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ANNUAL INFORMATION FORM

For the Year Ended August 31, 2008

Dated as of November 25, 2008

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1. PRELIMINARY INFORMATION

In this Annual Information Form (the "AIF"), Avalon Ventures Ltd. is referred to as "Avalon" or the "Company". All information contained herein is as at August 31, 2008, unless otherwise stated.

1.1 Financial Statements

This AIF should be read in conjunction with the Company's financial statements and management's discussion and analysis for the 12 months ended August 31, 2008. The financial statements and management's discussion and analysis are available at www.avalonventures.com and under the Company's profile on the SEDAR website at www.sedar.com. All financial statements are prepared in accordance with Canadian generally accepted accounting principles.

1.2 Disclosure Regarding Forward-Looking Statements

Certain of the statements that are not historical facts contained in this AIF (and the other disclosure documentation of Avalon such as its annual and quarterly reporting to shareholders) 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 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" herein and include unanticipated and/or unusual events. Most of such factors are beyond Avalon's ability to control or predict.

This AIF contains forward-looking statements which may not be based on historical fact. 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. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- the estimation or realization of mineral resources;
- recovery rates and production costs of the rare metals
- the timing and amount of estimated future production;
- requirements for additional capital;
- future prices of rare metals and minerals;
- market demand for rare metals and minerals;
- the reliability of plant operations at production scale

- energy costs
- availability of required skilled labour, contractors and other human resources
- accidents, labour disputes and other risks of the mining industry;
- delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities;
- currency exchange rate fluctuations; and
- title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation.

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. Such information is included, among other places, in this AIF under the headings "Description of the Business – Risk Factors".

The forward-looking statements contained herein are made as of the date of this AIF 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. Avalon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

1.3 National Instrument 43-101 – Standards of Disclosure for Mineral Projects

National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") issued by the Canadian Securities Administrators (the "CSA") requires, among other things, that issuers ensure that all written disclosure of a scientific or technical nature, other than a news release, concerning a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure. A "qualified person" for purposes of NI 43-101 means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a specified professional association.

Except as otherwise noted in this AIF, Mr. Donald S. Bubar, P.Geo., President and CEO and Dr. William Mercer, P.Geo., Vice-President, Exploration are the qualified persons responsible for the preparation of technical information included in this AIF.

2. CORPORATE STRUCTURE

Avalon Ventures Ltd. was amalgamated on July 24, 1991 under the Company Act (now the British Columbia Business Corporations Act ("BCA") under the name Keith Resources Ltd. pursuant to the amalgamation of Rockridge Mining Corporation and Meadfield Mining Corp.

On September 29, 1994, the Company consolidated its share capital on a five-for-one basis and changed its name to Avalon Ventures Ltd.

On July 18, 2005, the Company carried out a transition under the BCA by filing Notice of Articles and, at the same time adopting new Articles to bring them in line with the requirements and alternatives available under the BCA including increasing its authorized share structure to an unlimited number of common shares without par value and 25,000,000 Preferred Shares without par value. The new Articles also reduced the percentage of votes required from 75% to 66-2/3% for special and separate resolutions and gave authority to the Board of Directors to make capital alterations and changes to the Company's name as permitted under the BCA.

The Company's head office is located at Suite 1901, 130 Adelaide Street West, Toronto, Ontario, M5H 3P5, and its registered office is located at Suite 950, 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company's shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX" or the "Exchange") under the symbol "AVL" and are listed in the United States on the NASD Pink Sheets, under the symbol "AVVTF".

The Company operates exclusively in Canada and is extra-provincially registered to carry on business in Ontario, Northwest Territories, Manitoba and Nova Scotia.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

Avalon is a junior mineral exploration and development company with a primary focus on rare metals and minerals with high technology and environmentally beneficial applications. Avalon currently holds a portfolio of five such projects. Four of these five active projects (Thor Lake, Separation Rapids, East Kemptville and Warren Township) are at an advanced stage with identified mineral resources that are potentially economic, provided that sales contracts with customers can be secured and project financing arranged.

The Company's focus has been on rare minerals and metals such as lithium, tantalum, cesium, indium, rare earth elements ("REE") such as neodymium, terbium and dysprosium and rare minerals such as calcium feldspar which are all in growing demand in new technologies related to energy efficiency and a cleaner environment. The Company seeks to build shareholder value by becoming a diversified producer of rare metals and minerals and expanding the markets for its mineral products.

Markets for mineral commodities, in general, have continued to strengthen over the past three years in response to rising demand from Asia resulting in tightening supplies. Some of the strongest demand growth has been for rare metals such as the REE found at Thor Lake, for applications created by new technological advances particularly in the automotive, electronics and alternative energy fields. This also applies to the Company's lithium mineral product from the Separation Rapids project and the Company's

calcium feldspar product from Warren Township. The demand for these products is being driven largely by rising fuel costs and environmental concerns related to carbon dioxide emissions and global warming.

A positive Preliminary Economic Assessment ("PEA") on the REE development potential of the Thor Lake Project was completed in 2007 and this project has become the Company's top priority due to the large size of the resource and its exceptional enrichment in the "heavy" rare earths, europium through lutetium ("HREE"). This project will be advanced to the pre-feasibility level of analysis in 2009.

Avalon has adopted the Principles and Guidelines for Responsible Exploration being developed by the Prospectors and Developers Association of Canada ("PDAC"), as policy of the Company and made Corporate Social Responsibility ("CSR") a Company priority. It has applied these principles on the Thor Lake project particularly with respect to its environmental and community engagement practice.

In 2009, the Company will focus its efforts and available capital resources on the Thor Lake project. In view of the global financial crisis, declining share prices and reduced availability of equity financing, the Company will be reducing expenditures where appropriate to conserve cash and defer any non-essential expenditures on its second priority projects.

On January 20, 2006, the Company completed a non-brokered private placement issuing 3,500,000 non-flow-through units for gross proceeds of $1,575,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at an exercise price of $0.55 per share expiring January 21, 2008.

On December 28, 2006, the Company completed a non-brokered private placement issuing 1,500,000 flow-through units for gross proceeds of $1,575,000. Each unit consisted of one flow-through common share and one-half of one non-flow through common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at an exercise price of $1.35 per share expiring December 28, 2007.

On November 22, 2007, the Company completed a brokered private placement issuing 7,610,000 units and 2,750,000 flow-through common shares for gross proceeds of $16,883,000. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at an exercise price of $2.00 per share expiring May 22, 2009.

4. DESCRIPTION OF THE BUSINESS

4.1 General

The Company is a Canadian junior mineral exploration and development company with a primary focus on the rare metals and minerals.

Avalon presently owns five rare metals and mineral projects in Canada, four of which are at an advanced stage of development and two base or precious metals/minerals projects, but none are in production. The Company relies primarily on equity markets to raise capital to finance its exploration and development programs. The Company has no debt, but also has no sources of revenue at the present time to finance its development programs other than investment income on its cash reserves. As at the date of this report, Avalon had approximately $9.0 million in working capital. The Company can also finance development through earn-in type joint ventures with other companies.

4.2 Principal Properties and Assets

The Company owns five rare metals and minerals properties four of which are active (Thor Lake, Separation Rapids, East Kemptville and Warren Township). The other assets are an early stage base metal property (Red Hill) where drilling is required to delineate resources and royalty interests in two development projects which are not in production.

4.2.1 Thor Lake Rare Metals Property

Location and Ownership

The 100% owned Thor Lake Rare Metals Project is located in the Mackenzie Mining District of the Northwest Territories, about 5 kilometres ("km") north of the Hearne Channel of Great Slave Lake and approximately 100 km southeast of the City of Yellowknife. The property is directly accessible from Yellowknife by float or ski-equipped aircraft. Topography is typical of the Canadian Shield, gently rolling with abundant bedrock exposure with glacial till cover, numerous shallow lakes. Vegetation is dominated by spruce and poplar which do not grow to a size to be harvested economically. Climate is characterized by long, cold winters extending from October through April, and short, pleasant summers. It is a semi-arid with low annual precipitation levels.

The Thor Lake property is comprised of five contiguous mining leases totalling 10,449 acres (4,249 hectares ("ha")). The mining leases have a 21-year life and each lease is renewable in 21-year increments. The property is subject to two underlying royalty agreements entitling the royalty holders to a cumulative 5.5% Net Smelter Returns Royalty.

The property is situated in an area known as the Akaitcho Territory which is subject to a comprehensive land claim negotiation between four communities of the Dene First Nations and the federal government. At the present time, there is an interim measures agreement in place and under this agreement an interim land withdrawal was implemented in 2007, which precludes new mineral title from being granted by the Crown in the Akaitcho territory for a period of up to five years while a land-use planning process is completed. The rights of existing mineral rights holders in the area are unaffected and Avalon is actively consulting with the four Akaitcho Dene Nations with a view toward implementing a co-operative development approach for the Thor Lake Project.

General Geology and Mineralization

The Thor Lake rare metals deposits are hosted by the peralkaline Blachford Lake intrusion, an Aphebian-age ring complex emplaced in Archean-age supracrustal rocks of the Yellowknife Supergroup. The principal rock types in the intrusion are syenites, granites and gabbros and associated pegmatitic phases hosting rare metal mineralization.

Five distinct zones or deposits of rare metal mineralization have been identified to date on the Thor Lake property as being of potential economic interest. They are the North T, South T, S Zone, R Zone, and Lake Zone. The Lake Zone is the current top priority due to its large size and enrichment in the REE, which are in growing demand. It also contains significant yttrium, tantalum, niobium, gallium and zirconium mineralization. The Lake Zone is particularly notable for its enrichment in the more valuable HREE such as europium, terbium and dysprosium, relative to light rare earths (LREE) such as lanthanum and cerium. It is a tabular hydrothermal alteration zone extending from surface to depths of 150-200 m exhibiting an internal zonation characterized by alternating sub-horizontal layers of of relatively high and lower grade REE mineralization. HREE are present in the Lake Zone in fergusonite ((Y,HREE)NbO4) and zircon (ZrSiO4), whereas the LREE are present in bastnasesite, synchysite, allanite and monazite.

The North T and South T deposits are mainly of interest for beryllium, although these zones also contain potentially recoverable REE, yttrium and niobium. The North T deposit is a strongly zoned pegmatite containing at least four distinct sub-zones explored from underground in the 1980's. The predominant beryllium mineral in the North T deposit is phenacite, a rare high-grade beryllium silicate mineral (Be_2SiO_4) which, at an average BeO content of 24%, has more than double the beryllium content of the more common beryllium mineral beryl ($Be_2Al_2Si_6O_{18}$). The R and S Zones are mainly of interest for yttrium and REE. These two zones and the South T deposit are less advanced and require further exploration to determine their economic potential.

Exploration and Development History

Rare metal mineralization was first discovered in the Thor Lake area in 1976, by Highwood Resources Ltd. Since that time, over $12 million has been invested in exploration and development work on the property by companies prior to Avalon's involvement. This included geological mapping, sampling, geophysical surveys and nearly 200 drill holes totalling some 13,000 m. This was followed by underground development work, bulk sampling, metallurgical testwork and market studies on the North T deposit.

In 1980, Placer Development Ltd. (now Placer Dome Inc.) carried out geophysical surveys and drilled 13 holes in the Lake Zone to test this zone for its tantalum and niobium potential. Placer drilled five additional holes in 1981, to follow up on the best niobium and tantalum values intersected in the 1980 program. After doing some initial metallurgical testing at Lakefield Research, in 1982, Placer decided to withdraw from the Lake Zone joint venture due to the complex metallurgy of the tantalum mineralization in the Lake Zone ores.

In 1983, drill core from early exploration holes in the R, S and T Zones was re-sampled by Highwood and assayed for beryllium, after the identification of the beryllium-bearing mineral phenacite in the ore assemblage. Results from this program indicated the presence of widespread beryllium enrichment in the North and South T Zones. In the fall and winter of 1983/84, more than 70 holes were drilled in these two zones, which established beryllium resources in both the North and South T Zone deposits. This drilling program also stimulated interest in niobium, zirconium, gallium, yttrium and REE's as potential by-products.

In the summer of 1984, a 25 tonne bulk sample was collected from the high beryllium section of the North T Zone for initial metallurgical testing. In 1985, a 500 m decline was driven into the North T deposit. This decline went through all of the major zones with the intent of confirming continuity of the beryllium mineralization and collecting bulk samples for metallurgical testing. Some of the infrastructure used for this program remains on the site, including a fuel tank farm, a trailer camp, a garage storing a small bulldozer and a pick-up truck and one wooden building.

