assets;

11. Related Party Transactions (continued)

iii) During the three months ended November 30, 2012 the Company incurred consulting fees of $3,600 (2011 - $Nil) with a person who is related to an officer, which were capitalized as exploration and evaluation assets. As at November 30, 2012, accrued liabilities included $5,000 accrued to this person.

These expenses have been measured at their exchange value, being the amounts negotiated and agreed to by the parties to the transactions.

b) Compensation of key management

The remuneration of directors and other members of key management personnel during the three months ended November 30, 2012 and 2011:

	2012	2011
Salaries, benefits and directors' fees	$ 787,091	$ 686,762
Share based compensation[1]	994,341	1,933,605
	$ 1,781,432	$ 2,620,367

[1] Fair value of stock options earned and recognized as share based compensation during the respective reporting period.

12. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1	quoted prices in active markets for identical assets or liabilities;
Level 2	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3	inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at November 30, 2012, the Company's Cash and Cash Equivalents are categorized as Level 1 measurement. Fair value of other financial assets is determined based on transaction value and is categorized as Level 1 measurement. Fair value of Trade and other payables are determined from transaction values that are not based on observable market data. Fair values of these financial instruments are based on Level 3 measurements.

Fair Values

Except as disclosed elsewhere in these financial statements, the carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

12. Financial Instruments (continued)

Credit risk

The Company is not exposed to any significant credit risk as at November 30, 2012. The Company's cash and cash equivalents are either on deposit with two highly rated banking groups in Canada or invested in bankers acceptance notes or guaranteed investment certificates issued by two highly rated Canadian banking groups. The Company's receivables primarily consist of Goods and Services Tax/Harmonized Sales Tax receivable and Investment Tax Credits receivable and are therefore not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its plans for exploration and development expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As at November 30, 2012 the Company has current assets of $26,903,165 and current liabilities of $2,522,211. All of the Company's current financial liabilities and receivables have contractual maturities of less than 120 days and are subject to normal trade terms. Current working capital of the Company is $24,380,954.

Market risk

(i) Interest rate risk

The Company has significant cash and cash equivalents balances and it has no interest-bearing debt. The Company's current policy is to invest its excess cash in highly liquid money market investments such as bankers acceptance notes, treasury bills and GICs. These short term money market investments are subject to interest rate fluctuations.

(ii) Foreign currency risk

The Company's functional currency is primarily the Canadian dollar. The majority of the Company's purchases are transacted in Canadian dollars. As at November 30, 2012, the Company had cash held in bank accounts of US$94,773 and accounts payable of US$120,537 denominated in US currency.

(iii) Price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

Sensitivity analysis

Based on management's knowledge and experiences of the financial markets, the Company's management believes the following movements are "reasonably possible" over a three month period.

As at November 30, 2012, approximately 98% of the Company's GICs are maturing in January to February 2013 and are subject to interest rate fluctuations. Sensitivity to a plus or minus 25 basis points change in rates would increase or decrease the Company's net loss by approximately $4,000 over the next three month period.

12. Financial Instruments (continued)

The Company had cash of US$94,773 in cash and accounts payable of US$120,537 denominated in US currency as at November 30, 2012 and its anticipated expenditures transacted in US dollars for the next three month period is approximately US$395,000. If the Canadian Dollar weakens (or strengthens) 5% against the United States Dollar with other variables held constant, the Company's expenditures would decrease (or increase) by approximately $20,000 over the three month period, which would be offset by a foreign exchange gain (or loss) of approximately $1,300.

13. Supplemental Cash Flow Information

Non-cash financing and investing transactions not reflected in the Consolidated Statements of Cash Flows for the three months ended November 30, 2012 and 2011 are as follows:

	2012	2011
Share based compensation capitalized as exploration and evaluation assets	$ 189,070	$ -

14. Subsequent Event

Subsequent to the three months ended November 30, 2012, the Company granted an aggregate of 100,000 stock options with a weighted average exercise price of $1.37 per share to the Company's employees. The weighted average contract life of these options was 5 years.

Exhibit 99.2

Management's Discussion and Analysis of Financial Statements
for the three months ended November 30, 2012

This Management's Discussion and Analysis ("MDA") of Avalon Rare Metals Inc. (the "Company" or "Avalon") is an analysis of the Company's financial results for the three months ended November 30, 2012 (the "Quarter"). The following information should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the Quarter and the consolidated financial statements and annual information form for the year ended August 31, 2012.

Certain of the statements that are not historical facts contained in this MDA are forward-looking statements that involve risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements include, among other things, statements regarding targets, estimates and/or assumptions in respect of reserves and/or resources, and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to under "Description of the Business - Risk Factors" in the Company's annual information form for the year ended August 31, 2012, and:

- uncertainties involved in the estimation or realization of mineral resources;
- uncertainties as to the recovery rates and production costs of the rare metals and other minerals;
- uncertainties as to the timing and amount of estimated future production;
- uncertainties as to the requirements for additional capital;
- uncertainties as to fluctuation of future prices of rare metals and minerals;
- uncertainties as to fluctuation of market demand for rare metals and minerals;
- uncertainties as to the reliability of plant operations at production scale;
- uncertainties as to fluctuation of energy costs;
- uncertainties as to the risks of the mining industry; and
- uncertainties as to the possible delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities.

Most of these factors are beyond Avalon's ability to control or predict. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Readers can identify many of these statements by looking for words such as "believe", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur.

The forward-looking statements contained herein are made as of the date of this MDA and are expressly qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances, except as required by applicable law.

Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. This MDA is prepared as of January 10, 2013.

Nature of Business and Overall Performance

Avalon is a Canadian mineral exploration and development company that is listed on the Toronto Stock Exchange in Canada, on the NYSE MKT (formerly "NYSE Amex") in the United States and also trades on the Frankfurt Stock Exchange in Germany. The Company seeks to build shareholder value by becoming a diversified producer and marketer of rare metals and minerals and expanding the markets for its mineral products. The technical information included in this MDA, unless otherwise stated, has been reviewed and approved by Donald S. Bubar, P. Geo., President and Chief Executive Officer of the Company and Dr. William Mercer, P. Geo., Vice-President, Exploration of the Company. Mr. Bubar and Dr. Mercer are both Qualified Persons under National Instrument 43-101 ("NI 43-101").

Avalon operates primarily in Canada with a focus on the rare earth elements ("REE"), and other rare metals and minerals, including lithium, tantalum, niobium, cesium, indium, gallium, yttrium, zirconium as well as a related base metal; tin. By definition, REE are the lanthanide series of elements (atomic numbers 57 - 71), whereas the term "rare metals" is a more general "umbrella" term that includes the REE as well as other rare metals including those named above.

The Company is in the process of exploring or developing six of its seven mineral resource properties. The Nechalacho REE Project at Thor Lake ("Nechalacho" or the "Project") is the Company's most advanced project, and completion of a feasibility study ("FS") on this Project by the second quarter of calendar 2013 is the Company's top priority and primary focus.

The Company has embraced the principles of sustainability as core to its business practice by first adopting in 2008, the Principles and Guidelines for Responsible Exploration ("e3 Plus") developed by PDAC as policy of the Company. In addition, in 2011, the Company became an associate member of the Mining Association of Canada ("MAC"), with a view to gradual implementation of Towards Sustainable Mining ("TSM"). TSM is an initiative developed by the MAC to improve the industry's performance by aligning its actions with the priorities and values of Canadians. TSM is based on a set of guiding principles that are in turn supported by performance elements and indicators.

