

FOR IMMEDIATE RELEASE

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**Rainbow Rare Earths Ltd ('Rainbow' or 'the Company') (LSE: RBW)
Unsecured Loan of US\$0.7 million and Operating Update**

Rainbow, the rare earth element mining company, is pleased to announce a new funding agreement with its major shareholder, Pella Ventures Limited ('Pella'), comprising an unsecured loan amount of US\$0.7 million to support Rainbow's development and operations.

In addition, Rainbow has agreed with The Lind Partners LLC ('Lind') to suspend any further tranches under the existing equity drawdown facility ('the Lind Facility') first announced on 28 January 2019.

Further, the Company is pleased to provide a Corporate update together with its latest quarterly production statistics for its Gakara Project in Burundi for the period January to March 2019.

Terms of the Unsecured Loan

Loan Amount: US\$700,000

Loan Term: 12 months

Interest: 15%

Conversion to Equity: Mandatory conversion of outstanding loan principal and any interest into ordinary shares of the Company on same terms of next equity fundraising.

Purpose: To be applied towards general working capital purposes.

Martin Eales, CEO of Rainbow, said:

"The funding agreement with Pella provides working capital whilst the Company finalises its short term plans to finance the Company's planned investment for growth. Pella is the Company's founder and largest shareholder and is committed to supporting the Company to achieve its long term aims.

"Our project is exceptional and is one of the highest-grade mines of its type in the world. We have been working hard at developing a short-term strategy to: (i) maximise concentrate production from the high grade veins through the acquisition of new fit-for-purpose mining vehicles and the development of multiple mining areas; (ii) develop the upside potential of the large lower-grade Resource at Kiyenzi for future mining; and (iii) progress our investigation into the feasibility of further processing our concentrate, in order to significantly increase our economic participation in the rare earth value chain in the future."

Adonis Pouroulis, Chairman of Pella and of Rainbow said:

“Rare earths mining and processing remains one of the most significant medium-term opportunities in producing commodities for the future and in the last two years, Rainbow has proven that Gakara is a very special project which is deserving of continued support to enable it to achieve long-term sustainable positive cashflow at even the currently low basket price.”

Adonis Pouroulis has a beneficial interest in Pella and therefore a beneficial interest in 23.5% of the Company’s issued share capital. Rainbow shares are listed on the Standard segment of the Main Market of the London Stock Exchange and as such, Chapter 11 of The Listing Rules concerning Related Party Transactions does not apply to the Company. Notwithstanding this, Rainbow’s Board, excluding Adonis Pouroulis and Robert Sinclair (as directors of Pella), has concluded that the terms of the loan are fair and reasonable.

Lind Facility

Rainbow announced an equity drawdown facility with Lind on 28 January 2019. Rainbow has now agreed with Lind to suspend further tranches under the Lind Facility. The amount drawn down under the Lind Facility in three tranches so far has been a total of US\$0.3 million.

Results for Q3 2018-19 (Three Months to 31 March 2019)

	Q3 2018-19	Q2 2018-19	FY 2017-18
	(31 Mar 2019)	(31 Dec 2018)	(30 June 2018)
ROM Production (tonnes)	347	371	1,005
Concentrate sold (tonnes)	100	300	475
Grade TREO per tonne concentrate sold	56%	56%	58%
	US\$/t	US\$/t	US\$/t
Gross sales price	1,780	1,884	2,263
Marketing and handling	(127)	(94)	(175)
Net sales price	1,653	1,791	2,088
Transportation and royalty	(322)	(387)	(381)
LTIFR	1.75	0.00	0.00

Production update for quarter to 31 March 2019

Production at the Company’s Gakara Project in Burundi in the three months to 31 March 2019 remained challenging. Rainfall during the period disrupted mining operations as the locally-rented haul trucks available proved incapable of performing in wet conditions which limited waste stripping and dumping. The replacement of the inadequate rented machines with newer more suitable models is a critical component in Rainbow’s plans to address mining performance issues.