In August, 1986 the property was optioned to Hecla Mining Company of Canada Limited ("Hecla") which could earn a 50% interest in the property by completing a feasibility study and arranging financing to bring the property into production. After carrying out extensive metallurgical testwork, market studies and in-house feasibility study, Hecla decided to withdraw from the project in 1990.

Additional engineering and market studies were carried out by Highwood periodically through the 1990's, which were mainly focused on the North T beryllium resource. This included a proposal to extract a large-scale bulk sample in 1997 that did not proceed due to difficulties in securing the required operating permits and control of Highwood subsequently changed hands several times with little new work being undertaken.

In 2001, Navigator Exploration Corp. ("Navigator") entered into an option agreement with Highwood related to the Lake Zone in response to an increase in world tantalum prices. Navigator's efforts were focused on additional metallurgical research to improve tantalum recoveries and define a process for producing a marketable tantalum concentrate. These efforts were unsuccessful although subsequent review of this work by Avalon revealed that the tantalum bulk concentrate produced also captured a high concentration of rare earth minerals thus providing a starting point for designing a flowsheet for the Lake Zone REE ores. Navigator dropped the option on the property in 2004. In April 2005, Avalon completed the outright purchase of the property from Beta Minerals Inc., a successor company to Highwood, for 2.5 million common shares and 250,000 share purchase warrants.

2005-2007 Work Programs

In June 2005, Avalon initiated a re-evaluation of the economic potential of the Thor Lake property, focusing primarily on the rare earth elements. REE's such as yttrium, europium and neodymium are now in much higher demand than they were in the 1980's. Neodymium and some HREE's are now used to make high intensity "super-magnets". Demand for such magnets is now being driven largely by the automotive industry where they have become an integral part of the electric motors and generators in fuel-efficient hybrid and electric cars. These magnets are now used in many modern electronics products such as computer disk drives and many other exotic applications such as magnetic refrigeration are being investigated for these magnets.

There was little historical data on the HREE content of the Lake Zone as these elements (with the exception of yttrium) were not systematically analyzed for during previous work programs. Initial assay results from a suite of samples collected in June, 2005 confirmed high levels of heavy rare earth enrichment over broad intervals in the Lake Zone and extremely high levels in select grab samples from the R Zone.

Results from the R Zone (reported in oxide form) include values of 8.51% Y_2O_3 and 8.62% Total Rare Earth Oxides ("TREO") which is the sum of all 14 REE's in the lanthanide series. Concentrations of gadolinium, neodymium, and europium in these two samples were as high as 1.13% Nd_2O_3, 1.38% Gd_2O_3 and 0.12% EuO, respectively contained in xenotime. The highlight from the initial re-sampling of the Lake Zone drill cores was a 5.2 m interval in hole 81-1 which averaged 0.70% Y_2O_3 and 4.11% TREO containing 0.80% Nd_2O_3, 0.19% Gd_2O_3 and 0.02% EuO. This interval also displayed very strong tantalum enrichment averaging 0.11% Ta_2O_5 indicative of the presence of fergusonite as a primary REE-bearing mineral phase.

Additional re-sampling of historical drill cores was carried out in September 2005 with seven holes from the Lake Zone being completely re-sampled and assayed for the full suite of rare earths. This work was designed to begin to map out internal zonation patterns and was accompanied by detailed mineralogical studies. The results confirm the presence of elevated REE values throughout the Lake Zone and local zones of enrichment. One hole (numbered 80-9) averaged 0.98% TREO over its full 149.5 m length and included a 22 m interval averaging 3.22% TREO.

In 2006-7, Wardrop Inc. ("Wardrop") carried out a Preliminary Economic Assessment ("PEA") to model potential development scenarios for the Lake Zone REE deposit, confirm the economic potential of the REE resource and help in the design of a definition drilling program to define indicated resources in the higher grade portions of the deposit. This work involved estimation of inferred resources in the Lake Zone from existing drilling information supplemented by the recent analytical work.

As part of the same mandate Wardrop was also contracted to complete an audit of historical resources and reserves reported for the North T deposit, and this became a new resource estimate when it was discovered that there was a significant zone of yttrium + HREE mineralization that had not been included in the previously reported beryllium based resource estimates. The results are summarized below.

The PEA recommended further drilling in the Lake Zone to define potential REE-enriched sub-zones in the southern part of the deposit and upgrade the classification for this portion of the resource from the inferred to the indicated confidence level. A Phase 1 drilling program to begin testing the area located immediately south of Thor Lake was carried out from July 30 to October 15, 2007 at a total cost of approximately $1.1million. Drilling operations were supervised by J.C. Pedersen, P.Geo. and Dr. D.L. Trueman, P.Geo., under the overall direction of the Company's Vice-President, Exploration, Dr. William Mercer, P.Geo. A total of 2,511 m were drilled in 16 holes of which three were abandoned short of the target depth. The assay results confirmed the presence of several 4 to 23 m wide intervals of relatively high grade REE mineralization, within a broad mineralized envelope averaging over 100 m in thickness.

NI 43-101 Compliant Resource Estimates, January 2007

Historic drilling information for the North T and Lake Zone deposits was entered into a new computer database and new resource estimate, compliant with guidelines defined under NI 43-101, were prepared by independent consultants Wardrop in January, 2007. These are summarized as follows:

NORTH T ZONE: SUMMARY OF INDICATED RESOURCES

SUBZONE	CUTOFF %	TONNES	TREO + Y2O3%	BeO%	Nb2O5%
C,D,E	0.40 BeO	498,409	0.72	0.98	0.50
F	0.10 Ce2O3	43,877	6.50	0.16	0.01
Y	0.04 Y2O3	593,815	0.45	0.08	0.59
TOTAL		1,136,101	0.71	0.48	0.53

Y2O3 = yttrium oxide, BeO = beryllium oxide, Nb2O5 = niobium oxide

Reporting of REE analytical data is typically done as the sum of the rare earth elements plus yttrium in oxide form and reported as TREOs + Y2O3 (total rare earth oxides + yttrium oxide). Except for the LREE dominant mineralization in the F Zone, most of the REE mineralization found in the North T deposit occurs in the mineral xenotime in the following relative proportions in percent:

Element	Y	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu
Oxide %	55.31	0.10	0.02	0.10	0.20	1.80	0.70	11.6	2.50	15.6	3.10	5.41	0.60	2.20	0.70

LAKE ZONE: SUMMARY OF INFERRED MINERAL RESOURCES

CUTOFF%	TONNES	TREO+Y2O3%	Ta2O5%	Nb2O5%	ZrO%
0.10 Y2O3	14,005,000	1.23	0.025	0.33	1.73
0.05 Y2O3	83,224,000	0.99	0.025	0.31	1.96
0.01 Y2O3	375,410,000	0.41	0.014	0.22	1.19

ZrO2 = zirconium oxide, Ta2O5 = tantalum oxide

In the Lake Zone yttrium and the HREE's occur in fergusonite in the following relative proportions:

REE	Y	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu
Oxide %	29.05	0.30	4.40	1.70	15.6	10.4	1.60	14.3	1.80	9.80	1.20	4.10	0.70	4.40	0.7

The relatively high proportion of HREE's in both deposits is key to their economic development potential as the HREE's are much more valuable and in increasing demand for new magnet technology. Both LREE and HREE mineralization are found in the Lake Zone. The LREE's mainly occur in bastnaesite, monazite, synchisite and allanite while the HREE's plus yttrium mainly occur in a tantalum-niobium oxide mineral called fergusonite and zircon. Within the main mineralized body, there is a subhorizontal layer at the base that is relatively enriched in HREE and is referred to as the Basal Zone. This Basal Zone is present over much of the known extent of the Lake Zone. As well as REE, including HREE, the Lake Zone has other metals that may have economic potential such as niobium, tantalum, zirconium, hafnium and gallium. Avalon has not completed detailed studies of the economic potential of these other elements. Metallurgical work in the past has shown that niobium and tantalum may be difficult to recover, but little work has been done on the other elements. There is no significant beryllium mineralization in the Lake Zone.

Preliminary Economic Assessment

The highlights of the PEA completed by Wardrop Engineering were the confirmation of rapidly growing demand for REE from an independent market study prepared by BCC Research and confirmation that the Thor Lake REE project can achieve acceptable returns on invested capital and therefore warrants further investment to advance the project to a pre-feasibility or feasibility level of analysis.

In particular, discounted cash flow analysis of a base case scenario along with two variants reflecting the potential for increased production rates commensurate with the growth in REE demand forecast in the BCC report produced the following results (using a 5% discount rate):

Production Case tonnes per year Y+TREO	**ROI**	**NPV @ 5%**	**Mine Life (Years)**
North T + Lake Zone @ 500 tonnes / year	18.7%	$111,574,000	35
North T + Lake Zone @ 1,000 tonnes / year	21.8%	$159,180,000	18
North T + Lake Zone @ 2,000 tonnes / year	26.7%	$356,104,000	18

Y+TREO = Yttrium oxide plus total rare earth oxides. ROI = return on investment and NPV = net present value

The model assumes initial development of the North T Zone deposit with by-product recovery of beryllium with production transitioning to the much larger Lake Zone deposit in 4-5 years where tantalum and zirconium would also be recovered as valuable by-products to the REE's.

Kevin Palmer, P.Geo. was the qualified person from Wardrop responsible for this resource estimation. Tim Maunula, P.Geo. of Wardrop reviewed his work and assisted with the development of the estimation parameters. David L. Trueman, Ph. D., P.Geo., who has direct experience with the project dating back to 1982, reviewed the data on behalf of the Company and assisted with interpretation where requested by Wardrop.

Scientific and technical information contained above are based on a NI 43-101 compliant technical report dated March 12, 2007 prepared for the Company by Wardrop Inc. which is filed under the Company's profile on SEDAR at www.sedar.com. This report contains more detailed disclosure on the Thor Lake Project.

2007-2008 Work Program

Avalon commenced drill testing of the Lake Zone in August 2007, after receipt of a permit for exploration and drilling issued by the MacKenzie Land and Water Board. A $1.18 million work program of 16 holes (of which three were abandoned due to difficult conditions) totalling 2,551 m was completed by October 2007. The program focused on the area of the Lake Zone that is under land, south of Thor Lake. The results confirmed the presence of the mineralized zone and was sufficiently encouraging enough that the Company was able to raise additional capital to finance a much larger program in 2008.

The subsequent $5.4 million work program completed during 2008 for the Lake Zone deposit involved a total of 14,129 m of drilling in 69 holes. These were designed to test the northern part of the Lake Zone (covered by Thor Lake) and carry out additional definition drilling on the southern part of the zone. There were 13 holes drilled in a tight cluster in the central part of the deposit in order to recover at least 800 kg of mineralized rock for metallurgical testing.

The overall objective of the program was to define sufficient indicated and inferred resources on which to base a pre-feasibility level analysis of the project. Hole spacing averaged 100-150 m and it remains to be determined what spacing will be required to upgrade the resources to the measured resource level of confidence.

To date, assays have been received for 58 of these holes. These results are presently being used by Wardrop to produce an interim resource estimate of the Basal Zone, a sub-zone situated near the base of the mineralized sequence that is demonstrating good lateral continuity, consistent enrichment in the HREE and good thicknesses averaging in the order of 20 m. Assays for the 27 drill holes drilled in the summer of 2008 on the southern part of the Lake Zone are still awaited. Once these are received and compiled, an updated resource estimate will be prepared which will form the basis for the pre-feasibility study. Overall, the results received to date are viewed by management as very encouraging as most holes have intersected significant REE mineralization in the Basal Zone containing a high proportion of the more valuable HREE. Drilling operations were performed by Peak Drilling Ltd. of Courtenay B.C. under the supervision of J.C. Pedersen, P.Geo., Senior Geologist. The Company's Vice-President, Exploration, Dr. William Mercer, P.Geo. provided overall direction on the project.