Avalon is making a strong commitment toward implementing corporate social responsibility ("CSR") best practices. In 2010, Avalon received PDAC's 2010 Environmental and Social Responsibility Award for its exceptional efforts in community engagement with Aboriginal groups. Avalon applies these principles throughout its operations, particularly with respect to its environmental, health and safety and community engagement practices on the Project. In April, 2012, Avalon released its inaugural Sustainability Report entitled "Journey to a Sustainable Future", which follows the principles of TSM and the Global Reporting Initiative guidelines.

The Company believes that industrial demand for rare metals is growing due to their importance in an expanding array of applications in technology related to energy efficiency and a cleaner environment. Rare metals supplies are constrained, especially for the REE where China provides approximately 95% of the world's primary supply. Policy directives announced by the Chinese government are dictating reductions in exports of unprocessed REE which has led to price volatility and concern about security of supply of certain REE in major REE consuming countries such as Japan, Korea and the United States.

Selected Annual Information

The following selected financial data for each of the three most recently completed fiscal years are derived from the audited annual financial statements of the Company. The financial data for fiscal 2011 has been adjusted to comply with International Financial Reporting Standards ("IFRS"). For a reconciliation to pre-transition generally accepted accounting principles in Canada ("Canadian GAAP"), see Note 17 of the notes to the Company's consolidated financial statements for the year ended August 31, 2012.

For the Years Ending August 31,	**2012[1]**	**2011[1]**	**2010[2]**
	$	**$**	**$**
Net revenues	1,105,731	605,142	80,557
Loss before discontinued operations and extraordinary items	11,152,194	8,709,760	4,099,300
Loss before discontinued operations and extraordinary items, per share basic and fully diluted	0.11	0.09	0.05
Net loss	11,152,194	8,709,760	4,099,300
Net loss, per share basic and fully diluted	0.11	0.09	0.05
Total assets	124,081,323	123,815,949	41,526,715
Total long term liabilities	103,600	-	-
Cash dividends	-	-	-

(1) Prepared in accordance with IFRS

(2) Prepared in accordance with Canadian GAAP prior to transition to IFRS

The Company has recorded losses in each of its three most recently completed fiscal years and expects to continue to record losses until such time as an economic resource is identified, developed and brought into profitable commercial operation on one or more of the Company's properties or otherwise disposed of at a profit. Since the Company has no revenue from operations, annual operating losses typically represent the sum of business expenses plus any impairment losses recognized on its mineral properties during the period. The Company expects to continue to increase its level of business activity in coming years and consequently investors should anticipate that the Company's annual operating losses will also increase until an operation is brought into production or disposed of at a profit.

Exploration and Development Activities

Resource property expenditures for the Quarter totalled $7,713,409, a 31% increase over the level of expenditures for the quarter ended November 30, 2011 ($5,898,196). Of these expenditures, 99.5% were incurred on the Nechalacho REE Project at Thor Lake. The increase was primarily caused by increased expenditures on metallurgical work and feasibility study work on Nechalacho.

No properties were abandoned during the Quarter and no impairment loss was recognized.

Nechalacho REE Project at Thor Lake

Thor Lake is located in the Mackenzie Mining District of the Northwest Territories ("NWT"), about five kilometres north of the Hearne Channel of Great Slave Lake and approximately 100 kilometres southeast of the city of Yellowknife. The property is situated in an area referred to as the Akaitcho Territory, an area which is subject to comprehensive native land claim negotiations.

The property is comprised of five contiguous mining leases totalling 10,449 acres (4,249 hectares) and three claims totalling 4,597 acres (1,869 hectares), the latter staked in 2009 to cover favourable geology to the west of the mining leases. The property is subject to one underlying 2.5% net smelter returns ("NSR") royalty agreement. Avalon has the contractual right to buy out this royalty on the basis of a fixed formula, which currently approximates $1.3 million and which will increase at a rate equal to the Canadian prime rate until the royalty is bought out.

The Company has completed its Accommodation Agreement with the Deninu Kue First Nation ("DKFN"). The Accommodation Agreement provides for business and employment opportunities for the DKFN related to the Project and contains measures to mitigate environmental and cultural impacts that may result from the project development. The Accommodation Agreement also commits the DKFN to supporting timely completion of the environmental assessment, permitting and development processes of the Project.

The definitive financial structure for the Project has not been finally determined, but it is expected that it will take the form of a limited partnership (the "LP"), in which the DKFN will participate as one of its business opportunities. Upon receipt by the Company of certain regulatory permits and approvals, the DKFN will acquire 3,333 limited partnership units (the "Partnership Units"), out of a projected total of 100,000 limited partnership units to be held by the Company and its Aboriginal partners. The DKFN may, at its option, borrow from the Company all or a portion of the capital required to acquire the 3,333 Partnership Units or for any subsequent cash contributions to the LP.

Negotiations towards the completion of similar accommodation agreements with the Lutsel K'e Dene First Nation ("LKDFN") and the Yellowknives Dene First Nation ("YKDFN") are ongoing with the objective of concluding these agreements early in 2013.

Since acquiring the property in 2005, Avalon has concentrated its exploration efforts on the largest known mineralized zone on the property, the Nechalacho REE deposit (the "Nechalacho Deposit"). The Nechalacho Deposit is the mineral resource for the Nechalacho REE Project.

Expenditures during the Quarter totalled $7,674,012. Of this, approximately 22% was spent on drilling and geological work in support of the drilling program, 41% on metallurgical studies, 33% on the FS, 2% on environmental studies and permitting work, with the balance funding community consultation work.

Mineral Resource Update

The updated mineral resource estimates as described below were prepared by Benjamin Webb, Senior Resource Geologist of Avalon, under the supervision of the Company's Vice-President, Exploration, William Mercer, Ph.D., P.Geo. (Ont), P. Geo. (NWT). The audit was completed by Tudorel Ciuculescu, P. Geo., Senior Geologist, RPA. Drilling operations are being performed by a third party drilling company under the supervision of a consulting Professional Geologist. William Mercer is also providing overall direction on the project and monitors the QA/QC on the laboratory analyses.

From July, 2007 to October, 2012 Avalon completed 106,588 metres of drilling in 490 holes on the Nechalacho Deposit. The recent drilling programs have focused on three main objectives:

- Detailed definition of the resources bringing Indicated Mineral Resources to the Measured Mineral Resources category, and to refine the mine plan;
- Provision of a 40 tonne bulk sample for metallurgical testing; and
- Geotechnical drilling for surface and underground development.

All three objectives have been accomplished.

The 2012 summer drill campaign extended from July to October with one rig drilling 39 HQ holes totaling 10,625 metres.

The updated resource estimate referred to above, which includes results of drilling through August 2012, was completed during the Quarter. This most recent updated resource estimate is highlighted by the definition of additional Measured Mineral Resources in the area targeted for the early years of mining.

Basal Zone Measured Mineral Resources are now estimated at 10.88 million tonnes grading 1.67% TREO and 22.91% HREO/TREO using the base case US$320/tonne Net Metal Return ("NMR") cut-off for the key Basal Zone part of the deposit (Table 1). Furthermore, within the Measured Resources, there is an estimated 6.75 million tonnes at the US$600 NMR cut-off grading 1.98% TREO and 24.76% HREO/TREO demonstrating that the Measured Mineral Resources are robust at higher cut-off grades (Table 3).

