RAINBOW RARE EARTHS LIMITED
ANNUAL REPORT 2023

A STRATEGIC SOURCE OF RARE EARTH MINERALS FOR A GROWING MARKET

RAINBOW
RARE EARTHS

A STRATEGIC SOURCE OF THE RARE EARTH ELEMENTS DRIVING DECARBONISATION

Rainbow Rare Earths ("Rainbow" or the "Company" or the "Group") aims to be a forerunner in the establishment of an independent and ethical supply chain of the rare earth elements that are driving the green energy transition.

It is doing this successfully via the identification and development of secondary rare earth deposits that can be brought into production quicker and at a lower cost than traditional hard rock mining projects, with a focus on the rare earth elements used to make permanent magnets, namely neodymium and praseodymium ("NdPr"), dysprosium ("Dy") and terbium ("Tb").

Rainbow is listed on the main market of the London Stock Exchange under the ticker RBW.

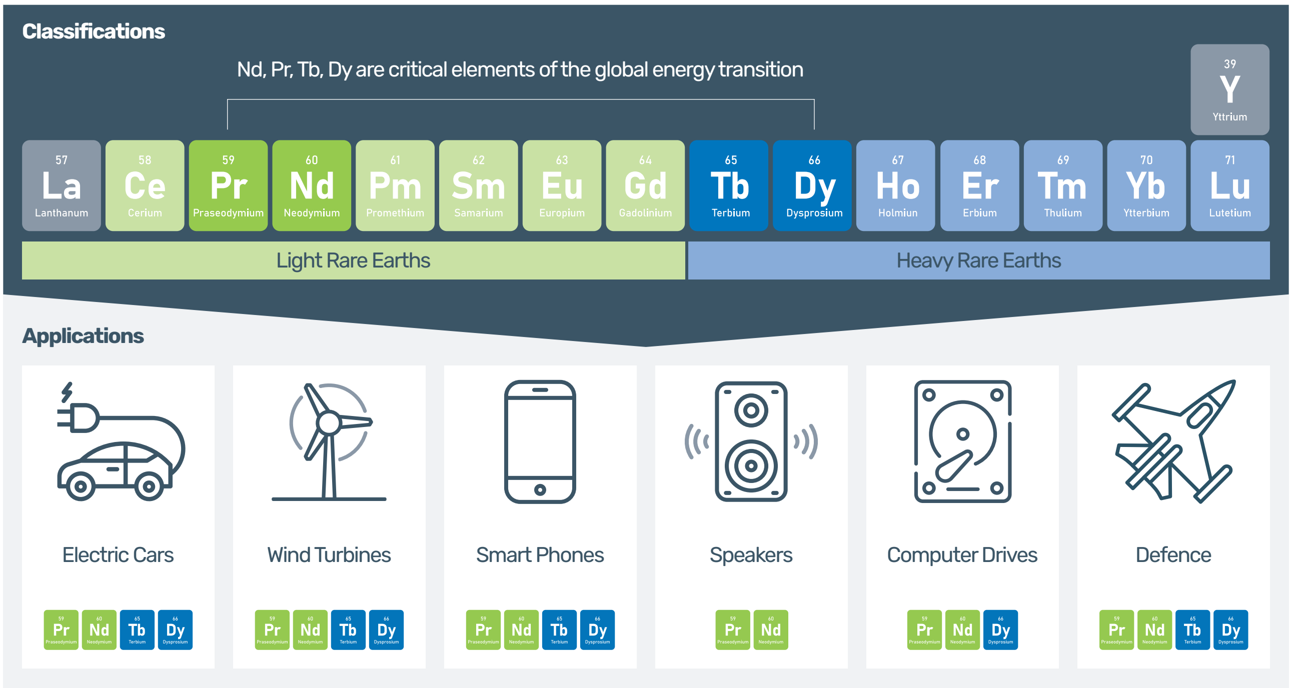
CONTENTS

Front cover image:
The first batch of mixed rare earth sulphate was produced at the front-end pilot plant in Johannesburg in September 2023

ABOUT RARE EARTHS ELEMENTS

RARE EARTH ELEMENTS ARE FUNDAMENTAL TO LIFE IN THE 21ST CENTURY

A group of 17 elements in the periodic table, including the 15 in the Lanthanide series plus two additional elements. Rare earths are categorised into light elements and heavy elements, with the latter being less common.



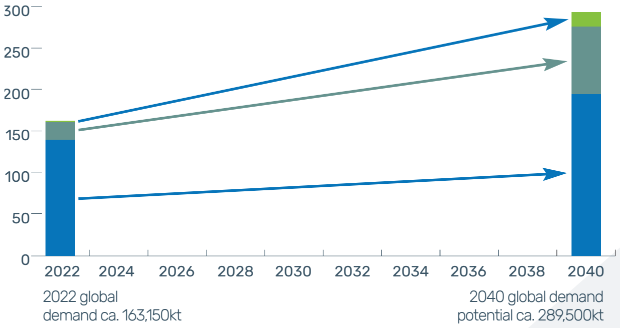
Due to their unique electrical and magnetic properties, rare earth elements ("REEs") allow for miniaturisation and much lighter, stronger, resilient, and efficient components. To date, they have transformed the consumer electronics market, enabling the high-tech products so integral to our lives and which still account for ca. 50% of the rare earth market.

However, REEs have an even more important role to play as enablers of the transition to the green economy. REEs are vital components of the type of permanent magnets used within electric vehicles and wind turbines, with both of these markets forecast to continue rapid growth as global efforts play out to reach net zero.

