

FOR IMMEDIATE RELEASE

19 September 2017

Rainbow Rare Earths Ltd ('Rainbow' or 'the Company') (LSE: RBW) Commencement of Ore Mining and Operations Update

Rainbow, the rare earth element mining company, is pleased to announce an update on its Gakara Rare Earth Project ('Gakara') in Burundi, where first production and sales of rare earth concentrate are being targeted for Q4 2017. 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').

Highlights

- Mining and plant construction timetable remains on track to deliver first rare earth concentrate for sale in Q4 2017
- Mining of ore has commenced at the Gasagwe site
- Plant construction progressing well
 - Civils and earthworks well advanced, expected to be complete by end September
 - Approximately half of plant containers already in Bujumbura, with remainder expected by mid-October
- Rare earth prices continue to strengthen – Rainbow basket price up 80% YTD

Martin Eales, CEO of Rainbow, commented: "I am pleased to report extremely positive news on all fronts, which sees the Company firmly on track to deliver its first shipment of concentrate in Q4 2017. The construction of the plant at Kabezi is progressing well, despite minor logistical difficulties, and we have commenced mining ore from the Gasagwe pit. Meanwhile, the market for rare earths goes from strength to strength, and our basket price has nearly doubled since our listing on 30 January 2017."

Commencement of Ore Mining

At the Gasagwe site, the Company has focused on the pre-stripping work since April 2017, which has exposed the 'Main Vein' to a depth of around 3–5 metres along 90 metres of strike with several other subsidiary veins that are connected or adjacent.

Following completion of the construction of the run-of-mine ('ROM') bunkers at the Kabezi plant site, Rainbow has commenced extraction of ROM ore and will be stockpiling the feedstock in advance of plant commissioning within the next six to eight weeks.

Processing Plant

Rainbow continues to develop a new processing plant and remains on track to deliver first rare earth concentrate for sale in Q4 2017. The plant is ideally located at Kabezi, approximately 20km from the Company's mining areas and 10km due south of Bujumbura and is, importantly, next to a main asphalt road, which will provide ease of access for the container trucks collecting rare earth concentrate for export.

Since the Company's last Operations Update on 5 June 2017, Rainbow has completed bulk earthworks at the site and has made timely progress with the necessary civils construction in preparation for the erection of the processing plant, albeit with some temporary delays caused by local shortages of cement and aggregate.

Rainbow has already imported over half of the planned container shipments of plant and machinery, with the balance due to arrive during September and October.

Since reporting on Burundi's national fuel shortages in the 5 June 2017 Operations Update, Rainbow's activities, and those of sub-contractors, have generally been able to progress without interruption, however there have been further reports of potential shortages in recent days. Rainbow is monitoring this situation closely and has developed contingency plans to cater for any local shortages, but at present does not foresee any issues in supplying its own equipment.

Sales and Marketing

In partnership with thyssenkrupp Raw Materials ('TK'), Rainbow expects to make first sales of rare earth concentrate in Q4 2017. Prices for rare earth elements have been increasing rapidly in recent months and this has translated to Rainbow's own basket price, which by 18 September 2017 had risen to over US\$18 per kg (an increase of more than 80% since the IPO on 30 January 2017).

As discussed previously, Rainbow will receive a discounted sales price to the basket price, which is adjusted for the grade of the concentrate and to reflect the costs of processing the concentrate by customers. The discount remains subject to negotiations undertaken by TK with individual end customers.

Based on recent market feedback Rainbow and TK are confident that there is strong demand for all of Rainbow's planned near term production, which is to achieve a run rate of 5,000tpa of rare earth concentrate before the end of 2018.

****ENDS****

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. The Company has 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.