The updated resource estimate has resulted in a slight decrease in the total Indicated Mineral Resources in the Basal Zone to 54.95 million tonnes grading 1.54% TREO with 21.63% HREO/TREO at the US$320 NMR base case cut-off per tonne of ore (Table 1). The total Measured and Indicated Mineral Resources for the Basal Zone of 65.83 million tonnes of 1.57% TREO and 21.86% HREO/TREO can be compared with the Basal Zone Measured and Indicated Resources of 72.66 million tonnes grading 1.53% TREO with 21.5% HREO/TREO reported previously in the news release dated July 10, 2012. Grades for individual rare earth element oxides are listed in Table 2. The slight decrease in Measured and Indicated Resources is largely due to the use of a higher NMR cut-off grade of US$320 per tonne compared with the previous NMR cut-off of Cdn$260 per tonne of ore.

The resource estimation procedure employed by Avalon was similar to that of the NI 43-101 compliant resource disclosed in the Company's News Release dated July 10, 2012. The composite methodology, estimation method (Inverse Distance Squared), block size, domains and estimation parameters were similar. Metal price assumptions were updated to match those used for the updated prefeasibility study ("PFS") (as detailed in the Company's News Release dated July 7, 2011).

The Mining Reserve utilized for the PFS has not yet been updated to reflect these new Mineral Resource estimates. The Mining Reserve will be updated once all the additional data from the 2012 winter and summer drilling programs are incorporated into the block model. The 2011 Prefeasibility Study was based on a CIM-compliant Probable Mineral Reserve estimate of 14.5 million tonnes of 1.53% TREO. In the meantime, mine design work continues based on the most recent Mineral Resource estimates. At the planned mining rate of 2,000 tonnes per day, there are now sufficient Measured and Indicated Resources defined in the Basal Zone to support a mine life well in excess of the 20 years contemplated in the PFS.

Table 1: Nechalacho Deposit Mineral Resources at the Base Case US$320/tonne NMR Cut-Off

Category	Zone	Tonnes	TREO	HREO	HREO/ TREO	ZrO_2	Nb_2O_5	Ta_2O_5
		(millions)	(%)	(%)	(%)	(%)	(%)	(%)
Measured	Basal	10.88	1.67	0.38	22.91	3.13	0.41	0.04
	Upper	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total Measured	**10.88**	**1.67**	**0.38**	**22.91**	**3.13**	**0.41**	**0.04**
Indicated	Basal	54.95	1.54	0.33	21.63	3.01	0.40	0.04
	Upper	55.61	1.42	0.14	10.10	1.92	0.28	0.02
	Total Indicated	**110.56**	**1.48**	**0.24**	**16.08**	**2.46**	**0.34**	**0.03**
Measured and Indicated	Basal	65.83	1.57	0.34	21.86	3.03	0.40	0.04
	Upper	55.61	1.42	0.14	10.10	1.92	0.28	0.02
Total Measured and Indicated		**121.44**	**1.50**	**0.25**	**16.77**	**2.52**	**0.34**	**0.03**
Inferred	Basal	59.89	1.28	0.25	19.59	2.70	0.36	0.03
	Upper	122.12	1.28	0.13	9.77	2.21	0.32	0.02
	Total Inferred	**182.01**	**1.28**	**0.17**	**13.01**	**2.37**	**0.33**	**0.02**

Notes:

1) CIM definitions were followed for Mineral Resources.
2) The Qualified Person for this Mineral Resource estimate is William Mercer, PhD, P.Geo. (Ontario), P. Geo.(NWT) VP, Exploration, Avalon Rare Metals Inc.
3) HREO (Heavy Rare Earth Oxides) is the total concentration of: Y_2O_3, Eu_2O_3, Gd_2O_3, Tb_2O_3, Dy_2O_3, Ho_2O_3, Er_2O_3, Tm_2O_3, Yb_2O_3 and Lu_2O_3.
4) TREO (Total Rare Earth Oxides) is HREO plus: La_2O_3, Ce_2O_3, Pr_2O_3, Nd_2O_3 and Sm_2O_3.
5) Rare earths were valued at an average net price of US$38/kg, ZrO_2 at US$3.77/kg, Nb_2O_5 at US$56/kg, and Ta_2O_5 at US$256/kg. Average REO price is net of metallurgical recovery and payable assumptions for contained rare earths, and will vary according to the proportions of individual rare earth elements present. This average price is based on the individual price set used in the RPA Technical Report, except for three changes applicable to individual oxides reflecting present and projected 2016 markets:
   a. La_2O_3, Ce_2O_3 and Sm_2O_3 reduced 50% to US$8.75, US$6.23 and US$6.75 per kg respectively.
   b. Remaining rare earth prices are unchanged at Pr_2O_3 at US$75.20, Nd_2O_3 at US$76.78, Eu_2O_3 at US$1,392.57, Gd_2O_3 at US$54.99, Tb_2O_3 at US$1,055.70, Dy_2O_3 at US$688.08, $Ho_2(CO_3)_3$ at US$66.35, Er_2O_3 at US$48.92, Lu_2O_3 at US$522.83, Y_2O_3 at US$67.25/kg
6) An exchange rate of US$1.00 = Cdn$1.05 was used.
7) A cut-off NMR value of US$320 per tonne was used. NMR is defined as "Net Metal Return" or the in situ value of all payable metals, net of estimated metallurgical recoveries and off-site processing costs.
8) ZrO_2 refers to Zirconium Oxide, Nb_2O_5 refers to Niobium Oxide, Ta_2O_5 refers to Tantalum Oxide.
9) See Table 2 for individual rare earth oxide details; See Table 3 for tonnes and TREO grades at higher NMR cut-off values.

Table 2: Nechalacho Deposit Measured, Indicated and Inferred Rare Earth Oxide Grades at the Base Case US$320/tonne NMR Cut-Off

Category	Zone	Tonnes	La_2O_3	Ce_2O_3	Pr_2O_3	Nd_2O_3	Sm_2O_3	Eu_2O_3	Gd_2O_3	Tb_2O_3	Dy_2O_3	Ho_2O_3	Er_2O_3	Tm_2O_3	Yb_2O_3	Lu_2O_3	Y_2O_3
		(millions)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Measured	Basal	10.88	0.263	0.589	0.074	0.293	0.065	0.0081	0.059	0.0091	0.047	0.008	0.022	0.003	0.017	0.002	0.206
	Upper	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Measured		**10.88**	**0.263**	**0.589**	**0.074**	**0.293**	**0.065**	**0.0081**	**0.059**	**0.0091**	**0.047**	**0.008**	**0.022**	**0.003**	**0.017**	**0.002**	**0.206**
Indicated	Basal	54.95	0.251	0.557	0.070	0.274	0.059	0.0073	0.053	0.0080	0.041	0.007	0.018	0.002	0.014	0.002	0.181
	Upper	55.61	0.268	0.594	0.073	0.284	0.054	0.0058	0.039	0.0042	0.016	0.002	0.005	0.001	0.004	0.001	0.065
Total Indicated		**110.56**	**0.259**	**0.576**	**0.071**	**0.279**	**0.057**	**0.0065**	**0.046**	**0.0061**	**0.029**	**0.005**	**0.012**	**0.002**	**0.009**	**0.001**	**0.123**
Measured and Indicated	Basal	65.83	0.253	0.562	0.070	0.277	0.060	0.0074	0.054	0.0082	0.042	0.007	0.019	0.002	0.015	0.002	0.185
	Upper	55.61	0.268	0.594	0.073	0.284	0.054	0.0058	0.039	0.0042	0.016	0.002	0.005	0.001	0.004	0.001	0.065
Total Measured and Indicated		**121.44**	**0.260**	**0.577**	**0.072**	**0.281**	**0.057**	**0.0067**	**0.047**	**0.0063**	**0.030**	**0.005**	**0.013**	**0.002**	**0.010**	**0.001**	**0.130**
Inferred	Basal	59.89	0.210	0.474	0.061	0.239	0.049	0.0060	0.044	0.0063	0.031	0.006	0.013	0.002	0.011	0.002	0.132
	Upper	122.12	0.231	0.553	0.066	0.258	0.047	0.0051	0.034	0.0035	0.014	0.002	0.005	0.001	0.004	0.001	0.057
Total Inferred		**182.01**	**0.225**	**0.527**	**0.064**	**0.252**	**0.047**	**0.0054**	**0.037**	**0.0044**	**0.020**	**0.003**	**0.007**	**0.001**	**0.006**	**0.001**	**0.081**