Mining operations continued to take place at two sites: Gasagwe and Murambi. Gasagwe, which was the project's first operating pit, was opened in Q1 2017-18, while production began at Murambi in December 2018 following environmental approvals.

347 tonnes of Run of Mine ore were mined in the quarter, compared with 371 tonnes for the previous period, which was lower than planned. However, due to the timing of concentrate batches being completed, only 100 tonnes of concentrate were exported and sold in the quarter, compared with 300 tonnes exported in the quarter to 31 December 2018.

Gross sales price per tonne achieved in the quarter was approximately 9% below Q2 2018-19 at US\$1,780/t compared to US\$1,884/t, reflecting the fall in rare earth oxide prices seen during the preceding quarter which flows through to Rainbow's sales contracts. Rare earth prices remained relatively flat in this quarter, with the Company's indicative basket price average increasing slightly from US\$11.33/kg to US\$11.41/kg during the period.

Health & Safety

The Company is disappointed to have experienced its first Lost Time Injuries during the quarter, when two employees suffered minor injuries following a lightning strike near a rain shelter where mine workers were taking shelter during a storm. The Lost Time Injury Frequency Ratio for the quarter was therefore 1.75 (6 months to 31 December 2018: 0.00, 12 months to 30 June 2018: 0.00). The Company has a commitment to zero harm to its employees and the environment, and this incident has been taken seriously.

Production expansion and future strategy

As noted in the Company's recent maiden Resource estimate and its last quarterly update, Gakara provides Rainbow with the unique combination of extracting extremely high grade ore, allowing for a short and foreseeable path to positive cash flows, as well as a high volume deposit at Kiyenzi indicating significant long-term opportunity for further exploration in our concession area. The Company therefore is developing a dual strategy to operate additional mining areas in order to de-risk the fluctuations caused by operating at a limited scale and to deliver profitability. Subject to securing the necessary financing, the Company will swiftly move to develop mining operations at the Kiyenzi and Gomvyi Centre areas, as previously announced, and expects both areas to be in operation in the latter half of calendar 2019. A further new mining area is planned to be in operation in 2020, to replace Gasagwe which, as originally planned, is expected to reach the end of its life in the next 12 months and it is the Company's intention that a minimum of four pits are in operation continuously.

Cash flow breakeven on a monthly basis is therefore anticipated in the second half of the 2019-20 financial year following commencement and ramp up of production at the planned new sites.

In addition to near-term production increases derived from the expansion of high grade vein mining, Rainbow sees considerable potential in seeking to develop the resource size of the lower grade deposit at

Kiyenzi and pursue its potential for mining and beneficiation, whilst at the same time continuing to consider the options available for further processing of the existing concentrate to a much higher value product. Both of these elements form key parts of Rainbow’s strategy for the short to medium term over the next 12 – 18 months, and are expected to be additional value drivers for the Company beyond the current production of mineral concentrate.

Outlook

Rainbow continues to believe in the prospects for the Gakara Project and is confident that investment in new mining machinery and new pits will serve as the foundation for a sustainable and profitable operation, whilst the potential upside in the project to be obtained through further exploration, metallurgical testwork and investigation of downstream processing of Rainbow’s concentrate all remains in place.

The rare earths sector has seen considerable interest in recent weeks following an unsolicited bid for Australian company, Lynas Corporation, which is currently the only other listed rare earths mining company producing commercially outside of China, illustrating the global strategic importance of non Chinese sources of rare earths.

Subject to the planned investment in new fleet and pits, the Company anticipates that both Kiyenzi and Gomvyi Centre will start contributing ore tonnes in the second half of calendar 2019 (H1 19-20 financial year) and take the Company to at least breakeven production following their ramp up. Concentrate production for the next three to six months will remain dependent on tonnages from the existing pits, Gasagwe and Murambi, and therefore the Company expects full year concentrate production for the year to June 2019, prior to the impact of any of the improvements mentioned above, will be 800-900 tonnes.

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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.