Quality Control

A rigorous QA/QC program was implemented for all of the program samples to ensure high quality data. Analytical standards were prepared from crushed rejects of historical Lake Zone drill core samples, then analysed at five separate laboratories to determine an average value. These standards were then routinely inserted into the sample batches to monitor analytical data. All drill core was split on site, sampled in 2 m intervals and shipped to Acme Laboratories ("Acme") facility in Yellowknife for sample preparation. Acme then shipped pulverized splits from all the samples to its laboratory in Vancouver, BC. Duplicates and other check samples were analysed initially for the 2007 program at Actlabs in Ancaster, Ontario and later at ALS Chemex Laboratories, Vancouver, BC.

All samples are being analysed at both laboratories by lithium metaborate/tetraborate fusion and dilute nitric acid digestion, followed by whole rock and 45 element multielement ICP analysis. Details of the factors used to calculate rare earth oxides are posted on the Company website along with complete analytical data.

Metallurgical work

The 2008 program also included detailed mineralogical studies and metallurgical testwork conducted at SGS Lakefield Research ("SGS") to design a process flowsheet for beneficiating the REE bearing minerals and to design a hydrometallurgical process for recovering the rare earth oxides from the mineral concentrate. This work began in May 2008 with a QEMSCAN mineralogical assessment which was followed by initiation of bench-scale flotation test work on the 800 kg bulk sample collected from drill core. The Company has retained the services of Mr. J. R. Goode, P.Eng., a consulting metallurgist with over 40 years of international experience, to provide oversight on this work. Very preliminary flotation study results reported by SGS are indicating recoveries to an initial bulk cleaner concentrate of about 85% of analysed REE, about 70% of niobium and tantalum, and just over 80% of the zirconium with a fivefold concentration of the main potentially economic elements. Further trials are being undertaken to upgrade this concentrate.

It is anticipated that the results of the metallurgical work will be available, early in 2009. This work, combined with resource estimates, preliminary mine engineering, marketing and environmental studies will provide all the data required for completion of a pre-feasibility study ("PFS") on the deposit in 2009. The contract for the PFS has not yet been awarded.

Corporate Social Responsibility & Environment

The Company has placed a high priority on its performance with respect to community, environment, health and safety at Thor Lake. The result is that amongst its employees on site, it has 3,000 person-days with just one lost-time accident, while its contractors had 1,300 person-days with no lost time accidents. Site inspections by government land use and WCB inspectors have generally produced positive reports and any issues raised were addressed immediately. The only significant concern requiring further effort is related to excessive rutting caused locally by the tractor used for drill moves. The problem is being studied and an action plan developed to ensure that in future programs such ground disturbance is reduced to acceptable levels.

In late August 2008, a program of environmental site remediation work was initiated to clean up waste material and debris left behind by previous operators on the site and has now been concluded. The cleanup work was carried out under a contract with the Deninu Kue First Nation of Fort Resolution, NWT, consistent with the Company's policy of maximizing employment opportunities for local communities. To this end, the Company has initiated the development of training programs for local native people in co-operation with the NWT Mine Training Society. These programs will focus on surface diamond drilling and first aid, being two areas where there are chronic labour shortages in the NWT.

The Akaitcho Territory Interim Land Withdrawal ("ILW") did not affect the Company's planned work program at Thor Lake in 2008, as the company already had the necessary land use permits in place. In addition, the ILW is not expected to have a material impact on the Company's development plan for the duration of the ILW. For the duration of its work program, Avalon will continue to work with all of the aboriginal peoples of the area to maximize employment opportunities for local people and business opportunities for local service providers, as it continues to conduct its work programs in an environmentally sound and safe manner.

Fourteen individuals from local native communities were employed on the project at different times during the 2007-2008 work program. The Company also conducted nine community consultation meetings over the course of the year and six site visits by community members in accordance with its CSR policy. It also held three such meetings in the fall of 2008 including one with Chiefs and council of

the Yellowknife's Dene First Nation. This has resulted in growing support for the project from local aboriginal community leaders.

The company has received the requisite permits to commence a program of environmental baseline studies on the property, to be carried out by Jacques Whitford AXYS. This initial field program, carried out in September 2009, included studying both surface and ground waters, water chemistry in the lakes of the area, aquatic biology, terrane analysis and collecting meteorological data. This work will continue in 2009.

4.2.2 The Separation Rapids Project

The Separation Rapids property is host to one of the largest rare metal pegmatite deposits in the world. Known as the "Big Whopper" Project ("BWP"), it is only the fourth example in the world of a rare metal pegmatite with the size required to be of major economic importance and only the second to be enriched in the rare lithium mineral called petalite. The deposit is a potential source of lithium minerals for use in the glass and ceramics industry and specialty composite materials and is also a potential source of lithium chemicals for the growing rechargeable battery market. There is also potential for production of tantalum and rubidium minerals and a pure form of sodium feldspar.

The Separation Rapids property now consists of ten mineral claims totalling 90 claim units, covering approximately 3600 acres (155 ha) in the Paterson Lake Area, Kenora Mining Division, Ontario. These claims are owned 100% by Avalon. The original vendors retain a 2.0% Net Smelter Return ("NSR") royalty interest in the property, of which 1.0% can be bought back at any time for $1,000,000.

The Separation Rapids property is situated approximately 70 km by road north of Kenora, Ontario and is directly accessible via a newly-constructed private road. The main line of the Canadian National Railway passes through the village of Redditt, just 50 km by road south of the Separation Rapids property. The property lies within the traditional land use area of the Wabaseemoong Independent Nations of Whitedog, Ontario, an aboriginal community located approximately 35 km southwest of the property.

Water for mineral processing and other needs is available in abundance in the project area. The closest hydroelectric power generating station is located at Whitedog Falls. The transmission line comes within 30 km of the Separation Rapids property.

Topography, Climate and Vegetation

The Separation Rapids area is typical of much of northwestern Ontario and the Canadian Shield. The property is relatively flat with an average elevation of approximately 350 m above sea level ("asl"). Local topographic relief is limited to about 50 m. Outcrop exposure is in general less than 40% in the project area, but the area containing the BWP has been stripped of ground cover or trenched. The remainder of the property is covered by thin glacial till deposits and soils, local swamps and marshes and river bottom sediments.

The project area is covered by boreal forest with the dominant species being Jackpine and Black Spruce. Willow shrubs and grasses dominate the low marshy areas and the shoreline of the English River. Land adjacent to and within the sphere of influence of the Separation Rapids property is covered by an extensive area of blowdown caused by a wind storm approximately seventeen years ago. As a result of this, the surrounding forest is comprised of non-merchantable timber.

The climate is typical of Canada's mid-latitudes. Winters are cold and long, stretching from late October to mid-May with extremes in winter of below -40°C, not including windchill. The spring-summer-fall

periods are comparatively short and summer temperatures are typically warm.

Project History

Since acquiring the property in October 1996, Avalon has invested approximately $3.7 million on exploration and development work primarily focused on the lithium minerals potential. This involved geological mapping, trenching, ground magnetic surveys, mineralogical studies and diamond drilling totalling 10,152 m in 69 holes. This work culminated in 1999 with the completion of a comprehensive pre-feasibility study on the viability of producing petalite with by-product feldspars, by independent consultant Micon International Inc. The business model involved production of high purity concentrates of petalite for sale to glass-ceramics manufacturers such as Corning for use in its famous Corningware® cookware. The Company was unsuccessful in advancing the project on this basis following the shutdown of the Corningware manufacturing facility in the U.S. in 2001.

In 2000-2001, during a period of increased demand for tantalum, the Company completed follow-up work including additional exploration drilling and metallurgical testwork for tantalum, follow-up market studies and a plant design study to provide more detailed capital and operating cost estimates for both the pilot scale and full scale ore processing facilities. However, the tantalum grades in the deposit did not justify development as a tantalum producer on a stand-alone basis, particularly once demand and prices for tantalum began to fall in 2002, and these expenditures were subsequently written-off.

In 2002-2003, Avalon completed a Scoping Study to evaluate an alternative development concept for the project which involved producing a diluted petalite product called “high-lithium feldspar”. The concept was based on application of a simple dry processing technique to remove the iron and tantalum-bearing minerals by magnetic separation and aggregating the feldspar and quartz with the petalite into a material to be marketed as a low-cost, lithium-enriched glass sand. Subsequent process testwork on a six tonne bulk sample and crucible melt studies demonstrated that an acceptable quality product could be produced which would have the advantage of lowering the melting temperature of the glass batch, thereby reducing the manufacturers’ energy costs and emissions of greenhouse gases. However, development was frustrated by the requirement for large volume test samples and the lack of suitably-equipped custom milling facilities available to produce such a sample.

In 2005, a potential new market for the petalite ore was identified as an ingredient in a new non-combustible composite material with various potential construction applications. The untreated crushed petalite ore could be used directly in the manufacturing process for this material, creating an interesting development opportunity for Avalon. In 2006, a 300 tonne bulk sample of the ore was extracted and crushed for delivery to the customer for its own product development purposes. Deliveries of this material began in early 2007 but have since been discontinued, while the customer, a development stage company, attempted to raise additional capital. There has been no word as to when shipments might resume to this customer.

With increasing energy prices and concerns about climate change related to greenhouse gas emissions, interest in lithium additions to glass formulations is increasing, creating new opportunities for lithium minerals producers. The Company is continuing to investigate these opportunities through an on-going marketing campaign and periodically produces small test samples for laboratory evaluation by potential customers.

Geology and Resources

The Archean-aged BWP belongs to the petalite sub-type, complex-type class of rare metal pegmatites. The complex-type pegmatites are geochemically the most highly evolved in the spectrum of granitic

pegmatites and petalite-bearing pegmatites comprise only 2% of the known complex-type pegmatites.

Complex-type pegmatites are found in many areas of the world and are economically important as resources for the rare metals, including lithium, tantalum, cesium and rubidium. Except for the producing Tanco (Manitoba), Bikita (Zimbabwe) and Greenbushes (Western Australia) mines, most complex-type pegmatites are too small to be profitably mined. While comparable in size, the BWP exhibits some significant differences from the norm in its structural setting, preservation of magmatic zonation and overall crystal size. Unlike Tanco and Bikita, which are shallowly dipping, undeformed zoned intrusions, and Greenbushes, which is an approximately 45°-dipping, zoned pegmatite, the BWP is subvertically-dipping, complexly folded, and strongly foliated, with a smaller average grain size.

The BWP exhibits zoning characteristics seen in other highly evolved rare-metal pegmatites, i.e. well-developed wall zones and a petalite-rich intermediate zone. However, within the BWP a significant portion of these zonal features has been tectonically modified. In addition, all three currently producing rare-metal pegmatite deposits contain exceptionally large crystals of spodumene, petalite and feldspars which permit selective mining; which will not be possible at the BWP due to its reduced crystal size.

The geological mapping and diamond drilling work done by Avalon have delineated the Big Whopper pegmatite system over a strikelength exceeding 1.5 km, with widths ranging from 10 m to 80 m and to a vertical depth of close to 300 m, where it remains open. It consists of a vertically oriented massive petalite pegmatite dyke striking 280º, hosted by metamorphosed mafic volcanic rocks (amphibolite) and flanked by a swarm of narrower albite and petalite dykes. These have all undergone intense deformation in a high strain zone resulting in folding, boudinage, and shearing.

The 1997-98 drilling program delineated an indicated petalite resource of 8.9 million tonnes and an inferred petalite resource of 2.7 million tonnes both grading 1.34% Li_2O, 0.007% Ta_2O_5 and 0.30% Rb_2O. These resources are delineated over a strikelength of 600 m, to a maximum vertical depth of 250 m and remain open for expansion both to depth and along strike. The lithium and rubidium grades are consistent with a petalite content averaging 25±5% and an Rb-K-feldspar content averaging 10 to 15%, with the rest of the rock consisting mainly of albite, muscovite, lepidolite, and quartz. Important accessory minerals include spodumene, spessartine, cassiterite, and columbite-tantalite, the principal ore mineral for tantalum.

The mineralized zone is well exposed at surface in a low dome-shaped hill, where it averages 55 m in width over a 400 m strikelength. This part of the deposit will be readily amenable to mining by low-cost quarrying methods. A conceptual open pit designed for the pre-feasibility study by Micon International contains a probable reserve of 7.72 million tonnes grading 1.4% Li_2O, (NI 43-101 audited) which is the reserve used for present planning purposes.