Table 3: Nechalacho Deposit Measured, Indicated and Inferred Mineral Resources for Basal Zone by NMR Cut-Off Value with the Base Case $320/tonne NMR Cut-Off .

Zone	NMR Cut-Off ($USD)	Tonnes (millions)	TREO (%)	HREO (%)	HREO/TREO (%)	ZrO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)
Measured								
Basal	≥320	10.88	1.67	0.38	22.91	3.13	0.41	0.04
Basal	≥600	6.75	1.98	0.49	24.76	3.79	0.48	0.05
Basal	≥800	4.00	2.23	0.59	26.51	4.31	0.54	0.06
Basal	≥1000	1.99	2.52	0.70	27.67	4.90	0.61	0.06
Indicated								
Basal	≥320	54.95	1.54	0.33	21.63	3.01	0.40	0.04
Basal	≥600	30.03	1.88	0.45	23.88	3.66	0.47	0.05
Basal	≥800	14.57	2.18	0.56	25.57	4.21	0.53	0.06
Basal	≥1000	5.72	2.52	0.67	26.58	4.79	0.60	0.06
Measured and Indicated								
Basal	≥320	65.83	1.57	0.34	21.86	3.03	0.40	0.04
Basal	≥600	36.78	1.90	0.46	24.05	3.68	0.47	0.05
Basal	≥800	18.57	2.19	0.57	25.78	4.23	0.53	0.06
Basal	≥1000	7.71	2.52	0.68	26.86	4.82	0.60	0.06
Inferred								
Basal	≥320	59.89	1.28	0.25	19.59	2.70	0.36	0.03
Basal	≥600	18.68	1.69	0.37	22.14	3.33	0.45	0.04
Basal	≥800	4.75	2.03	0.51	25.28	3.88	0.51	0.05
Basal	≥1000	1.10	2.47	0.63	25.44	4.24	0.56	0.06

Rare Earth Market Development Initiatives

The Company's product marketing effort is being led by Mr. Pierre Neatby, Vice-President, Sales and Marketing. The Company has implemented a proactive marketing plan with the overall objective of building relationships with strategic customers seeking to become investors in the Project, and identifying technology partners capable of assisting Avalon with process technology. Most potential strategic partners and technology partners are seeking off-take agreements in return for their financial or technological contribution.

Avalon has now entered into non-binding memorandums of understanding ("MOUs") with five industrial companies seeking to participate in the Project by investing and/or providing technical expertise in exchange for obtaining off-take rights. MOUs are commonly used to initiate a formal due diligence process and frame the discussions between the parties. However, each MOU requires the Company to maintain the confidentiality of the identity of the counterparty and the business terms until the negotiation process is completed and a definitive agreement is signed.

Since June 1, 2012 Avalon has continued to develop relationships, has advanced negotiations with existing contacts, and initiated new discussions with several new potential partners. One new non-binding MOU was signed with a potential Chinese partner to bring the current total to five. Active discussions continue with four of the five companies that have signed MOU's.

REE supply shortages both outside and inside China have caused prices to increase over the past few years, with a spectacular increase occurring in 2010-11. Although many REE prices have fallen over the past year, they still remain well above their historical levels, reflecting increased production costs inside China as the government seeks to modernize the industry. The Company's price forecasts used for estimating potential future revenues remain unchanged from those disclosed in July, 2011, until recently when it updated downwards the prices for 3 elements (Ce_2O_3 to US$ 6.23/kg, La_2O_3 to US$ 8.75/kg and Sm_2O_3 to US$ 6.75/kg) and these updated prices have been used in the updated resource estimate as disclosed above under Mineral Resource Update. Other prices remained unchanged as the Company's forecasts had already built in an anticipated decline in certain REE prices from their recent historical highs.

Nechalacho Project Feasibility Study Progress

Avalon continues to advance the FS, which is currently targeted for completion by the second quarter of calendar 2013. The technical information on the progress of the FS has been reviewed and approved by the Company's Senior Vice President, Metallurgy, Mr. David Marsh. The following elements outline progress to date:

- Environmental Baseline work is completed at Nechalacho and Pine Point;
- Nechalacho Underground Mine plan and development schedule is complete;
- FS work for the Nechalacho Flotation Plant is nearly completed;
- FS work for the Nechalacho Tailings Facility is complete;
- FS work for the Nechalacho Paste Backfill Plant is complete;
- Nechalacho Capex and Opex estimates are nearly completed;
- Design criteria is finalized for the Pine Point (Hydrometallurgical (Acid Bake)) plant and incorporation of revised data into the FS has begun;
- FS work on the Separation Plant and supporting infrastructure proposed for Geismar, Louisiana is advancing steadily;
- Preliminary Capex and Opex estimates are being generated for both the Acid Bake and Separation Plants and supporting infrastructure.

Finalizing metallurgical process flowsheets for the FS plant design work remains a top priority and, accordingly, accounts for the majority of recent project expenditures.

Metallurgical Process Development

Metallurgical process development work continued during the Quarter under the direction of the Company's Senior Vice President, Metallurgy, Mr. David Marsh. Recent work has been focused on further development (at the bench scale) of alternative flotation reagent suites and improved impurity removal at various stages of the Hydrometallurgical and Separation plant flowsheets.

A flotation pilot campaign was conducted in September at Xstrata Process Support Laboratory, Sudbury, ON with the objective of confirming improved flotation parameters developed earlier on a bench scale. The results met expectations with regards to achieving a significant drop in reagent consumptions and also achieved targeted rougher flotation recoveries. Cleaning of the rougher concentrate however fell short of the target recoveries and further bench scale work is underway to identify possible causes and solutions.

Bench scale testwork is well advanced at SGS Lakefield where several alternative reagent suites (based largely on Chinese operations) are being tested. These are showing much promise and have the significant advantage of not requiring a de-sliming stage ahead of flotation or a gravity circuit to up-grade the final concentrate.

Other bench scale flotation work at XPS is determining the flotation response/performance for various ore types. Finalising the optimum reagent suite remains a primary focus for current investigations with work taking place in a number of commercial laboratories and research institutes.

