

FOR IMMEDIATE RELEASE

24 July 2018

**Rainbow Rare Earths Ltd ('Rainbow' or 'the Company') (LSE: RBW)
Operations Update for the Three Months to 30 June 2018**

Rainbow, the rare earth element mining company, is pleased to announce an operations update from its Gakara Project in Burundi ('Gakara') for the three months to 30 June 2018. 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'), and the Company is targeting a production rate of 5,000tpa (~400tpm) by the end of 2018.

Results for the Three Months to 30 June 2018

	3 months to 30 Jun 2018	3 months to 31 Mar 2018	3 months to 31 Dec 2017	Year to 30 June 2018
Concentrate sold (tonnes)	350	125	-	475
Concentrate exported (tonnes)	275	250	50	575
Grade TREO per tonne concentrate	55%	61%	62%	58%
Realised sales price achieved (US\$ per tonne)	2,229	2,357	-	2,263
Production cost (US\$ per tonne exported)	2,534	2,315	-*	2,430
Cost of sales (US\$ per tonne sold)	517	664	-	556
LTIFR	0.00	0.00	0.00	0.00

* No production costs attributed to the initial export of 50 tonnes in December 2017.

Martin Eales, CEO of Rainbow, said: *"A 180% increase in tonnes of concentrate sold from the previous quarter is a clear indication that there is strong demand for our Gakara concentrate which is currently the only rare earths production from Africa.*

"Having implemented an upgraded mine plan at Gasagwe towards the end of the quarter we saw mining rates improve significantly in June, and we anticipate seeing an increase in concentrate production by 50-100% on a monthly basis over the next quarter. As a result, production costs will fall considerably in the next 6 months as we approach our target of 400tpm by the end of the year.

"This has been a highly active quarter on the ground, evidenced by our expansion initiatives. Phase 1 of our maiden exploration drill campaign was successfully completed during the period with exciting results, and with Phase 2 already underway, we look forward to delivering a code-compliant Resource by the end of the year. Additionally, we are delighted to have advanced our second mining area, Murambi, which mirrors Gasagwe's mineralogy and exceptionally high grades (48-60% TREO) with almost double the strike length, with a view to commencing mining operations

in early Q4 2018.

“I am also proud to report that in June we reached the milestone of 1 million Lost Time Injury-free man hours since operations commenced at Gakara in March 2017 which is testament to our fantastic team on the ground.”

Production update for quarter to 30 June 2018

350 tonnes of concentrate were sold in the in the quarter to 30 June 2018, a 180% increase from 125 tonnes sold during the previous quarter. All sales were through thyssenkrupp Materials Trading ('TK'), under the terms of the Company's offtake agreement, and were delivered to two cornerstone customers. Initial feedback from customers is extremely positive and Rainbow is confident that there is strong demand for all forecast production.

275 tonnes of concentrate were produced and exported in the quarter, an increase of 10% compared to the previous quarter and largely as expected. Both mine and concentrate production were impacted slightly in the quarter, partly by some heavier than average rainfall in April which at times diverted mining fleet and manpower to repair local roads to assist transportation access for Rainbow and the local population, and partly the result of operating teams being temporarily stood down as a precautionary measure around the referendum in Burundi on 17 May 2018, which in fact proceeded without major incident. Mining rates at Gasagwe improved significantly in June, following implementation of an upgraded mine plan and monthly concentrate production is now expected to increase by 50-100% above the levels achieved in the first six months of 2018.

Production costs increased slightly in the period to US\$2,534 per tonne, as a result of an increase in the size of the mining fleet (including certain items of rented equipment) and a lag in the production of concentrate tonnes following the increased rate of mining activity at Gasagwe. Production costs per tonne are expected to fall considerably in subsequent quarters, as production increases to the target of 400 tonnes per month by the end of 2018.

The realised sales price decreased by 5% compared to the previous quarter to US\$2,229 per tonne, mainly due to a fall of 4% in the average basket price for the quarter from US\$13,359 to US\$12,868 per tonne and lower average grade in the period. Cost of sales, which includes transportation, handling, marketing and government royalties, reduced to US\$517 per tonne (compared with US\$664 per tonne in the previous quarter), reflecting the fact that a greater number of tonnes were sold than were exported (with associated shipping costs) in the quarter.

Murambi

As previously announced in Rainbow's last quarterly update, a second mining area in addition to Gasagwe is intended to commence operations in the fourth quarter of 2018 in order to reach the

Company's targeted production run rate of concentrate of around 5,000tpa or 400tpm by the end of 2018. This area can now be identified as Murambi, which lies approximately 3 kilometres south-east from Gasagwe.

The vein stockwork structure as well as the mineralogy of the veins at Murambi is very similar to that at Gasagwe and independent laboratory testing has confirmed consistently high grades of between 48% and 60% TREO for all veins sampled. Following extensive trenching and vein modelling the initial indications are that some of the veins extend for up to 200m, which is almost double the strike length of the main vein currently being mined at Gasagwe.

The mining approach at Murambi will also be similar to that employed at Gasagwe, using machinery to shift overburden and waste material before principally manual extraction of the high grade vein material for processing.

Preparations for the start of operations at Murambi are now well advanced, including:

- calculation of and payments for any necessary land compensation;
- demarcation of access roads, mine layout and waste dumps;
- mine plan, production scheduling and vein modelling; and
- labour and fleet allocation.

Management expects mining operations to commence at Murambi in early Q4 2018 following final permitting and approvals. The planned production from Murambi alongside the upgraded Gasagwe operation should be capable of generating sufficient ore for the Company's run rate target of 400tpm of concentrate at the end of 2018.

Operational Health & Safety

There were no Lost Time Injuries ('LTIs') in the quarter to 30 June 2018, and in June, the project passed the milestone of 1 million LTI-free man hours since operations began in March 2017. This is a considerable achievement of which the Company is rightly proud.

Exploration

The results of the first phase of the Company's maiden drilling campaign were received during the quarter, as announced on 30 April 2018 and 27 June 2018. These confirmed the existence of an important area of rare earth mineralisation at Kiyenzi, where the planned Phase 2 drilling has already commenced, with the Company's maiden code-compliant Resource expected to be announced in the fourth quarter of 2018.

****ENDS****

For further information, please contact:

Rainbow Rare Earths Ltd	Martin Eales	Tel: +44 (0) 20 3910 4550
St Brides Partners Ltd	Lottie Wadham Susie Geliher	Tel: +44 (0) 20 7236 1177
Arden Partners plc	Paul Shackleton Benjamin Cryer	Tel: +44 (0) 20 7614 5900

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 and the only African producer.

The Company began production of rare earth concentrates in Q4 2017 and is currently ramping up to a targeted run rate of 5,000tpa by the end of 2018 and 6,000tpa by the end of 2019. Rainbow has a ten-year distribution and offtake agreement with multinational thyssenkrupp Materials Trading secured for the sale of at least 5,000tpa 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.