Marketing

The Big Whopper is unusual in its enrichment in petalite as the dominant lithium mineral in the ore and in the degree of structural deformation that it has undergone. This resulted in homogenization of the original mineralogical zoning characteristics of the pegmatite into a relatively uniform chemical composition, a circumstance that appears to be unique in the world. Under the original development scenario, this characteristic presented a challenge in processing the ore to produce a high quality petalite concentrate, a challenge that was eventually overcome with the development of an efficient froth flotation process at Lakefield Research Limited.

The high-lithium feldspar development concept took advantage of the inherent homogeneity of the ore to produce a blended product using a low-cost dry milling process and potential markets for this potential

product are still being investigated. The project is well-situated in terms of proximity to major railway lines providing ready access into the main target markets in the glass and ceramics industry which are located in the midwestern and southwestern U.S.

In 2002, Avalon engaged the services of Amalgamet Canada ("Amalgamet") as its sales and marketing agent. Amalgamet is experienced in the marketing of similar products to the glass and ceramics industries, including lithium minerals. Amalgamet continues to actively promote the use of lithium minerals in the glass and ceramics industry, and was responsible for identifying the new market opportunity in specialty composites in 2005. Increasing demand for lithium ion batteries has increased prices for lithium carbonate making it less competitive with lithium minerals in many glass applications. Amalgamet continues to believe that lithium use by North American glass manufacturers will eventually increase because of the benefits it offers with regard to reducing glass furnace energy requirements and greenhouse gas emissions, and Amalgamet continues to provide consulting services to the Company.

Environmental and Permitting

The project benefits from a lack of environmental issues due to the fact that the ore is environmentally benign, containing no toxic, radioactive, or acid-generating minerals. Avalon completed environmental baseline studies in the project area in 1999, ensuring that local environmental sensitivities were identified at an early stage. This study was updated in 2006-7.

Recent bulk sampling and site development work was done under an Advanced Exploration permit originally granted by the Ministry of Northern Development and Mines in 2000 and re-activated in 2006. Avalon has been proactive in establishing a dialogue with the First Nations of the area, and in August 1999 signed a Memorandum of Understanding with the Wabaseemoong Independent Nations of Whitedog, Ontario to address community concerns regarding new resource development in their traditional land use area, access to employment opportunities and other benefits. Whitedog is situated just 35 km southwest of the Separation Rapids property and is the closest community to the project site. Avalon fully intends to develop the project in co-operation with Wabaseemoong and continues to keep the community leadership well-informed on new developments.

In 2008, the Company initiated the process to secure a Mining Lease for the Big Whopper Petalite Deposit and neighbouring lands that may be needed for development work. This work is being carried out by Fudge & Associates of North Bay, ON and began with a perimeter survey of the claims in the fall of 2008.

Current Work and Future Plans

In 2007, metallurgical process research work was initiated in order to develop a modified petalite process flowsheet, with the objective of finding an alternative reagent scheme to replace hydrofluoric acid, a hazardous chemical that was employed in the original process flowsheet. This work was successfully carried out and completed in September 2008 at SGS Lakefield Research ("SGS") by Srdjan Bulatovic, P.Eng. who also developed the original flowsheet. Next steps will involve updating the 1999 pre-feasibility study to reflect the costs associated with the new process flowsheet and developments in the market.

Test quantities of petalite concentrate were also produced for market development work as several companies have recently expressed interest in testing the material for potential application in glass and ceramic formulations. The Company continues to implement a pro-active market development program with the glass and ceramics industry to demonstrate the energy-savings and environmental benefits associated with the use of lithium in its batch formulations. This has involved a number of presentations

both in-house and at glass industry conferences and interest is growing along with public pressure for the industry to reduce its greenhouse gas emissions.

In 2007, Avalon initiated a research project to investigate the potential application of hydrometallurgical extraction technology to recover a lithium product suitable for the rapidly growing lithium ion battery market, while continuing to investigate other potential lithium minerals markets. The metallurgical research work is being carried out at SGS, but was not completed due to personnel changes at SGS. Such technology has been successfully applied to other lithium minerals and initial literature research indicates that this technology should be effective with the petalite that is the dominant lithium mineral at Separation Rapids. A positive result would lead to a preliminary economic assessment of developing the project as a lithium chemicals producer. Both the market development work and the metallurgical research are being carried out under the supervision of Ian London, P.Eng, Vice-President, Corporate Development.

4.2.3 The Warren Township Anorthosite Project

Project Background

The Warren Township Calcium Feldspar Project is an advanced mineral development opportunity located near the Village of Foleyet, 100 km west of Timmins, Ontario. The project consists of three mining claims totalling 728.43 ha staked by Avalon in 2002, that are 100% owned by the Company. The three claims cover a portion of the Shawmere Anorthosite Complex hosting a large resource (in excess of 800,000 tonnes) of a high purity anorthosite consisting of up to 98% high calcium plagioclase feldspar.

Anorthosite is an unusual mafic igneous intrusive rock consisting of greater than 90% plagioclase feldspar. Previous work has demonstrated that this material can be processed to produce a high quality calcium feldspar raw material for the manufacture of reinforcing glass fibre and other industrial products such as mineral fillers. The location of the property near both road and rail transportation infrastructure and its proximity to markets in southern Ontario and the northeastern U.S. offers the potential for development of a low-cost, highly profitable industrial minerals operation.

Topography, Climate and Vegetation

The project site is typical of much of northeastern Ontario and the Canadian Shield. The property is relatively flat, with the anorthosite outcrops on the property forming local topographic highs. The average elevation on the property is approximately 390 m asl. Local topographic relief is in the order of 20-30 m. Within the claim boundary, outcrop exposure is approximately 40%, with the area of immediate mining potential. being approximately 80% exposed. The Carty-Warren road overlies the centre of the deposit area. Thin glacial deposits and soils, with some swampy areas cover the remainder of the property.

The project area comprises part of an active forest concession and was logged over in 1989-90. Replanting has been minimal, with natural regeneration being the reforestation method of choice and scrub alder now predominates. Cedars are present in the low-lying swampy areas.

Deer, moose and black bear have been observed in the area. Partridge are the predominant game bird. The Carty-Warren road provides access to hunters during the fall season. The Carty-Warren road experiences considerable logging truck traffic but this level of traffic does not appear to have caused any disturbance to wildlife. There are no identified rare or endangered plants, animals or birds in the vicinity of the property.

The climate in the claim area is typical of the Timmins-Chapleau area. Winters are cold with high snowfall. Summers can be hot with limited rain. In general, snowfall in the region increases toward

Chapleau, while winds tend to be higher toward Timmins. Overall, the climatic conditions are approximately midway between those recorded for Chapleau and those for Timmins.

Previous Work

The Warren Township project was previously owned by Purechem Limited, a private company which spent over $200,000 from 1993 to 2001 evaluating the property first as a potential producer of aluminum chemicals and later as a producer of high-purity calcium feldspar. This involved geological mapping, trenching, market development and percussion drilling to define mineral resources. Purechem's consultants prepared a resource estimate which reported 506,208 tonnes of measured resources and 351,796 tonnes of indicated resources in two separate areas. However, these resources have not been audited for compliance with current resource reporting standards under NI 43-101 and therefore should not be relied upon.

Purechem was successful in identifying a major potential customer for the calcium feldspar product in southern Ontario and completed a positive pre-feasibility study for the development of the project on this basis. The calcium feldspar is well suited as a raw material for the textile glass reinforcement product made at this facility and would replace high cost kaolin and high purity limestone presently imported from the United States.

The glass company had indicated a willingness to purchase a minimum of 12,000 tonnes per year of the product subject to the successful completion of an in-plant evaluation of a 320 tonne bulk sample of the product. However, due to weak equity markets, Purechem was unable to secure the estimated $250,000 in new financing required to extract, process and deliver the bulk sample, and was forced to abandon the project in 2002.

After staking the property in October, 2002, Avalon approached Hains Technology Associates ("Hains"), the author of the pre-feasibility study for Purechem, to prepare a new pre-feasibility study and business plan for the Company by updating the original study prepared for Purechem. This study was completed in February, 2003 and among its conclusions found that the market opportunity in reinforcing glass fibre identified by Purechem still existed. Since that time the fibreglass market has continued to grow with new applications emerging such as in blades for wind turbines.

2004 Work Program

In 2004, an $80,000 work program was carried out on the Warren Township property involving the collection and processing of a 10 tonne bulk sample to produce test quantities of the calcium product for two potential customers, one in the glass industry and the other in the paper industry. The Company also completed engineering work to design a pilot plant and work program for carrying out a larger scale bulk sampling program. The bulk sampling program did not proceed after the glass industry customer concluded that the soda level in the product exceeded their limit.

The second potential customer, a specialty paper producer, considering the product for a filler application, indicated that it required a larger test sample to complete its evaluation of the material. Cost efficient production and delivery of this sample is contingent upon also receiving an order for a large scale bulk sample from the glass customer and consequently the project was put on hold in 2005.

2006-08 Work Program

Early in 2006, the Company received a new expression of interest for the calcium feldspar product from another potential customer in the glass industry. A small test sample was evaluated by the customer and

its chemical specifications were deemed acceptable. Subsequently, a long term price for the material was negotiated and the Company began to investigate alternatives for preparation and delivery of a large scale product sample for a full-scale furnace trial at one of the customer's plants in the United States. The process flowsheet is a relatively simple one involving dry grinding and magnetic removal of the very small amounts of contained ferro-magnesian minerals from the ore.

In late 2006, a suitable toll milling facility was identified in southern Alberta and after entering into a formal agreement with the customer, arrangements were made for extracting up to 1000 tonnes of material for processing and delivery to the toll milling facility in early 2007. This work was completed over a nine month period from February to October, 2007. The program cost including sample extraction, shipping, processing and supervision was budgeted at $500,000 but due to operational inefficiencies, ended up costing $850,000 net of cost recoveries from the customer.

The bulk sample program was successful in delivering a 417 tonne product sample to the customer, a major North American glass manufacturer. The material was used in a furnace trial to evaluate its performance as an alternative raw material for certain fiberglass applications offering potential product quality, cost and environmental benefits including reduction of furnace greenhouse gas emissions. The tests confirmed that substituting anorthosite into the batch formula, whereby it partially or fully replaced the requirement for two other feedstock, reduced energy demand by at least 10% and significantly reduced greenhouse gas emissions. The principles upon which these results were achieved were basically three-fold: the new formulation lowered the melting point of the combined batch feeds, the anorthosite has less contained moisture content so that it doesn't require energy to boil it off, and anorthosite does not contain any carbonates (as do some of the other batch feeds) thereby reducing the production of Carbon Dioxide ("CO_2") products.

The Company continues its work toward securing a production permit for the Warren Township project under the *Aggregate Resources Act* of Ontario. This work, being carried out under the direction of Fudge & Associates of North Bay, Ontario, has also included community consultation work in the Foleyet area and with First Nations in the Chapleau area. Negotiation of a Memorandum of Understanding with the Chapleau Cree First Nation was initiated during the year and is expected to be concluded in late 2008. An agreement in principle has been drafted, subject to approval by its Chief and Council. Discussions also continue with the Ontario Ministry of Natural Resources regarding the final size of the permit area and the operating conditions within that framework.

There are no specific timelines in place for initiation of any new work programs on the project. The market development work is being carried out under the supervision of Ian London, P.Eng., Vice-President, Corporate Development.

4.2.4 East Kemptville Property

Location, Ownership, Climate and Topography

The 100% owned East Kemptville Polymetallic Tin/Rare Metals Project is located approximately 45 km northeast of Yarmouth, in Yarmouth County, southwestern Nova Scotia in the vicinity of the former East Kemptville Tin Mine. Highway #203 which connects the Town of Yarmouth to the southwest with the Town of Shelburne to the east passes a short distance to the northwest of the exploration licences.

The property consists of 10 contiguous exploration licenses and a Special License comprising 15,480 acres (6,264.53 ha) and 880 acres (356.12 ha) respectively. The Special License was granted by the Province of Nova Scotia in August of 2006 over part of the former mine site and since that time, various

exploration licenses have been staked to cover potential regional exploration targets identified in the company's compilation efforts.

The Company was granted the special exploration licence to search and prospect for all minerals except for coal, salt, potash and uranium within 22 claims totalling approximately 880 acres (356.12 ha). In order to keep the licence in good standing, the Company must incur a total of $2,250,000 in exploration expenditures by July 31, 2010. Surface rights related to the licence are held by both Rio Algom Ltd. ("Rio" a subsidiary of BHP Billiton) and the Crown. Rio is continuing to conduct environmental remediation work at the minesite. Access to the site will have to be negotiated, but for the present time access is not required as the Company now possesses all the necessary historical data and historical drill cores to complete the resource estimates and preliminary economic assessment. Access to the company's exploration licenses for non-intrusive exploration work is covered through a basic Crown Access permit and from verbal agreements with private landowners as required in the normal course of exploration.