An experienced kiln vendor has been engaged to confirm a number of operating parameters and materials of construction required for the hydrometallurgical (acid bake) process. A 200kg sample has been provided to them for this work which will also investigate the impact of kiln residence time on leach efficiency (some such work was conducted previously but on a smaller scale). Further analyses of the gases produced by this process will also be conducted.

Work was initiated in China with a potential buyer for the Enriched Zircon Concentrate produced as a by-product of the acid bake hydrometallurgical process. This work aims to improve the grade of the material by removing much of the contained gangue. The pilot work was conducted and samples have been sent to SGS Lakefield for analysis.

The piloting testwork for the REE Separation Plant has been initiated at Mintek SA in Johannesburg, South Africa. This scope of work has been expanded to include options for improving the quality of feed material ahead of the SX separation processes.

Nechalacho Project Community, Environment, Health and Safety, Permitting

As described above, the Company has completed its Accommodation Agreement with the Deninu Kue First Nation ("DKFN"). Negotiations towards the completion of similar accommodation agreements with the Lutsel K'e Dene First Nation ("LKDFN") and the Yellowknives Dene First Nation ("YKDFN") are ongoing with the objective of concluding these agreements in early 2013.

The Company has placed a high priority on its performance with respect to health and safety at the Nechalacho REE Project at Thor Lake. The Company's safety performance remained strong during the Quarter, with no lost time or medical aid accidents. This improvement is attributed to additional safety training and an emphasis on preventative measures such as near-miss reporting, improved housekeeping, risk assessments, regular and more frequent inspections, emergency drills, and both weekly and daily safety meetings. A two day safety leadership workshop was held in mid-December and included key site and office employees and external experts. A resulting benefit of the improved safety awareness and performance was a concurrent improvement in drilling performance.

There were no additional Nechalacho Site inspections following the one conducted on August 22, 2012 by the Aboriginal Affairs and Northern Development Canada (formerly Indian and Northern Affairs Canada) Land Use inspectors. All concerns raised were minor in nature and were already being addressed prior to the inspection. Site environmental performance remained high during the full 2012 drill program.

The environmental assessment process continued during the Quarter. Regulators technical reports were submitted on November 30, 2012 and Avalon provided responses to several items in a submission to the Mackenzie Valley Environmental Impact Review Board ("MVEIRB") on December 19, 2012. A pre-hearing conference is scheduled in Yellowknife on January 25, 2013. This will be followed by Public hearings in Yellowknife and Fort Resolution scheduled between February 18-26, 2013. Closure of MVEIRB's public record is scheduled for March 21, 2013. This timeline creates some risk for delays in securing operating permits, but Management remains optimistic that any permitting delays experienced in 2013 will not impact the overall project schedule to production. Copies of all information submitted by the Company can be found on MVEIRB's public registry at www.reviewboard.ca.

Activities at the Project site are conducted under a new land use permit issued by the Mackenzie Valley Land and Water Board on June 23, 2011, for a period of 5 years beginning on July 5, 2011.

The Company has begun discussions with the Louisiana Department of Environmental Quality to identify permitting requirements for the Separation Plant located in Geismar, Louisiana. Initial indications are that while the process is rigorous, timelines for receiving permits are more predictable than in the Northwest Territories. Avalon started the permitting process subsequent to the end of the Quarter with the selection of an environmental consultant and initiated work targeting the completion of permitting by December 2013.

Nechalacho Project Schedule - Risks and Mitigations

The Company anticipates that the FS will be completed by the second quarter of calendar 2013. Subject to a favorable FS and successfully arranging initial project financing and permitting, early works construction for the Nechalacho site would then commence toward the end of the second quarter in calendar 2013, with plant site construction commencing in the second quarter of calendar 2014. Target date for production start-up remains late 2016 with initial product sales anticipated for 2017. Securing timely financing for site infrastructure costs and long-lead-time equipment items could impact these dates.

The Company believes that timely completion of the metallurgical pilot plant programs is the most significant risk factor for delays to the FS schedule. This is partly due to capacity issues with service providers as well as the potential for unanticipated results necessitating changes in the process flowsheet design. The Company believes that the recent successful completion of flotation and hydrometallurgical pilot plant trials has significantly reduced this risk, although the separation plant flow sheet remains to be piloted. Further, removing the caustic cracking process from the development model and the consequent decision to sell the acid bake residues to a third party processor has completely removed the risk associated with this technically challenging process.

Additional risk mitigation steps being taken with respect to metallurgy include having Company representatives attend at the metallurgical laboratories on a regular and frequent basis, and the continuing strengthening of the Company's metallurgical team, which now includes a senior VP and three full-time staff.

Timely receipt of all required operating permits is a risk factor for the construction schedule and remains so due to the relatively slow advancement of the EA process. This risk has been at least partly mitigated by the lack of significant environmental impacts associated with the development plan and the lack of local community opposition. Timely responses by MVEIRB to the Company's submissions are important if the Company is to maintain its project development timelines. The Company is working co-operatively with the regulators and government to avoid unnecessary delays through more frequent communications.

Finally, timely availability of Project financing is another significant risk factor, given the current global economic environment. The Company is working to mitigate this risk by seeking to arrange off-take agreements and to attract investment from prospective consumers of rare earth elements and minerals, or other strategic partners. However, the Company will need to find a source of funding to support the commencement of its EPCM work in March, 2013 and to finance the purchase of its separation plant site in May, 2013. Please refer to "Liquidity and Capital Resources" below.

To help manage technical risk the Company has developed and implemented a formal risk management program developed to assess business, construction and operating risks. The Company also maintains an independent Technical Advisory Committee ("TAC") that meets quarterly to review progress on technical work related to Nechalacho Project and provide advice to senior management. The TAC met once during the Quarter.

Other Projects

The Company has five other active mineral resource projects. The work programs on these projects are under the overall direction of the Company's Vice-President, Exploration, Dr. William Mercer.

Separation Rapids

During the Quarter, the Company incurred $1,923 in expenditures on the Separation Rapids Lithium-Tantalum Project which is host to the Big Whopper petalite deposit. This expenditure related wholly to minor mineral rights holding costs largely incurred by the Company's external mineral tenure consultant.

The Company is continuing with the permitting process under the *Mining Act* (Ontario) in order to be ready to resume operations at the site when a market opportunity is confirmed. Initial work involving the preparation of a detailed project description report has been completed.

Warren Township

Expenditures of $3,748 were incurred on the Warren Township Anorthosite Project during the Quarter. Avalon has received a permit under the *Aggregate Resources Act* (Ontario) and Regulations to operate a quarry at Warren Township on 240 hectares of land, The Company's application for a Mining Lease under the *Mining Act* of Ontario covering the Warren Township claims is in progress and is anticipated to be granted shortly. This will further secure the Company's mineral tenure in anticipation of site development.

East Kemptville

The Company incurred $8,067 in expenditures during the Quarter on the East Kemptville Tin-Rare Metals Project in Yarmouth County, Nova Scotia, primarily related to maintenance of the property and discussions with the Government of the Province of Nova Scotia for a new Special Licence.

During the Quarter, the Government announced the granting of a new two-year Special Licence to the Company covering historical tin resources at East Kemptville (the "Special Licence") and the new Special Licence agreement was executed subsequent to the Quarter. With mineral tenure re-secured, the Company is now in a position to move forward with the proposed work program (subject to arranging access to the site) that is required to complete a preliminary economic assessment on the deposit.

