

FOR IMMEDIATE RELEASE

5 June 2017

**Rainbow Rare Earths Ltd ('Rainbow' or 'the Company') (LSE: RBW)
Operations Update**

Rainbow, the rare-earth element mining company, is pleased to announce a further update on its Gakara Rare Earth Project ('Gakara') in Burundi. Gakara is one of the highest grade rare earth element mining projects globally with an estimated in situ grade of 47-67% Total Rare Earth Oxide ('TREO'), ahead of targeted first production and sales of rare earth concentrate in Q4 2017.

Highlights

- Mining to remove overburden commenced at initial mine site Gasagwe in April 2017 ahead of stockpiling the high grade material from the main vein;
- Discovery of several unrecorded veins at Gasagwe further supports the Company's confidence of significant upside to the known mineralisation;
- Upgrades to local infrastructure to support haul vehicles transporting run of mine ('ROM') ore to the processing plant in development at Kabezi;
- Significant progress made with preparation work at the Kabezi site with permitting concluded ahead of commencement of civil works and construction of processing plant; and
- Mining and plant construction timetable remains on track to deliver first rare earth concentrate for sale in Q4 2017

Martin Eales, CEO of Rainbow, commented: "I am delighted to say that our fast-tracked development schedule is bearing fruit and we are making solid progress towards first production of rare earth concentrate within the next six months.

"I look forward to providing further updates as we move up through the gears towards production over the coming months and also to delivering further news relating to the identification of future mining sites at Gakara as our exploration campaigns produce results."

Further Information

Mining

Mining work at Gakara commenced in April 2017, focussing on the initial mining site at Gasagwe. This will be the Company's primary source of ROM ore during 2017/18. The labour force has concentrated on stripping overburden at the surface of Gasagwe, thereby exposing the targeted 'main vein' to a height of at least 1m along its current

exposed strike length. The uncovered vein will be relatively simple to extract and stockpile as required. Consistent with the Company's thesis, there have also been discoveries of several previously unrecorded veins which will also be extracted and added to the ROM stockpile prior to the commissioning of the processing plant at Kabezi.

Work continues on the improvements to the ~2.3km Gasagwe access road from the nearest town of Mutambu using local contractors. The road upgrade is required for the haul trucks to transport ROM ore to the processing plant, hence there is no impact on current mining operations during its construction.

By the end of May 2017, the number of local workers trained and inducted by Rainbow's team had doubled to 80 from the initial 40. As well as being trained to assist with mining activities, the new workers will also be assigned to exploration and road maintenance roles.

Exploration

Rainbow's planned exploration activities over the coming months will incorporate both greenfield and brownfield areas. The focus of the greenfield work will be on areas within the Company's existing Exploration Licence, which have previously not been explored. The Company will use techniques that have proved successful during previous work in other areas.

Brownfield work will focus on areas within the Company's Mining Licence where significant rare earth discoveries have already been made, with the purpose of delineating further tonnage for future mining. Tasks to be undertaken include trenching, mapping, gravity surveying, and a trenching/terracing prospecting programme with a view to uncovering, accurately mapping, and sampling the in-situ sources of large Bastnaesite blocks previously discovered on the surface in the Kiyenzi area.

Processing Plant

Rainbow's ROM ore processing plant will be situated at Kabezi, 10km due south of Bujumbura and approximately 20km from the Company's mining areas. The site is comprised of relatively flat ground, close to the shore of Lake Tanganyika and is located on a main asphalt road. This will provide ease of access for the container trucks collecting rare earth concentrate for export.

Since the Company's last Operations Update on 21 March 2017, Rainbow has conducted the following activities at the plant site location:

- Successful drilling and capping of a borehole to confirm adequate water supply for all of the site's processing and office/warehouse requirements;
- Clearance of all vegetation across the entire site;
- Re-routing of an existing lane from across the site to give local people access to the lake shore and fishing vessels;
- Substantial completion of all bulk earthworks in preparation for civil works to commence during June; and
- Receipt of all necessary environmental and building permits for the construction of the processing plant.

Rainbow's selected EPCM contractor, Obsideo Consulting Pty Limited, continues to

make good progress with equipment procurement and expects the first shipment of containers to leave South Africa during June. The plant construction timetable remains on track to deliver first rare earth concentrate for sale in Q4 2017.

Burundi has recently experienced widely reported fuel shortages, which has had some impact on supply to contractors' machinery and caused some temporary work interruptions. At present Rainbow does not foresee any issues in supplying its own equipment, but is monitoring the situation closely, whilst the Government works to resolve the issue at a national level.

Marketing

In partnership with thyssenkrupp Raw Materials, Rainbow expects to make first sales of rare earth concentrate in Q4 2017. Feedback from a range of prospective customers is positive, and Rainbow also expects to benefit from the widely reported strengthening in rare earth oxide prices over the most recent quarter.

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For further information, please contact:

Rainbow Rare Earths Ltd	Martin Eales	Tel: +44 (0) 20 7494 8206
St Brides Partners Ltd	Lottie Brocklehurst Susie Geliher	Tel: +44 (0) 20 7236 1177

Notes to Editors:

Rainbow's focus is the Gakara Project in Burundi, one of the highest-grade (47-67% Total Rare Earth Oxide) rare earths projects globally. In January 2017, the Company raised US\$8 million to fast-track the fully permitted Gakara Project to production ahead of targeted first sales of concentrate by the end of 2017. Rainbow has a ten-year distribution and offtake agreement with multinational thyssenkrupp Raw Materials secured for the sale of at least 5,000 tpa of concentrate produced. The Gakara basket is weighted heavily towards the magnet rare earths, including neodymium and praseodymium, which are driving demand and account for 70% of annual global REE sales due to their use in vital components in motors, generators, wind turbines, and electric vehicles.

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