The project area is flat-lying, poorly-drained terrain with extensive glacial till cover and very limited bedrock exposure. There are numerous small wetlands, creeks and ponds and consequently, limited agricultural development. Vegetation is mixed coniferous deciduous. Climate is temperate and typically maritime with high humidity characterized by frequent precipitation and fog.

Project Background

The Company was attracted to the East Kemptville area because of its potential to host resources of indium, a rare metal now in high demand due to its use in thin film coatings in flat screen TV's, computer monitors and solar energy panels. Indium prices reached a high of US$1060/kg in 2005 and it is currently offered at US$500/kg. Primary indium supplies are presently constrained as the metal is only produced as a by-product of the smelting of zinc concentrates. One of the few known geological environments where indium is enriched is in greisen-type tin-zinc-copper deposits such as that which was historically mined (primarily for tin) at East Kemptville.

The East Kemptville tin deposit was discovered in 1979 by Shell Canada Resources and later brought to production in 1985 by Rio Algom Ltd. as an open pit mine with a 10,000 tpd milling operation. Initial resources were reported at 56 million tonnes grading 0.165% tin ("Sn"). The operation struggled to survive, first due to poor tin recoveries and later due to declining tin prices which fell from around US$6/lb in 1985 to $1.85/lb in 1991 following the collapse of the international tin cartel. Operations were shutdown in 1992 and the mill was subsequently disassembled and removed from the site.

The East Kemptville tin deposit occurs in the contact zone of the Devonian age Davis Lake granitic intrusion which is a phase of the regional South Mountain granite batholith. Tin mineralization is contained in cassiterite associated with sphalerite, chalcopyrite and pyrrhotite in quartz-topaz greisen zones. Numerous other similar tin occurrences occur in the region both in the Davis Lake pluton and in altered zones in the neighbouring clastic sedimentary rocks of the Ordovician Meguma group.

Little direct evidence of indium enrichment in the mineralized zones at East Kemptville existed until 2005 when the Company undertook analytical work specifically for indium on drill cores archived at the N.S. Department of Natural Resources ("NSDNR") core library. This work revealed the presence of highly anomalous indium ("In") values of up to 120 ppm In associated with disseminated zinc mineralization from the Baby Zone and a mineralized tin greisen located peripheral to the main tin deposit. Anomalous levels of other rare metals such as tungsten, gallium and germanium were also detected in the Baby Zone samples. The Special License covers the Baby Zone area as well as potential new zones or extensions to the southwest.

The Baby Zone has been described by NSDNR geologists as a relatively high-grade tin satellite deposit that was developed and mined for a brief period shortly before the operation closed in 1992. Historical resources in this deposit were not separately reported although the Sn grade was apparently higher than the 0.206% Sn average grade for the collective resource estimate that was in the public domain at the time of mine closure (42 million tonnes @ 0.17% Sn, 0.19% zinc ("Zn") and 0.07% copper ("Cu"), not audited for compliance with reporting standards under NI 43-101 and therefore not reliable). It has also been reported anecdotally that the copper-zinc ("Cu-Zn") sulphide content in the Baby Zone deposit was higher than what was typical of the Main Zone tin deposit, which is significant with respect to its potential for hosting high concentrations of indium.

Recent Work

In 2006, Avalon initiated a detailed compilation of historical exploration and operational data for the project area in order to fully evaluate the project for its tin, base metals and rare metals potential. This work was supplemented with re-logging, assaying and mineralogical studies (Dr. Tony Mariano + Lakefield – QEMSCAN) of existing drill cores from the Baby and Main Zones that were archived at the NSDNR core storage facility.

Analytical results from the resampling work to date confirm the levels of Sn, Zn & Cu previously reported by the former explorers and operators. Indium results from sampling of several historic holes through the Baby Zone returned individual sample highs up to 57 ppm In over 1.50 m and averaged 13 ppm In for all the samples taken in the Baby Zone drill holes. Recent analyses received during and subsequent to the quarter ended August 31, 2008 returned an anomalous indium intercept averaging 41 ppm indium over a drill core thickness of 15.0 m immediately beneath the Main Pit at East Kemptville. This intercept was also associated with significant tin (average of 0.66% Sn) and zinc (average of 0.65%) mineralization.

Indium values have been found to correlate strongly with zinc in all holes, an association that has been noted in many other similar mineral deposits, where typically the indium is contained in sphalerite and therefore reports to a zinc concentrate. No primary indium minerals have been noted to date in the mineralogical work carried out by Dr. Tony Mariano or by SGS-Lakefield.

Compilation work is presently nearing completion and is being carried out by Hudgtec Consulting Limited (Bruce Hudgins, P.Geo.), Dartmouth N.S. under the supervision of the Company's Vice-President, Exploration, Dr. William Mercer, P.Geo. Once the compilation work is completed and all analytical results have been received from the re-sampling work, a 43-101 compliant resource estimate will be prepared and preliminary metallurgical studies will be completed on a composite sample from the recently collected drill core rejects, which will form the basis of a PEA or scoping study.

Desktop Economic Study and PEA

In the spring of 2008, the Company invested in a recent detailed analysis of the global tin market prepared by an Australian consulting group known as RTM Services Pty Ltd. ("RTM") with expertise in tin markets. This study concludes that demand for tin from the electronics industry, where it is used in solders in increased amounts to replace lead due to lead toxicity issues, will continue to strengthen while supplies are increasingly constrained due to the lack of new production and declining stockpiles. As a consequence of these factors, RTM forecasts that tin prices could reach US$30,000/tonne ($13.60/lb) over the next two years until new supply sources emerge. Longer term, RTM forecasts that prices should stabilize between US$15,000 to US$20,000/tonne (US$6.80 and $9.00/lb), price levels which could potentially support re-development of the East Kemptville Deposit. Tin prices have retreated recently with the rest of the base metals to the lower end of this range. Tin was recently trading on the London

Metals Exchange ("LME") at around $14,500/tonne (US$6.60/lb).

In July, 2008, Wardrop Ltd. used the market data in the RTM report to produce a "Desktop" economic evaluation for the Company of the tin-copper-zinc production potential at East Kemptville, prior to initiating the proposed PEA.

The Desktop study made use of historic resource estimates produced by East Kemptville mine staff prior to closure in 1992. These resources have not been audited for compliance with NI 43-101 and therefore the details of the study are not being disclosed. However, it was concluded from the study that at recent tin prices which have recently exceeded US$10/lb, the economics of the project are attractive and that the Company is justified in proceeding with the preparation of a new NI 43-101 resource estimate and a PEA.

Re-sampling of historic drill cores for rare metals such as indium was carried out during the year but as at the date of this report, a large percentage of the assays were still outstanding or were yet to be fully interpreted. These results will be incorporated into the new resource estimate, which is now expected during the first quarter of 2009. Preparation of the PEA by Wardrop will commence following receipt of the resource estimate and completion of the metallurgical test work.

Regional Work: Ike's Ridge Property

During 2008, the Company staked 173 new claims located peripheral to the East Kemptville Special License to cover additional potential polymetallic tin-rare metal targets identified from regional compilation work. These licenses were amalgamated with the other exploration licenses adjacent to the Special License and are now collectively referred to as the Ike's Ridge Project.

Exploration work consisting of basic field mapping, prospecting, magnetic surveys and soil geochemistry (MMI and regular B-horizon sample media) was carried out on several target areas identified on the Ike's Ridge Project in August, September and October, 2008. Geochemical sampling was carried out in an effort to screen targets defined through re-processing of airborne magnetic data completed by Abitibi Geophysics in June of 2008. Preliminary results from the geochemical work are encouraging and several of the target areas now require trenching or drilling to determine their significance. This work will be considered for 2009, subject to the availability of acceptable financing terms.

4.2.5 Lilypad Lakes Tantalum-Cesium Property

Location, Access and Ownership

The Lilypad Lakes project consists of 14 claims, totalling 3,107.99 ha, covering a field of tantalum and cesium rich pegmatites, and located 150 km northeast of Pickle Lake, Ontario near the aboriginal community of Fort Hope (Eabametoong First Nation). The claims were staked by the Company between January, 1999 and October, 2000 and are 100% owned by the Company with no underlying royalties.

The property is presently only readily accessible by air. A camp was established on Lilypad Lakes for the field programs and was serviced by float-equipped aircraft from Pickle Lake. In the winter, the property is accessible from Fort Hope by snowmobile and this community is accessible for a brief period in the winter by an ice road from Pickle Lake. Longer term, there have been proposals to build an all-weather road from Armstrong to Fort Hope to facilitate access for logging companies as well as access to the community. This road could potentially pass quite close to the Lilypad Lakes claims.

Geological Setting

The Lilypad Lakes property is situated in the eastern part of the Uchi subprovince of the Superior Province of the Precambrian Canadian Shield. The boundary with the English River subprovince occurs several miles to the south. The dominant feature of the region is a sequence of felsic to mafic metavolcanics up to 3 km thick intercalated with assorted and derived peraluminous metasediments and iron formation. This complex sequence has been tightly folded into a 13 km wide east-west trending belt bounded by migmatized metasediments granite and paragneiss to the south, referred to as the Kawitos Batholith and by the granitic Cluff Lake Stock to the north. The peraluminous Kawitos Batholith is a possible progenitor to the rare metals pegmatite dykes and sills that intrude all lithologies on the Lilypad Lakes property.

The rare metal pegmatites cover a minimum area of 10 km^2 across the property. Individual dykes range from several centimetres to tens of m wide, and have been traced for up to 750 m along strike. Most pegmatites trend in a westerly direction of 240° to 270°. A second, north-south trend is exhibited by the Rubellite and South Dykes, in addition to erratic orientations at the F and North anomalies. Diamond drilling indicates that the dykes are continuous to depth, with little change in morphology or mineralogy. All pegmatites exhibit high degrees of fractionation and are enriched in tantalum, cesium, rubidium, and lithium.

Pleistocene glacial drift covers much of the periphery of the property, including areas adjacent to known rare metal pegmatites.

Historical Work

The Lilypad Lakes area was previously explored for lithium in the 1950's by Standard Lithium Corporation ("Standard") and for tantalum in 1979-81 by Tantalum Mining Corporation of Canada ("Tanco"). Only partial records of the work performed by these two companies are available in the government assessment files. Standard drilled at least 12 holes totalling 968 m in two targets, but did not assay for tantalum or cesium. Tanco carried out detailed geological mapping and lithogeochemical sampling identifying ten tantalum targets. These were tested with at least 43 shallow holes totalling over 4,000 m, of which 21 holes were drilled on just two of the targets. Assay data is only available from two holes that tested a target called the South Dyke and intersected significant tantalum values of 0.058% tantalum ("Ta_2O_5 ") across 9.8 m and 0.038% Ta_2O_5 across 11.0 m, respectively. Tanco did not assay for cesium, rubidium, or lithium.

An initial reconnaissance mapping and sampling program carried out by Avalon in 1999 confirmed the presence of economically-significant tantalum mineralization at several locations on the property and resulted in the discovery of high-grade cesium mineralization in association with the tantalum. Select grab samples from this program produced tantalum values of up to 0.113% Ta_2O_5 and one 12 m wide dyke (now called the Pollucite Dyke) averaged 0.04% Ta_2O_5 across its full width, accompanied by 2.45% cesium oxide ("Cs2O") . Two major follow-up work programs were carried out on the property by the Company in 2000: a $350,000 mapping and diamond drilling program during the first half of the year, and a second $580,000 program funded by Global Canada under a joint venture that was terminated following the 2001 program from August 1 to December 31, 2000. These programs confirmed the potential for economic tantalum (and cesium) deposits on the property with the identification of 14 occurrences of economic-grade tantalum mineralization (>0.02% Ta_2O_5) on the property, hosted by a field of highly-evolved rare metal pegmatites extending over an area of at least 18 square km. Four of these occurrences were drilled in 2000 in two small programs totalling 1995 m in 17 holes. In 2001, the Company completed an $850,000 work program on the property, also funded by Global Canada, which involved detailed geological mapping, prospecting, channel sampling of all known pegmatite

occurrences, magnetic and gravity geophysical surveys, preliminary metallurgical testwork for tantalum as well as a further 2,786 m of diamond drilling in 15 holes.

