

FOR IMMEDIATE RELEASE

30 October 2018

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

Results for Q1 2018-19 (Three Months to 30 September 2018)

	Q1 2018-19 (30 Sep 2018)	Q4 2017-18 (30 June 2018)	Full Year 2017-18 (30 June 2018)
Concentrate sold (tonnes)	350	350	475
Concentrate exported (tonnes)	350	275	575
Grade TREO per tonne concentrate	59%	55%	58%
	US\$/t	US\$/t	US\$/t
Gross sales price	2,147	2,229	2,263
Marketing and handling	(167)	(202)	(175)
Net sales price	1,980	2,027	2,088
Transportation and royalty	(261)	(315)	(381)
Production cost	(2,852)	(2,534)	(2,430)
LTIFR	0.00	0.00	0.00

Martin Eales, CEO of Rainbow, said: *"A lot of positive progress has been made in the quarter, particularly with regard to an increase in exported tonnes and total ore mined from Gasagwe, the development of our next mining area at Murambi and the conclusion of the drilling programme at Kiyenzi which means we are still on track to deliver our maiden JORC Resource before the end of 2018.*

"Whilst initiatives have been put in place to allow more predictable extraction going forward the geological environment has been challenging more recently. In view of these uncertainties and the limited lead time to start up Murambi, the Company believes that the targeted 400tpm run rate will be delayed into 2019, dependent on further mining areas being opened.

"The Company's focus is on increasing production and sales to a level of 250-300 tonnes per month in the near term at which level the business will be EBITDA positive."

Production update for quarter to 30 September 2018

Production for the three months to 30 September 2018 from the Gakara mine measured in terms of exported concentrate increased 27% compared with the previous quarter at 350 tonnes (275 tonnes in the quarter to 30 June 2018). Sales for the quarter were maintained at 350 tonnes and average grade increased to 59% TREO from 55% TREO in the previous quarter, and 58% in the financial year to 30 June 2018.

Sales price and Production costs

A slight decline in rare earth prices (particularly Neodymium and Praseodymium) in the quarter led to a reduction of 3.6% in the realised sales price, which fell from US\$2,229 to US\$2,147 per tonne. For reference, Rainbow's indicative basket price fell 7% from US\$12.87/kg to US\$11.91/kg during the quarter.

Improvements to the efficiency of the exportation process in the quarter resulted in lower transport, shipping and handling costs, both in terms of the elements deducted by thyssenkrupp Materials Trading ('TK') as well as the road transportation costs and royalties settled directly by Rainbow.

Production costs per exported tonne increased compared to the previous quarter, which reflected an increase in the scale of the mining fleet in particular, both at Gasagwe, where the rate of stripping was increased on the previous quarter to counter instances of geological inconsistency, and at the new site Murambi, where preparatory work had to be undertaken in advance of first production in the coming quarter, and was expensed rather than capitalised. As production levels increase, average costs per tonne are expected to decrease due to a large proportion of monthly costs being relatively fixed in nature.

Mining at Gasagwe

Production from the Gasagwe pit has delivered at lower rates in recent months than had been initially anticipated. Vein structures have proven unpredictable both in terms of formation and thickness, which has led to variability in the provision of run of mine ore to the plant, as well as in terms of the dilution of plant feedstock.

In order to counter this, fleet size and stripping rates have been increased at the Gasagwe pit, which is intended to expose more vein material and allow for more predictable tonnages of ore going forwards.

Murambi – a second mining area

Good progress has been made in developing the second mining area at Murambi. During the period, extensive trenching revealed a number of parallel and sub-parallel veins, in a stockwork formation similar in nature to Gasagwe. The cutting of an access road was completed during August, allowing mechanical equipment to be brought to the site, greatly increasing the stripping capacity, and the mine is now firmly on track to provide an additional source of ore to the Kabezi plant during Q2 (the three months to 31 December 2018) as planned.

Initial processing of bulk samples of Murambi ore indicated lower yields (ie fewer tonnes of concentrate produced per tonne of ore feedstock) than at Gasagwe. Early analysis suggests this may be due to the weathered nature of the ore tested, which is expected to improve as mining progresses into fresher material. If yields remain low, then greater quantities of run of mine ore tonnes will be required to achieve targeted production levels.

Exploration

The drilling programme at Kiyenzi concluded in the quarter, and the exploration team are now completing the testwork, analysis, and modelling, in order to produce a maiden JORC-compliant Mineral Resource before the end of the calendar year 2018, as previously announced.

Downstream Processing

In August 2018, Rainbow signed an agreement with TechMet Limited to partner on a full Definitive Feasibility Study focused on a downstream processing solution for Rainbow's concentrate, funded by TechMet on a reimbursable carry basis. By further processing its existing concentrate, Rainbow would have the ability to sell a much higher value product to a wider universe of buyers.

Initial progress with TechMet has been very positive and further updates will be provided in due course.

Outlook

Given the imminent commencement of full mining production at Murambi and current uncertainty over the likely average concentrate yields as well as the unpredictable nature of the Gakara project's vein stockwork deposits as reflected by recent experience at Gasagwe, the attainment of the target run-rate of 400 tonnes of concentrate per month (equivalent to 5,000 tonnes per annum) is now expected to be delayed into calendar year 2019. The precise date at which this will be achieved will depend on the progress of Murambi, as well as the 1-2 additional mining areas which the Company intends to bring online in the next 6-9 months.

Production guidance for the full year to June 2019 will be updated in early 2019 following a more

representative period of operations from Murambi.

The Company expects to be generating positive EBITDA when concentrate production and sales reach 250-300 tonnes per month and remains focused on utilising its existing cash and financing resources to reach that point.

****ENDS****

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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 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.