This permit requires the additional expenditure of $1,500,000 by September 30, 2014 following a development program outlined by Avalon.

Spor Mountain

The Company incurred $21,877 in expenditures on the Spor Mountain Rare Metals Project in Juab County, Utah, related to minor expenditures incurred in reclamation activities on the drill sites, which are now pending approval from the Bureau of Land Management.

Although no economically significant mineralization was encountered during the drill program which was completed in the summer, the drill holes provided encouragement that the geological model being applied to target rare metal mineralization is valid. The data generated is presently under review in order to plan a follow up drilling program. No specific timetable has been defined for renewed work on the property.

Miramichi Tin

During the Quarter, the Company renewed the existing mineral claims in York County, New Brunswick, and incurred expenditures relating to assessment work registration fees. Total expenditures incurred during the Quarter were $3,782. Field work is planned for early spring 2013 as access agreements are completed with landowners. The Miramichi Tin project is considered prospective for tin-indium deposits similar to the East Kemptville deposit in Nova Scotia.

General Exploration

During the Quarter, the Company incurred $17,558 in general exploration expenses related to new rare metals project generation.

Corporate Social Responsibility ("CSR")

Since 2007, as a specific CSR objective, the Company has conducted considerable Aboriginal community outreach and endeavoured to maximize Aboriginal employment at the Nechalacho site and partly through implementation of certain training initiatives. During calendar 2012, the Company achieved this objective, by maintaining an average of 65% Aboriginal staff of the 20 regular staff at the site. In addition, major service contracts for expediting and air charter services are with companies partnered with Aboriginal groups. The impacted First Nations have approached Avalon with regards to generating business capacity within their communities through future contracts related to the construction and operations phases of the Project, and this has been integrated into our Accommodation Agreements. Several safety training initiatives for all site employees were carried out during the year, as well as carrying out emergency response drills.

Avalon continued to build on and expand upon its University Student Outreach Initiative (designed to build the talent pools needed for the design and building of REE facilities and downstream REE processing and applications. This initiative is about encouraging, enabling and strengthening the interest in REE-focused science, engineering and business among undergraduate and post graduate students and faculty. As part of this initiative, Avalon has introduced REE lectures and seminars into course curriculum, mentored an international network of research and development capabilities, and sponsored student and case competitions in a wide range of courses and universities, including process improvement, renewable energy plant design and sustainability-related projects. In addition, during the Quarter, Avalon chaired and organized the inaugural Rare Earth Symposium under the auspices of the Canadian Metallurgical Society, which brought together 44 peer-reviewed technical papers from industry and academia from 10 countries.

To provide independent advice as to the efficacy of the Company's Corporate Social Responsibility work, the Company maintains an independent Sustainability Advisory Committee ("SAC") that meets quarterly to review all of the Company's sustainability-oriented work related to the Nechalacho Project and other projects as required. Mr. Phil Fontaine, former National Chief and a member of Avalon`s Board of Directors acts as the Committee Chair. The SAC met once during the Quarter.

During the Quarter, Avalon contracted with Jantzi Sustainalytics to provide an independent third party assessment of its sustainability performance as well as to update the identification of the most relevant sustainability issues and an assessment of its performance in these areas. While the final report is due in the first calendar quarter of 2013, initial findings indicate that Avalon's Sustainability performance is strong relative to its peers.

Administration

Operating expenses totalled $1,583,852 for the Quarter, which is consistent with the amount incurred during the same quarter in fiscal 2012 ($1,581,616). The main areas of increased operating expenses for the Quarter were financial advisory fees and expenses, and sales and marketing expenses. The increase in these areas was offset by the decrease in public and investor relations expenses, and salaries and benefits.

Share based compensation decreased to $1,046,160 from $2,077,087 in the same quarter in fiscal 2012. This decrease is primarily related to the decrease in the estimated fair values of the options earned during the Quarter compared to the same quarter in fiscal 2012, and an increase in the amount of share based compensation capitalized to exploration and evaluation assets.

Financial advisory fees and expenses totalled $175,800 during the Quarter. No financial advisory fees were incurred in the same quarter in fiscal 2012. The Company has retained financial advisors in assisting the Company to finalize strategic partnerships and commercial off-take agreements and securing debt financing.

Salaries and benefits for the Quarter decreased by approximately 9% to $631,492, compared to the same quarter in fiscal 2012. Discretionary performance bonuses totalling $175,000 were awarded to certain members of the Company's senior management team by the Company's Board of Directors in the same quarter in fiscal 2012. No performance bonuses were awarded during this Quarter. The decrease in performance bonuses was partly offset by the increase in regular salaries and benefits. The increase in regular salaries and benefits is primarily related to the increased number of employees on payroll.

Sales and marketing related expenses increased by approximately 108% during the Quarter compared to the same quarter in fiscal 2012, which primarily related to increase in fees paid to consultants in assisting the Company in sales and market development and identifying potential customers and strategic partners.

Expenditures on public and investor relations for the Quarter decreased by approximately 49% as compared to the same quarter in fiscal 2012. The strong investor and media interest in rare earths that existed in 2011 has subsided along with interest in the junior resource sector generally. Little marketing was carried during the Quarter due to a lack of investor interest and demand for information from investors remains low.

During the Quarter the President presented to local investors in Yellowknife and participated in a Trade Mission to China with the Council of the Federation as part of the Northwest Territories delegation. In October, the President presented at the annual Geology Matters conference in Halifax, NS and the Company was represented by a consultant at a major mining investment conference in Munich, Germany in early November. Finally, in mid-November, the President met with investors in Seoul and Tokyo prior to attending the annual Metal Events Rare Earths conference in Hong Kong. An updated animation video of the Nechalacho Project was produced during the Quarter for use during the November trip to Asia.

All other general and corporate expenses were substantially similar with the same quarter in fiscal 2012.

Lower cash balances resulted in interest income decreasing to $161,760 compared to $330,545 for the quarter ended November 30, 2011.

Summary of Quarterly Results

The following selected financial data is derived from the unaudited interim financial statements of the Company.

Fiscal Year	**2013**	**2012**				**2011**		
For the Quarters Ended	**Nov. 30**	**Aug. 31**	**May 31**	**Feb. 29**	**Nov. 30**	**Aug. 31**	**May 31**	**Feb. 28**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net revenues	161,760	218,383	258,943	297,860	330,545	210,048	163,878	137,529
Loss before discontinued operations and extraordinary items	2,528,529	2,050,042	2,813,448	2,951,494	3,337,210	2,276,839	2,656,196	2,230,146
Loss before discontinued operations and extraordinary items, per share, basic and fully diluted	0.02	0.02	0.03	0.03	0.03	0.02	0.03	0.02
Net loss	2,528,529	2,050,042	2,813,448	2,951,494	3,337,210	2,276,839	2,656,196	2,230,146
Net loss, per share, basic and fully diluted	0.02	0.02	0.03	0.03	0.03	0.02	0.03	0.02

The fluctuation on quarterly net loss is primarily due to share-based compensation expenses recognized as stock options granted to directors, officers, employees and consultants of the Company are earned, the write-downs of resource properties and recovery of future income taxes. The costs of resource properties are written down at the time the properties are abandoned or considered to be impaired in value.