The 2001 drilling program was primarily designed to begin delineating the dimensions of the Rubellite Dyke and Pollucite Dyke tantalum–cesium zones, while also testing several geochemical and geophysical targets for new rare metal pegmatites. The most significant results to date have been obtained from the Rubellite Dyke, which has now been traced over a minimum strikelength of 100 m and to a vertical depth of 250 m where it shows evidence of increasing thicknesses exceeding 40 m and remains open to depth. The dyke is mineralized with tantalum from wall to wall with average grades ranging from 0.02 5% to 0.048% Ta_2O_5 (0.5 to 1.0 lb/tonne tantalum oxide). In addition, detailed mapping in the area resulted in the identification of two new parallel tantalum rich pegmatites within 100 m of the Rubellite Dyke, which provide potential for additional near-surface resources in this area. Grab samples from these pegmatites returned assays ranging from 0.04% to 0.11% Ta_2O_5 and channel sampling of the Rubellite Dyke itself revealed new zones of cesium enrichment averaging up to 1.812% Cs2O (cesium oxide) over 4.0 m and 1.385% Cs2O over 9.5 m along with tantalum grades of 0.061% Ta_2O_5 and 0.048% Ta_2O_5 respectively.

Other significant new exploration results were generated from the South Dyke and Pollucite Dyke areas. At the South Dyke, a new exposure of high-grade tantalum mineralization was discovered from which a channel sample assayed 0.108% Ta_2O_5 across a 4.0 m width. The South Dyke is now recognized as one of a series of narrow, highly-fractionated pegmatites within a 5 km long east-west corridor on the southern part of the property, all characterized by relatively high tantalum grades (>0.10% Ta_2O_5) and high quality mineralization (100% microlite, averaging 79% Ta_2O_5). Drilling of the Pollucite Dyke extended this tantalum-cesium zone to depths of over 250 m, and surface mapping traced its western extension for over 200 m along strike, where it remains open. A channel sample in the westernmost exposure assayed 0.07% Ta_2O_5 across a 1.0 m width, and grab samples from nearby exposures assayed up to 0.087% Ta_2O_5 and 4.62% Cs2O. New mineralized pegmatites were also discovered at several other localities on the Lilypad Lakes property, and the potential for discovery of a very large parental pegmatite in the subsurface remains high.

During the mapping program, a 235 kg “mini-bulk” sample was collected from the Rubellite Dyke for preliminary metallurgical testwork at Lakefield Research Ltd. (“Lakefield”). The head grade of this sample was determined by Lakefield to be 0.053% Ta_2O_5. Results from the testwork are very encouraging as it was determined that a direct gravity concentration method would recover 60-65% of the tantalum in the ore into a concentrate grading over 30% Ta_2O_5, and that recoveries can be improved to over 80% by performing a flotation process on the tailings from the gravity circuit. Further testwork to optimize the process is recommended by Lakefield. The Rubellite Dyke area is the top priority target for further exploration work on the Lilypad Lakes property.

Future Plans

A $1.1 million follow-up program was recommended under the Global Canada Joint Venture that was not implemented due to Global Canada’s decision to withdraw from further participation in the project following the 2001 program. The project has been inactive since 2001 awaiting a recovery in tantalum prices or new demand for cesium minerals before considering further expenditures. There are sufficient assessment credits banked for this property to hold all the claims until 2010.

4.2.6 Other Assets

(i) Red Hill Copper Zinc-Silver project

The Red Hill property is a copper-zinc-silver-gold volcanogenic massive sulphide ("VMS") prospect located approximately 80 km west of Kamloops, B.C. and 20 km south of the Town of Cache Creek. The property consists of 11 claims covering a total area of 2,460.49 ha. It is easily accessed via the Trans Canada Highway#1 that runs along the full 15 km length of the property.

Avalon can earn a 100% interest in the Red Hill property from Teck Cominco Limited by incurring expenditures totalling $1,200,000 by December 31, 2008. Expenditures to date total approximately $620,000 which were incurred mainly for diamond drilling and geophysical surveys. Some encouraging results were obtained including a narrow high-grade drill intersection assaying 10.15% copper, 5.45% zinc, 1.41 g/t gold and >30 ppm silver over 1.74 m that certainly merits follow-up work.

The Company's focus on its priority rare metals projects has led to a decision not to invest further funds directly in this project and is seeking potential partners to advance the Red Hill project. The Company has also been attempting to attract a partner to this project but if it is not successful, then the property may be abandoned.

(ii) Wolf Mountain Platinum-Palladium Property Royalty

The Wolf Mountain platinum-palladium project is located approximately 90 km northeast of Thunder Bay, Ontario and covers two Proterozoic aged layered ultramafic intrusions favourable for the occurrence of platinum-palladium plus copper-nickel deposits. The Wolf Mountain project consists of two properties: The Seagull property and the Disraeli Lake property, covering a total combined area of 12,383.38 ha. The project has been inactive since July 2002 due to a lack of financing.

In November 2003, Avalon elected to sell its 40% working interest in the project to joint venture partners, Eastwest Resource Corporation ("EWR") and Canadian Golden Dragon Resources Ltd. ("CGD"), for $20,000 cash and a carried 0.4% NSR royalty interest in the two properties. The joint venture can purchase this royalty interest from the Company at any time for $1,000,000 cash.

EWR and CGD continue to explore the property for platinum-palladium-gold ("Pt-Pd-Au") deposits and in 2006 reported that drill hole WM05-17 intersected 0.44 m grading 7.90 g/t Pt+Pd+Au (3.69 g/t Pt, 3.99 g/t Pd and 0.21 g/t Au) within a broader intercept of 1.72 m grading 3.25 g/t Pt+Pd+Au, but have not yet reported a resource estimate.

(iii) East Cedartree Gold Property Royalty

The Company holds a 2% Net Smelter Return ("NSR") royalty interest in five claims, comprising part of the East Cedartree gold property located 70 km southeast of Kenora, Ontario. The titleholder to the claims, Metalore Resources Ltd. ("Metalore"), can re-purchase a 1% NSR from the Company at any time for $1.0 million cash. Avalon sold its title to the claims to Metalore in 2002 for $50,000 cash and 10,000 shares of Metalore.

Metalore has carried out several diamond drilling programs since the fall of 2002 to follow up on encouraging results from previous drilling by Avalon in 1998. The most recent program,

conducted in 2006-07, reported several significant gold intersections including 104.3 g/t gold over 4.3 m, but Metalore has not yet reported a resource estimate for this mineralized gold zone.

4.3 Employees

The Company had 6 employees as at August 31, 2008 and November 25, 2008.

4.4 Safety and Environmental Policy

Avalon is committed to being an environmentally and socially responsible corporate citizen in how it conducts its exploration and development activities. In particular, in the conduct of these activities, Avalon will apply the Principles and Performance Guidelines for Responsible Mineral Exploration being established for its members by the PDAC which can be viewed at http://www.pdac.ca/pdac/advocacy/csr/pdac-principles-guidelines-draft.pdf

The following Safety and Environmental Policy was approved by the Company's Board of Directors on July 18, 2006:

"Safety and Environmental Policy

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

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

Implementation

Avalon Ventures Ltd. will:

1. Obey the law and conduct all business in an ethical manner.

2. Evaluate, plan, construct, and operate all projects and facilities to reduce adverse environmental impacts and to meet or exceed applicable environmental laws, regulations, and standards. In the absence of applicable regulations, the Corporation will apply cost effective best management practices to protect the environment. Require managers of all projects and operations to adhere to the Corporation Environmental Policy and to identify, evaluate, and minimize risks to the environment.

3. Continuously review environmental achievements and technology to seek and implement methods for further improvement.

4. Require all operations to have site specific emergency response plans which meet or exceed all applicable regulations.

5. Conduct regular environmental, health and safety preparedness and emergency response plans to verify compliance with the Corporation's policy and applicable regulations. Identify revisions or improvements to current practices in order to minimize environmental impacts. Report findings regularly to the Board of Directors.

6. Educate employees in environmental matters and responsibilities relating to performance of their assigned tasks.

7. Foster communication with shareholders, the public, employees, indigenous people and government to enhance understanding of environmental issues affecting the Corporation's activities.

8. Work pro-actively with government and the public to define environmental priorities. Participate in the development of responsible laws for the protection of the environment.

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

4.5 Corporate Social Responsibility ("CSR")

In 2008, the Company adopted the Principles and Guidelines for Responsible Exploration being developed by the PDAC as policy of the Company. In addition, the Company follows the Guidelines established by PDAC for environmental best practice under its E3 program ("Environmental Excellence in Exploration"). Specifically, the Company has committed to the following as core principles of its exploration and development programs:

- Open, honest and regular dialogue with local communities
- Minimizing impacts on the land
- Sustainability beginning at the earliest stages of exploration and extending through mine closure
- The environment and workplace health and safety
- Hiring local people and promoting training programs
- Partnerships to provide lasting benefits

Going forward, the Company will be reporting on its performance against these principles as part of its continuous disclosure practice, beginning with the disclosure on the Thor Lake project in the MDA for the financial year ended August 31, 2008 and will continue by enhancing its public disclosure on its sustainability practice generally on the corporate website.

To achieve a high level of performance with respect to these CSR principles, the Company has formed an Advisory Committee to the Board of Directors on all matters relating to CSR. The Advisory Committee presently has three members with relevant experience in these areas and is chaired by Dr. William Mercer, P.Geo., Avalon's Vice-President, Exploration. Through PDAC, Dr. Mercer is a well-known advocate for best practice in the mineral exploration industry, where he sits on the PDAC's CSR and E3 committees and is the Chair of the Health and Safety committee. Avalon's Advisory Committee members are:

Chief Glenn Nolan of the Missanabie Cree First Nation in Northern Ontario, who in addition to his duties as a community leader, serves as Second Vice President of PDAC and co-chairs its Aboriginal Affairs committee. Chief Nolan is also the President of *Learning Together*, a not-for-profit organization committed to educating northern aboriginal communities on the economic opportunities presented by the mineral industry.

Mr. Jean Cinq-Mars is a wildlife biologist with a Masters degree in Public Administration and past experience with the Canadian Wildlife Service and Wildlife Habitat Canada. He also served as Head of the Pollution Prevention and Control Division of the Organisation for Economic Co-operation and Development ("OECD") and Director (Pollution Control) at Environment Canada.

Mr. Denis Kemp is a Minerals Engineer with over 40 years experience in the mining and metallurgical industry, including service as Director, Environmental Development for Falconbridge Ltd. where he was responsible for development and implementation of Sustainable Development policies consistent with Falconbridge's Code of Ethics.

The Advisory Committee met twice during the year to review and comment on the Company's CSR practice: once for an initial orientation session and later in the context of a site visit to the Thor Lake project with management and board members in July, 2008.

4.6 Risk Factors

The mining business is inherently risky in nature. Exploration activities are based on professional judgments and statistically-based tests and calculations, and often yield few rewarding results. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and operations may be subject to risks including labour disputes, environmental hazards, safety issues, geological issues, weather conditions and changing regulatory requirements as examples. Avalon is subject to competitive risk as its ability to finance its activities and generate profitable operations or proceeds from disposal of assets are subject to the world price for the rare metals and the economic forces that influence capital markets. As a result, the securities of Avalon must be considered speculative. A prospective investor in Avalon should carefully consider the following factors:

Risks Associated with the Company's Business

Exploration and Development

Exploration for REE is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that exploration efforts will result in the discovery of mineralization or that any mineralization discovered will result in reserves. If reserves are developed, it may take a number of years and substantial expenditures from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. No assurance can be given that exploration programs will result in reserves or that reserves may be economically mined.

The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

Estimates of Mineral Resources and Production Risks

The mineral resource estimates included in this AIF are estimates only, and no assurance can be given that any proven or probable reserves will be discovered or that any particular level of recovery of

minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated mineral resources described in this AIF should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations. Resource estimates for the Thor Lake Project have not been updated to reflect information obtained from subsequent exploration and development work and need to be updated to reflect such information. Readers should be cautioned not to place undue reliance on these estimates.

Metal Prices

The Company's revenues, if any, are expected to be derived in large part from the mining and sale of rare earth, base and precious metals and minerals. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control, including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of rare earth, base and precious metals and minerals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Nature of Operations

The Company is in the process of exploring 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.

Operating Hazards and Risks

Mineral exploration and mining involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The work which the Company is undertaking and proposes to undertake will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions and cave-ins, are risks involved in the operation of mines and the conduct of exploration programs. Although the Company has secured liability insurance and will, when appropriate, secure property insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs or uninsured losses that could have a material adverse effect upon its financial condition.

Uninsured Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such events arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's securities.

Dependence on Key Employees

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth. The loss of one or more key employees could have an adverse effect on the growth and profitability of the Company. Given the increased activity in the resources area, there is intense competition for skilled mining personnel.

Competition

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. The Company's inability to compete with other mining companies could have a material adverse effect on the Company's results of operations and business.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in substantial costs and liabilities to the Company in the future. Furthermore, environmental hazards which are unknown to the Company at present and which have been caused by previous or existing owners or operators may exist on the Company's properties.

Regulations and Mining Law, Governmental Regulation

Mining operations and exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

Exploration, development and mining of properties in which the Company has an interest will be affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law; (iii) restrictions on production; price controls; tax increases;

(iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are required in connection with the exploration activities proposed for the properties in which the Company has an interest. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production activities may be delayed, curtailed, or cancelled entirely.

Failure to comply with applicable laws, regulations and requirements may result in enforcement action against the Company, including orders calling for the curtailment or termination of operations on the properties, or calling for corrective or remedial measures requiring considerable capital investment. Parties engaged in mineral exploration and mining activities may be subject to civil and criminal liability as a result of failure to comply with applicable laws and regulations.

Amendments to current laws, regulations and permitting requirements affecting mineral exploration and mining activities could have a material adverse impact on the Company's operations and prospects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Financing Risks

The Company has limited financial resources and has no assurance that additional funding will be available to it for further exploration or to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans.

Title to Assets

Although the Company believes that it holds valid title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

Claims Titles and Aboriginal Rights

Aboriginal rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to its properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration activity and is supportive of measures established to achieve such cooperation.

Other parties may dispute the Company's title to the properties in which it has an interest and such properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

Infrastructure

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Changes in critical accounting estimates could adversely affect financial results

Avalon's most significant accounting estimates relate to the carrying value of the Company's metal and mineral property assets. The accounting policies in relation to metal and mineral properties are set out in full in the Company's annual financial statements. Management regularly reviews the net carrying value of each metal and mineral property. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered. Management's estimates of metal and mineral prices, mineral resources and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of metal and mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect the future net cash flows to be generated from the properties. Another significant estimate relates to accounting for stock based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

Risks associated with conflicts of interest

Certain of the Company's directors and officers also serve as directors and/or officers of other companies or other managerial positions involved or related to natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the Company's directors is required to declare any interest in any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

Risks Associated with the Securities of the Company

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility and the market price of securities of many companies, particularly those considered development-stage companies, have experienced wide fluctuations in price which would not have necessarily been related to the operating performance, underlying asset values or prospect of such companies. There can be no assurance that continual fluctuation in price will not occur.

Further Equity Financing

The Company will require additional funds to fund further exploration or to fulfill its obligations under any applicable agreements. If the Company raises additional funding by issuing additional equity securities, such financing may dilute the holdings of the Company's shareholders.

No Dividends

The Company has not paid any dividends on its common shares. Any decision to pay dividends on its common shares in the future will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Board of Directors may consider appropriate in the circumstances.

5. DIVIDENDS

To date, the Company has not paid any dividends on its common shares and anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's Board of Directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

6. DESCRIPTION OF CAPITAL STRUCTURE

Avalon's authorized share structure consists of an unlimited number of common shares, of which 64,649,748 common shares were outstanding as at August 31, 2008 and 25,000,000 Preferred Shares, none of which were outstanding as at August 31, 2008.

Holders of the Company's common shares are entitled to one vote for each common share held at all meetings of shareholders of the Company, to participate rateably in any dividend declared by the Board of Directors on the common shares and to participate equally with all outstanding shares on any distribution of the Company's assets on a winding-up, liquidation or dissolution of the Company.

7. MARKET FOR SECURITIES

7.1 Trading Price and Volume

Avalon's common shares became listed and posted for trading on the TSX on February 28, 2008 under the trading symbol "AVL", prior to which they were listed on the TSX Venture Exchange under the same trading symbol. The following table sets out the range of the market price and trading volumes of the common shares on the TSX for the periods indicated:

	Volume	Range ($)	
2007			
September	531,702	1.51	1.97
October	899,291	1.51	1.80
November	977,706	1.60	2.16
December	474,185	1.50	1.98
2008			
January	605,529	1.15	1.80
February	390,166	1.35	1.63
March	940,903	0.97	1.55
April	1,648,802	0.90	1.15
May	1,238,698	1.14	1.72
June	3,072,161	1.52	1.94
July	1,302,250	1.58	1.95
August	446,806	1.40	1.95
September	1,107,916	0.90	1.50
October	1,160,060	0.97	0.40
November 1-25	679,012	0.90	0.37

7.2 Prior Sales

The only securities that the Company has outstanding that are not listed or quoted on a marketplace are stock options granted under the Company's stock option plan and certain Common Share purchase warrants. Set forth below is information with respect to the stock options and warrants issued during the most recently completed financial year.

Stock Options

Date of Grant	Date of Expiry	Number of Options Granted	Exercise price of Options Granted
November 27, 2007	November 27, 2012	225,000	$1.82
April 21, 2008	April 21, 2013	500,000	$1.20
April 21, 2008	April 21, 2010	200,000	$1.20
May 8, 2008	May 8, 2013	200,000	$1.24
July 10, 2008	July 10, 2010	50,000	$1.80

Warrants

Date of Issuance	Date of Expiry	Number of Warrants Issued	Exercise Price of Warrants Issued
November 22, 2007	May 22, 2009	3,805,000	$2.00

Agent's Compensation Options

Date of Issuance	Date of Expiry	Number of Warrants Issued	Exercise Price of Warrants Issued
November 22, 2007	November 22, 2009	725,000	$1.55

As at August 31, 2008, the Company had 725,000 Agents' Compensation Options issued and outstanding. Each Agent's Compensation Option entitles the agent holder to purchase one Unit at a price of $1.55 per Unit, exercisable until November 22, 2009. Each Unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $2.00 per share until May 22, 2009. No warrants will be issued upon any exercise of the Agents' Compensation Options after May 22, 2009.

8. DIRECTORS & OFFICERS

8.1 Name, Occupation and Security Holding

The name, province or state and country of residence, positions with Avalon, committee membership and principal occupation of each of the directors and executive officers of Avalon as of November 25, 2008 are as follows:

Name, Province/State and Country of Residence and Position/ Office Held	Principal Occupation *	Director Since	Common Shares Beneficially Owned, Directly or Indirectly or Controlled*
DONALD S. BUBAR Ontario, Canada *Director, President and CEO*	President and CEO of Avalon Ventures Ltd.	February 17, 1995	1,347,000
F. DALE CORMAN[(2)] British Columbia, Canada *Director*	President and CEO of Western Copper Corp.(mining development company)	March 14, 1995	340,000
BRIAN D. MacEACHEN[(1)] Nova Scotia, Canada *Director*	President and CEO of Linear Metals Corporation (mining exploration company)	November 16, 1998	362,500
ALAN FERRY[(1)] Ontario, Canada *Director, Chairman*	Self-Employed Businessman	February 24, 2000	125,000
JOSEPH G. MONTEITH[(1) (2)] Ontario, Canada *Director*	Chairman of Monteco Ltd. (research and development company)	February 24, 2000	820,000
PETER McCARTER[(2)] Ontario, Canada *Director*	Retired Businessman	November 16, 2007	30,000
R.J. (JIM) ANDERSEN Ontario, Canada *CFO & Vice-President, Finance*	President of Andersen & Company, PC (chartered accounting firm)	–	791,800
WILLIAM MERCER Ontario, Canada *Vice-President, Exploration*	Self-Employed Geological Consultant	–	10,000

Name, Province/State and Country of Residence and Position/ Office Held	Principal Occupation *	Director Since	Common Shares Beneficially Owned, Directly or Indirectly or Controlled*
IAN LONDON Ontario, Canada *Vice-President, Corporate Development*	Vice-President, Corporate Development of Avalon Ventures Ltd.	–	2,000

Notes:

(1) Member of the Company's Audit Committee

(2) Member of the Company's Compensation, Governance and Nominating Committee

*As provided by the respective director or executive officer.

Furthermore, all of the individuals listed above have held the principal occupations indicated above during the past five years except as follows:

Mr. Corman, prior to becoming Chairman and CEO of Western Copper Corp. in June 2005, was Chairman and CEO of Western Silver Corp. from 1995 to 2005, a mining exploration company.

Mr. MacEachen, prior to becoming President and CEO of Linear Metals Corp. in January 2008, was CFO and Vice-President, Finance of Linear Metals Corporation from February 2005 to January 2008 and CFO and Vice-President, Finance of Linear Gold Corp. from January, 2004 to January, 2008, a mining exploration company. From October 2001 to December 2003 he worked as a self-employed Consultant.

Mr. Ferry, prior to becoming a self-employed businessman in July 2007, was VP, Metals & Minerals for D&D Securities Company, an investment dealer.

Mr. McCarter, prior to his retirement in September 2007, was Executive Vice-President, Corporate Affairs of Aur Resources Inc. from August, 1989 to August, 2007, an international mining company.

Mr. Andersen, prior to becoming President of Andersen & Company PC, Chartered Accountants, in January 2007, he was a Partner in Forbes Andersen LLP, Chartered Accountants, from August 1966 to December 2006.

Mr. London was appointed Vice-President, Corporate Development of Avalon on January 29, 2007. From January 2001 to July 2006 he was CEO of Process Products Ltd., a manufacturing distribution company.

Mr. Mercer, prior to becoming a self-employed geological consultant, was Director, Geology for Xstrata plc, an international mining company, from July 2006 to September 2006. From August 2002 to July 2006, he was Director, Geology of Falconbridge Ltd., a natural resources company.

The term of office for each director expires at the next annual meeting of shareholders at which his successor is elected unless prior thereto, a director resigns or is removed from office or otherwise ceases to be qualified as a director, in each case in accordance with the *Business Corporations Act* (British Columbia).

As of November 25, 2008, the directors and executive officers of Avalon as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 3,828,300 common shares of Avalon or approximately 5.9% of the outstanding common shares of Avalon.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

1. None of the Company's directors or executive officers (including any of their respective holding companies) is, as at the date of this AIF, or has been, within the preceding 10 years, a director, chief executive officer or chief financial officer of any company (including the Company) that, while that person was acting in that capacity,

(i) was subject to a cease trade or similar order (including a management cease trade order whether or not such person was named in the order) or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, (an "Order") while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, other than Peter McCarter, who was a director and officer of Compressario Corporation when it became subject to a Cease Trade Order that was issued by the Ontario, B.C. and Alberta Securities Commissions for failure to file financial statements; and

(ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

2. None of the Company's directors or executive officers or, to the Company's knowledge, shareholders holding a sufficient number of the Company's securities to affect materially the control of the Company, if any, (including any of their respective holding companies),

(i) is, as at the date of this AIF, or has been, within the preceding 10 years, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer; or shareholder; or

(iii) has been subject to:

(a) since December 31, 2000, any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or before December 31, 2000, the disclosure of which would likely be important to a reasonable investor in making an investment decision; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

8.3 Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company, except that certain of the directors and officers serve as directors and officers of other public companies, and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other companies. See "Description of the Business – Risk Factors – Risks associated with conflicts of interest".

9. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. at its municipal offices in Vancouver, British Columbia and Toronto, Ontario.

10. AUDIT COMMITTEE AND RELATED INFORMATION

10.1 Charter

The responsibilities and duties of the audit committee (the "Audit Committee") of the board of directors of the Company are set out in the Audit Committee's Charter (the "Charter"), the text of which is set forth in Appendix A to this AIF.