Liquidity and Capital Resources

In management's view, given the nature of the Company's operations, which consist of the exploration and development of mining properties, the most relevant financial information relates primarily to current liquidity, solvency, and planned property expenditures. The Company's financial success will be dependent on the economic viability of its resource properties and the extent to which it can discover and develop new mineral deposits. Such development may take several years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent on factors beyond the Company's control, including the market value of the metals and minerals to be produced. The Company does not expect to receive significant revenue from any of its properties until 2017 at the earliest.

As at November 30, 2012, the Company had working capital of $24,380,954 and cash and cash equivalents on hand of $25,061,777. Substantially all of the Company's cash and cash equivalents are held at a major Canadian chartered bank in cashable guaranteed investment certificates bearing an annual interest rate of 2.1%. As at August 31, 2012, the Company had working capital of $33,336,970 and cash and cash equivalents on hand of $38,299,998.

The Company's current operating expenditures, excluding expenditures on resource property work programs, are approximately $800,000 per month. The Company's current anticipated resource property expenditures for fiscal year 2013 are budgeted at approximately $20 million (of which approximately $7.5 million has been incurred by the end of the Quarter), with approximately $19 million of these expenditures being allocated to the Nechalacho Deposit, primarily to complete the FS (of which approximately $7.5 million has been incurred by the end of the Quarter).

The Company believes its present cash resources are sufficient to meet all of its current contractual obligations, administrative and overhead expenditures, and planned exploration programs for the next twelve months, as well as completion of its FS for Nechalacho.

However, in order to maintain its targeted production start date for Nechalacho in 2016, the Company has identified approximately $58 million in pre-construction development expenditures that it will need to incur over the 12 month period commencing in March, 2013. These are comprised of deposits for orders on long lead time equipment items (approximately $28 million), EPCM (approximately $22 million), project financing costs (approximately $4 million) acquisition of a site for a separation plant (approximately $4 million) and an expansion of the airstrip at Thor Lake (approximately $4 million). The Company intends to finance these expenditures either through the participation of one or more strategic partners, a long term construction debt financing facility, and/or through the equity markets**.**

All of the Company's resource properties are owned, leased or licenced with minimal holding costs. The most significant holding costs being annual lease rental fees on Thor Lake of $20,998, annual claim renewal costs of approximately US$55,000 related to the mining claims at Spor Mountain and the annual expenditures related to the mining lease at Separation Rapids totalling $1,264.

Under the terms of the new Special Licence for the East Kemptville Tin-Rare Metals Project, the Company has optional obligations to incur approximately $1.5 million in exploration expenditures by September 30, 2014.

A joint venture with an industry partner or end-user may represent an attractive alternative for financing the further stages in the development of the Nechalacho REE Project as well as the projects at Separation Rapids, East Kemptville, or Warren Township, once the capital requirements become relatively large.

The Company has a standby letter of credit in the amount of $76,580 for its closure plan at Separation Rapids related to the Company's advanced exploration permit which is secured by guaranteed investment certificate.

The Company has three operating leases for its premises. As at the date of this MDA, the minimum lease commitments under these leases are as follows:

2013	$	275,563
2014	$	334,766
2015	$	341,275
2016	$	309,467
2017	$	99,621

Off Balance Sheet Arrangements

As at November 30, 2012, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

a) Trading transactions

i) During the three months ended November 30, 2012, the Company incurred consulting fees of $ Nil (November 30, 2011 - $9,000) with an officer;

ii) During the three months ended November 30, 2012, the Company incurred consulting fees of $Nil (November 30, 2011 - $13,350) with a person who is related to an officer and director, which were capitalized as exploration and evaluation assets;

iii) During the three months ended November 30, 2012, the Company incurred consulting fees of $3,600 (November 30, 2011 - $Nil) with a person who is related to an officer, which were capitalized as exploration and evaluation assets. As at November 30, 2012, accrued liabilities included $5,000 accrued to this person.

These expenses have been measured at their exchange value, being the amounts negotiated and agreed to by the parties to the transactions.

b) Compensation of key management

The remuneration of directors and other members of key management personnel during the Quarter and the quarter ended November 30, 2011 were as follows:

	2012	2011
Salaries, benefits and directors' fees	$ 787,091	$ 686,762
Share based compensation(1)	994,341	1,933,605
	$ 1,781,432	$ 2,620,367

(1) Fair value of stock options earned and recognized as share based compensation during the respective reporting period.

Subsequent Events

Subsequent to the end of the Quarter, the Company granted an aggregate of 100,000 stock options with a weighted average exercise price of $1.37 per share to the Company's employees. The weighted average contract life of these options was 5 years.

Critical Accounting Judgements and Estimation Uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires that the Company's management make critical judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Recoverability of mineral properties and deferred exploration and evaluation costs
The Company assesses all exploration and evaluation assets, mine development assets and property, plant and equipment ("PPE") at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long term commodity prices, discount rates, foreign exchange rates, future capital requirements, exploration potential and operating performance.

Property, plant and equipment – estimated useful lives
Management estimates the useful lives of PPE based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of PPE for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's PPE in the future.

Determination of mineral reserve and mineral resource estimates
Mineral reserves and mineral resources are estimates of the amount of ore that can be economically and legally extracted from the Company's exploration properties. The estimation of recoverable mineral reserves is based upon factors such as estimates of commodity prices, production costs, production techniques, future capital requirements and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the mineral reserve or mineral resource estimates may impact the carrying value of exploration and evaluation assets, mine development assets, PPE, accrued site closure and reclamation liabilities and amortization expense.

Fair value of share based payment.
The Company follows accounting guidelines in determining the fair value of share based payment. The calculated amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

Accrued site closure and reclamation costs
The Company's accounting policy for the recognition of accrued site closure and reclamation costs requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision for accrued site closure and reclamation costs recognized is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognized in the Statement of Financial Position by adjusting both the closure and rehabilitation asset and provision.

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies or newly adopted policies during the Quarter.

Recent Accounting Pronouncements

At the date of this MDA, the IASB and Interpretations of the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

IFRS 7 Financial Instruments: Disclosures ("IFRS 7") enhances the disclosure required when offsetting financial assets and liabilities.

IFRS 7 is effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments ("IFRS 9") introduces the new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value.

IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IFRS 10 Consolidated Financial Statements ("IFRS 10") replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements ("IFRS 11") introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13 Fair Value Measurement ("IFRS 13") sets out one single framework under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. IFRS 13 also expands the required disclosures related to fair value measurements to help user understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

IAS 27 continues to include the requirements relating to separate financial statements which are unchanged and included in the amended IAS27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 Investments in Associates and Joint Ventures is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 10, 11, 12, 13 and IAS 27 and 28 have an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards noted above are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without technically early applying the provisions of IFRS 12 (and thereby each of the other four standards). The Company is currently assessing the impact of this new standard on the Company's financial assets and financial liabilities.

IAS 32 Financial Instruments: Presentation has been amended to provide application guidance on the offsetting of financial assets and financial liabilities. The guidance is effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

IFRIC Interpretation 20: Stripping Costs ("IFRIC 20") summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine. IFRIC 20 requires the costs be allocated to inventory and the relevant mining asset where the stripping costs produce a combination of ore and waste.

IFRIC 20 is effective effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this new standard on the Company's consolidated financial statements.

Financial Instruments and Other Risk Factors

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities.

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their carrying values.