10.2 Composition

The following are members of the Company's Audit Committee:

Name	Independent Yes/No	Financially Literate Yes/No	Relevant Education/Experience
Brian MacEachen	Yes	Yes	• Chartered Accountant with over 20 years experience in overseeing the financial management of publicly-traded companies • President & CEO of Linear Metals Corporation • Serves on the board of directors of three publicly traded companies • Holds a BBA and CA

Alan Ferry	Yes	Yes	• Certified Financial Analyst with over 25 years experience as a mining analyst with various investment dealers • Holds a B.Sc. • Serves on the board of directors of five publicly traded companies
Joseph Monteith	Yes	Yes	• Retired Chemical Engineering Technologist • Chairman of Monteco Ltd. (developer of new technologies in air, water and energy) and Virtualink Canada Inc. (a virtual office service provider) • Has served as CEO of several private companies

10.3 Pre-Approval Policies and Procedures

Under the terms of the Charter, the Audit Committee is required to pre-approve all non-audit services to be performed by the auditor. Authority to pre-approve such services may be delegated by the Audit Committee to one member, provided that the pre-approval is presented to the full Audit Committee at the next meeting of the Audit Committee.

10.4 External Auditor Service Fees

(a) Audit Fees (audit services)

The fee for the audit of the 2008 financial year is $198,000. The fee for the audit of the 2007 financial year was $16,500.

(b) Audit-Related Fees (assurances & related services related to the performance of the audit or review of financial statements not included in (a) above).

The audit related fees for 2008 were $1,875and were nil for 2007.

(c) Tax Fees (in respect of tax compliance)

Nil

(d) All other Fees (other than (a), (b) and (c) above)

Nil

11. INTERESTS OF EXPERTS

11.1 Names and Interests of Experts

The Company's auditors are Bolton & Bolton, LLP, Chartered Accountants, who have prepared an independent auditors' report dated October 16, 2008 in respect of the Company's consolidated financial statements with accompanying notes for the year ended August 31, 2008. Bolton & Bolton, LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Information of an economic (including economic analysis), scientific or technical nature in respect of the Company's mineral projects and properties is included in this AIF based upon the following:

In respect of the Thor Lake Project, the report dated March 12, 2007 entitled "Technical Report on the Thor Lake Rare Metals Project, NT" completed by Wardrop Engineering Inc. (the "Technical Report"), Peter Broad, P. Eng. and Kevin Palmer, P. Geo. of Wardrop Engineering Inc., each a Qualified Person for the purposes of National Instrument 43-101, served as the Qualified Person responsible for the preparation of the Technical Report. Each of Wardrop Engineering Inc.'s Peter Broad and Kevin Palmer are independent of the Company within the meaning of National Instrument 43-101, none of them held, received or expects to receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company, or any associate or affiliate of the Company, when the Technical Report was prepared, or following preparation of the Technical Report or in connection with the preparation of the Technical Report and none of them or their directors, officers or employees is or is expected to be elected, appointed or employed as a director, officer or employee of the Company, or of any associate or affiliate of the Company.

In respect of the Company's other Projects, information and data was reviewed and prepared by Donald S. Bubar, P.Geo., President and CEO of the Company, and Dr. William Mercer, P.Geo., Vice-President, Exploration of the Company, each a Qualified Person for the purposes of National Instrument 43-101.

12. ADDITIONAL INFORMATION

Additional information relating to the Company can be found under the Company's profile on the SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular for its most recent annual meeting of shareholders. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

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APPENDIX A

CHARTER OF THE AUDIT COMMITTEE

Purpose

The Audit Committee (the "Committee") of Avalon Ventures Ltd. (the "Company") is appointed by the Board of Directors (the "Board") to assist the Board in fulfilling its oversight responsibilities to the Company. In so doing, the Committee provides an avenue of communication among the independent auditors of the Company (the "Auditors"), management, and the Board. The Committee's primary duties and responsibilities are to gain reasonable assurance of the following:

- that the Company complies with the applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure ("Applicable Law");

- that management of the Company has assessed areas of potential significant financial risk to the Company and taken appropriate measures;

- the independence and satisfactory performance of duties by the Auditors;

- that the accounting principles, significant judgments and disclosures that underlie or are incorporated in the Company's financial statements are the most appropriate in the prevailing circumstances;

- that the Company's quarterly and annual financial statements present fairly the Company's financial position and performance in accordance with generally accepted accounting principles; and

- that appropriate information concerning the financial position and performance of the Company is disseminated to the public in a timely manner.

(a) Composition

The Committee shall be comprised of three or more directors of the Company ("Directors") as determined by the Board from time to time, each of whom must be independent[1]. All members of the Committee shall be financially literate[2]. The Committee members shall be appointed by the Board.

Chair

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1 A Committee member is considered an **independent director** if he or she has no direct or indirect material relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with the exercise of such individual's independent judgment as more particularly set out in National Instrument 52-110 - Audit Committees ("NI 52-110"). Determination as to whether a particular Director satisfies the requirements for membership in the Committee shall be made by the Board.

2 An individual is **financially literate** if he/she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements as set out in NI 52-110.

The Board, upon recommendation of the Committee, will appoint the Chair of the Committee (the "Chair") annually, to be selected from the members of the Committee. If, in any year, the Board does not make an appointment of the Chair, the incumbent Chair will continue in office until that Chair's successor is appointed.

Reliance on Experts

The Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for any advisors engaged by it. In so doing, each member of the Committee shall be entitled to rely in good faith upon:

(a) financial statements of the Company represented to him or her by an officer of the Company or in a written report of the Auditors to present fairly the financial position of the Company in accordance with generally accepted accounting principles; and

(b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

For the purpose of performing their duties, the members of the Committee shall have the right to inspect all books, records and accounts and any other matters relating to the financial position of the Company, and to communicate directly with the Auditors, the internal financial management of the Company, and/or Company counsel.

Remuneration of Committee Members

No member of the Committee may earn fees from the Company (or any of its subsidiaries) other than directors' fees (which fees may include cash, options or other consideration ordinarily available to directors). For greater certainty, no member of the Committee shall accept any consulting, advisory or other compensatory fee from the Company.

Meetings & Operating Procedures

- The Committee shall meet at least four times annually, or more frequently as circumstances dictate.

- A quorum shall be a majority of the members.

- Meetings of the Committee shall take place in person or by telephone and shall be called by the Chair. Meetings may also be called by any other member of the Committee, or by the chair of the Board, the Chief Executive Officer, or the Chief Financial Officer of the Company or by the Auditors. Unless otherwise specified by the Chair, the Secretary or the Assistant Secretary of the Company shall act as secretary of the Committee and shall provide the chair of the Board and each member of the Committee with notice of the meetings of the Committee and each shall be entitled to attend such meetings. The Chair or the Committee may require any officer or employee of the Company (or any subsidiary thereof) to attend a Committee meeting and, further, may invite any such other individuals to attend a Committee meeting as deemed appropriate or advisable.

- In the absence of the Chair of the Committee, the members shall appoint an acting Chair.

- A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each Director of the Company in a timely fashion.

- The Chair (or other appropriate person) shall prepare and/or approve an agenda in advance of each meeting.

- The Committee, in consultation with management and the Auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Company's financial policies and disclosures.

- The Committee shall communicate its expectations to management and the Auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the Auditors in advance of meeting dates.

- The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

- The Committee expects that, in discharging their responsibilities to the Company, the Auditors shall be accountable to the Board through the Committee. The Auditors shall report all material issues or potentially material issues to the Committee.

Responsibilities and Duties

Review Procedures

- Review the Company's annual audited financial statements and quarterly unaudited financial statements and the accompanying Management Discussion and Analysis prior to filing or distribution, and report its findings for approval to the Board. Review should include discussion with management, and where appropriate, the Auditors in respect of significant issues regarding accounting principles, practices and judgments.

- Review news releases and reports to shareholders, prior to distribution, that are to be issued by the Company with respect to the Company's annual and quarterly financial statements and, if appropriate, recommend approval of same to the Board.

- Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure stated above, and periodically assess the adequacy of those procedures.

- In consultation with management and the Auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the Auditors together with management's responses.

- Review with management and the Auditors the management certifications of the financial statements as required under Applicable Law.

- Review with management and the Auditors the appropriateness of the Company's accounting policies, disclosures, reserves, key estimates and judgments, including changes or alternatives thereto and to obtain reasonable assurance that they are in compliance with GAAP, and report thereon to the Board.

- Review the following with management with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:

  i) management's tolerance for financial risks;

  ii) management's assessment of significant financial risks facing the Company; and

  iii) the Company's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks;

- On at least an annual basis, review any legal or regulatory matters that could have a significant impact on the Company's financial statements, the Company's compliance with Applicable Law, and inquiries received from regulators or governmental agencies. Management shall provide the Committee with copies of correspondence between the Company, the Auditor, and the Company's counsel, relating to any issues respecting the Company's financial statements and/or disclosures being in compliance with Applicable Law.

- Review and reassess the adequacy of this Charter at least annually, submit any changes to the Board for approval and ensure that it is in compliance with Applicable Law.

The Auditors

- The Auditors are ultimately accountable to the Committee and the Board and shall report directly to the Committee. The Committee shall review the independence and performance of the Auditors and annually recommend to the Board the appointment and compensation of the Auditors or approve any discharge of Auditors when circumstances warrant.

- Assume direct responsibility for overseeing the work of the Auditors engaged to prepare or issue an audit report or perform other audit, review or attest services for the Company, including the resolution of disagreements between management and the Auditors regarding financial reporting.

- The Committee shall pre-approve all non-audit services ("Non-Audit Services") to be provided to the Company (or its subsidiaries) by the Auditors. In connection with the foregoing, the Committee:

  i) may delegate to one or more of its members (a "Delegate") the authority to pre-approve Non-Audit Services provided that such pre-approval is presented to the Committee at its first scheduled meeting following such pre-approval;

  ii) shall be considered as having satisfied its pre-approval requirements for Non-Audit Services if it adopts specific policies and procedures for the engagement of Non-Audit Service, A) such pre-approval policies and procedures are detailed as to the particular service; and ii) the Committee is informed of each Non-Audit services and B) the procedures do not include delegation of the Committee's responsibilities to management; and C) shall also be considered as having satisfied its pre-approval requirements for Non-Audit Services if: (X) the aggregate amount of all Non-Audit Services that were not pre-approved is reasonably expected to constitute no more than 5% of the total amount of fees paid by the Company (and its subsidiaries) to the Auditors during the fiscal year in which the services are provided; (Y) the Company (or the subsidiary, as the case may be) did not recognize the relevant Non-audit Services as Non-Audit services at the time of the engagement; and (Z) the relevant Non-Audit Services are promptly brought to the attention

of the Committee and approved, prior to the completion of the audit for the relevant fiscal year, by the Committee or by a Delegate.

- On an annual basis, the Committee shall all review and discuss with the Auditors all significant relationships they have with the Company that could impair the Auditors' independence.

- Review the Auditors' audit plan, discuss scope, staffing, locations, reliance upon management and internal audit and general audit approach.

- Prior to releasing the annual audited financial statements, discuss the results of the audit with the Auditors, as well as any matters required to be communicated to audit committee by the Auditors.

- Consider the Auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

- Review the results of independent audits and any change in accounting practices or policies and their impact on the financial statements.

- Where there are unsettled issues raised by Auditors that do not have a material effect on the annual audited financial statements, require that there be a written response identifying a course of action that would lead to their resolution.

Other

- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Ensure that the Company's annual information form ("AIF") and management information circulars (and any other relevant disclosure documentation) contains the prescribed disclosure regarding the Committee.

- The policies and procedures of the Committee should remain flexible in order to enable it to react to changes in circumstances and conditions so as to ensure that the corporate accounting reporting practices of the Company are in accordance with all Applicable Law and current best practices. The purpose and procedures outlined in this Charter are meant to serve as guidelines rather than inflexible rules and the Committee is encouraged to adopt such additional procedure and standards as it deems necessary from time to time to fulfill its responsibilities.

Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Further, while the Committee has the responsibilities and powers set forth in this Charter, the Committee's mandate and function is one of oversight. It is not the duty of the Committee to plan or conduct internal or external audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally

accepted accounting principles. Such functions are the responsibility of financial management of the Company and/or the Auditors. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, amongst the financial management of the Company and the Auditors or to ensure compliance with applicable laws and regulations. Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from which he or she receives information (ii) the accuracy of the financial and other information provided by such persons or organizations (absent actual knowledge to the contrary, which shall be promptly reported to the Board) and (iii) representations made by management as to all audit and non-audit relationships with and/or services provided by the Auditors.