In conducting its business, the principal risks and uncertainties faced by the Company relate to exploration and development success as well as metal prices and market sentiment to a lesser extent.

Exploration for minerals and development of mining operations involve significant risks, including but not limited to economic risks, regulatory risks, permitting risks, environmental risks, and risks associated with land title disputes including Aboriginal land title claims. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company relies on equity financing for its long term working capital requirements and to fund its exploration programs. The Company does not anticipate that its existing funds are adequate to put any of its resource interests into production from its own financial resources. There is no assurance that other forms of financing will be available to the Company, or that such will be available on acceptable terms.

An additional risk factor that has developed over the past two years is access to adequate human resources to carry out work programs, particularly skilled professionals for which there is currently an industry-wide shortage, which can cause delays completing work programs on schedule and in meeting program budgets.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure.

Management, including the CEO and CFO, has evaluated the effectiveness of the design of the Company's disclosure controls and procedures as of November 30, 2012. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are designed effectively to ensure that the information required to be disclosed in annual filings, interim filings, or other reports filed or submitted under Canadian securities legislation, or reports filed or submitted under the U.S. Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in those rules.

Design of Internal Control over Financial Reporting

The CEO and CFO are also responsible for the design of the Company's internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision, and with the participation, of the CEO and CFO, management conducted an evaluation of the design effectiveness of the Company's ICFR based on the framework Internal Control – Integrated Framework (COSO framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the CEO and CFO have concluded that the design of the Company's ICFR were effective as at November 30, 2012.

There have been no changes to the Company's design of internal controls over financial reporting that occurred during the Quarter that materially affected, or are reasonably likely to affect, the Company's ICFR.

Outstanding Share Data

a) Common and Preferred Shares

The Company is presently authorized to issue an unlimited number of common shares without par value. The Company is also authorized to issue up to 25,000,000 preferred shares without par value, of which none have been issued.

As at November 30, 2012 and the date of this MDA, the Company has 103,621,986 common shares issued and outstanding.

b) Options

As at November 30, 2012, the Company had an aggregate of 8,760,250 incentive stock options outstanding with a weighted average exercise price of $3.07 (of which 4,369,000 were vested and 4,391,250 were unvested). Subsequent to the end of the Quarter, 100,000 options were granted (as described earlier under "Subsequent Events"). As at the date of this MDA, the Company has 8,860,250 incentive stock options with a weighted average exercise price of $3.05 outstanding.

c) Warrants

As at November 30, 2012 and the date of this MDA, the Company has 10,000 common share purchase warrants with an exercise price of $1.48 outstanding.

The Company is also committed to issue 40,000 common share purchase warrants to the DKFN, in four installments of 10,000 warrants per year over the next four years on the anniversary of the effective date of the Accommodation Agreement. These warrants will have a term of five years and will have an exercise price based on the then current market price of the Company's common shares at the date of issue of the warrants.

Other Information

Additional information on the Company is available on SEDAR at www.sedar.com and on the Company's website at www.avalonraremetals.com.

Notice Regarding Presentation of our Mineral Reserve and Resource Estimates

This MDA has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this MDA have been prepared in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"), and reserve and resource information contained in this MDA may not be comparable to similar information disclosed by United States companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve". Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC. United States investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" exists, is economically or legally mineable, or will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Disclosure of "contained ounces" in a resource estimate is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by Avalon in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with United States standards.

Exhibit 99.3

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Donald S. Bubar, Chief Executive Officer of Avalon Rare Metals Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Avalon Rare Metals Inc. (the "issuer") for the interim period ended November 30, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

   i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

   ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the control framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), entitled "Internal Control Integrated Framework".

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on September 1, 2012 and ended on November 30, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: January 14, 2013

(signed) "Donald S. Bubar"
Donald S. Bubar
Chief Executive Officer

Exhibit 99.4

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, R. James Andersen, Chief Financial Officer of Avalon Rare Metals Inc., certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Avalon Rare Metals Inc. (the "issuer") for the interim period ended November 30, 2012.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings

a. designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

   i. material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

   ii. information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

b. designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the control framework published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), entitled "Internal Control Integrated Framework".

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on September 1, 2012 and ended on November 30, 2012 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: January 14, 2013

(signed) "R. James Andersen"
R. James Andersen
Chief Financial Officer

Exhibit 99.5

CONSENT OF DONALD BUBAR

The undersigned hereby consents to reference to the undersigned in the management's discussion and analysis of Avalon Rare Metals Inc. (the "Company") for the period ended November 30, 2012 incorporated into the Registration Statement on Form F-10 of the Company (File No. 333-173669) dated May 4, 2011 (the "Form F-10"), in connection with the technical information therein.

The undersigned also consents to the incorporation by reference of this consent as an exhibit to the Form F-10.

/s/ Donald Bubar

Name: Donald Bubar
Title: President and Chief Executive Officer

Date: January 14, 2013

Exhibit 99.6

CONSENT OF WILLIAM MERCER

The undersigned hereby consents to reference to the undersigned in the management's discussion and analysis of Avalon Rare Metals Inc. (the "Company") for the period ended November 30, 2012 incorporated into the Registration Statement on Form F-10 of the Company (File No. 333-173669) dated May 4, 2011 (the "Form F-10"), in connection with the technical information therein.

The undersigned also consents to the incorporation by reference of this consent as an exhibit to the Form F-10.

/s/ William Mercer

Name: Dr. William Mercer, P. Geo.
Title: Vice President, Exploration

Date: January 14, 2013

Exhibit 99.7

CONSENT OF TUDOREL CIUCULESCU

The undersigned hereby consents to reference to the undersigned in the management's discussion and analysis of Avalon Rare Metals Inc. (the "Company") for the period ended November 30, 2012 incorporated into the Registration Statement on Form F-10 of the Company (File No. 333-173669) dated May 4, 2011 (the "Form F-10"), in connection with the mineral resource estimates for the Nechalacho Deposit.

The undersigned also consents to the incorporation by reference of this consent as an exhibit to the Form F-10.

/s/ Tudorel Ciuculescu

Tudorel Ciuculescu, M.Sc., P.Geo
Senior Geologist,
Roscoe Postle & Associates

Date: January 14, 2013

Exhibit 99.8

CONSENT OF BENJAMIN WEBB

The undersigned hereby consents to reference to the undersigned in the management's discussion and analysis of Avalon Rare Metals Inc. (the "Company") for the period ended November 30, 2012 incorporated into the Registration Statement on Form F-10 of the Company (File No. 333-173669) dated May 4, 2011 (the "Form F-10"), in connection with the mineral resource estimates for the Nechalacho property.

The undersigned also consents to the incorporation by reference of this consent as an exhibit to the Form F-10.

/s/ Benjamin Webb

Name: Benjamin Webb
Title: Senior Resource Geologist

Date: January 14, 2013

Exhibit 99.9

CONSENT OF DAVID MARSH

The undersigned hereby consents to reference to the undersigned in the management's discussion and analysis of Avalon Rare Metals Inc. (the "Company") for the period ended November 30, 2012 incorporated into the Registration Statement on Form F-10 of the Company (File No. 333-173669) dated May 4, 2011 (the "Form F-10"), in connection with the metallurgical information therein.

The undersigned also consents to the incorporation by reference of this consent as an exhibit to the Form F-10.

/s/ David Marsh

Name: David Marsh
Title: Vice President, Metallurgy

Date: January 14, 2013