Currently China controls ca. 70% of rare earth mining, but over 90% of the downstream rare earth processing and manufacturing. This reliance on one country creates supply chain vulnerability which, combined with a forecast deficit of supply compared with rising demand, has driven countries around the world to officially recognise REEs as critical minerals.

Adding to the criticality of REEs is their growing use in high tech and strategic defence applications, such as guided missiles, drones, electronic displays, sonar and jet fighter engines.

Global demand for magnet rare earth oxides ("REOs") (Nd, Pr, Dy, Tb)



🟩 Wind power demand growth at a CAGR of ca. 15% p.a. requires 0.2Mt additional magnet REOs by 2040

▨ EV sales growth at a CAGR of ca. 10% p.a. requires ca. 1.2Mt additional magnet REOs by 2040

🟦 Other uses of rare earths demand growth at a CAGR of ca. 3% p.a. requires ca. 3Mt additional magnet REOs by 2040

Source: Argus Media

WHY INVEST

A UNIQUE INVESTMENT OPPORTUNITY IN RARE EARTHS

CRITICAL MINERALS

Demand for REEs is forecast to rise significantly to facilitate global decarbonisation, as well as for use in strategic and high-tech products.

Read more on pages 14 to 15

FOCUS ON SECONDARY SOURCES

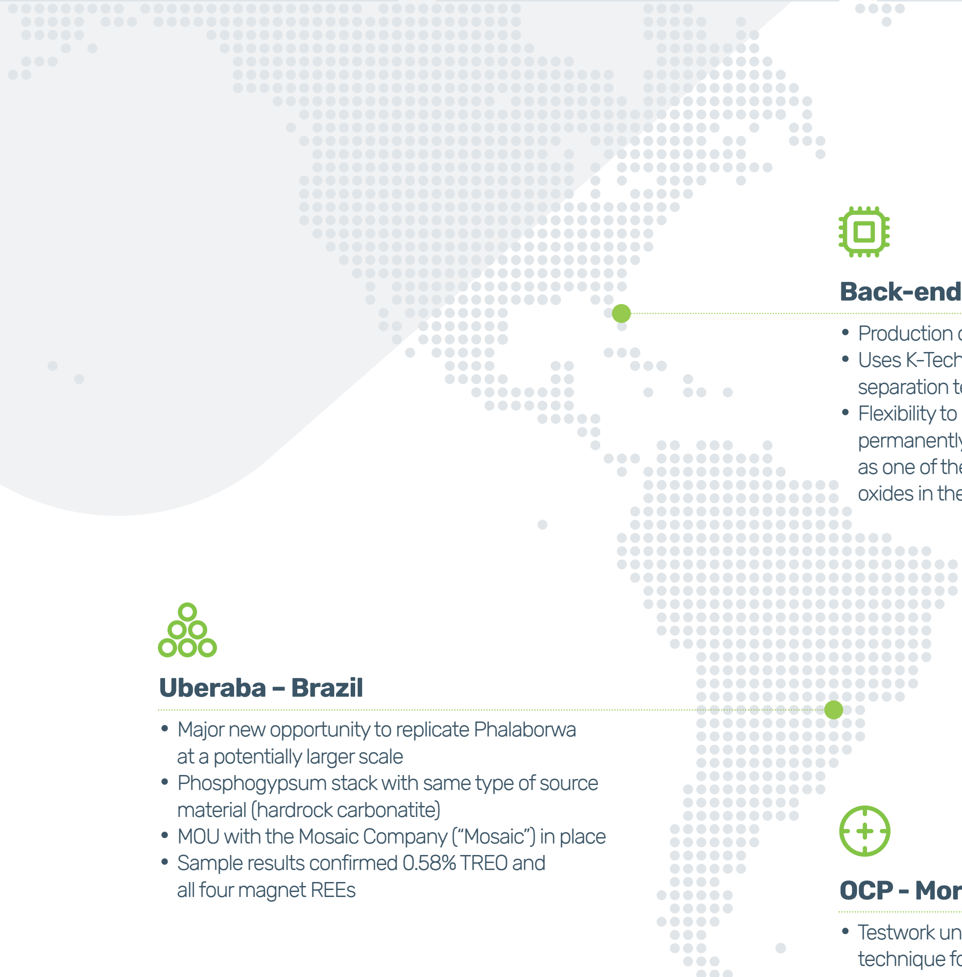
Rainbow is focused on the development of secondary sources of rare earths, namely phosphogypsum stacks that are the residue of phosphoric acid production.

Read more on page 9

EXPERIENCED TEAM

Rainbow's team has a history of delivering multiple processing plants, feasibility studies and mine developments.

Read more on pages 38 to 40



Back-end Pilot Plant – USA

- Production of separated rare earth oxides
- Uses K-Tech's patented CIX and CIC separation technology
- Flexibility to establish back-end separation process permanently in the USA could establish Rainbow as one of the first producers of separated rare earth oxides in the country

Uberaba – Brazil

- Major new opportunity to replicate Phalaborwa at a potentially larger scale
- Phosphogypsum stack with same type of source material (hardrock carbonatite)
- MOU with the Mosaic Company ("Mosaic") in place
- Sample results confirmed 0.58% TREO and all four magnet REEs

OCP - Morocco

- Testwork underway to develop the optimal technique for the extraction of rare earth elements from sedimentary-sourced phosphogypsum
- Collaboration with OCP S.A. ("OCP") and Mohammed VI Polytechnic University ("UM6P")

WHY INVEST CONTINUED

INNOVATIVE TECHNOLOGY

Proprietary rare earth separation processes delivers efficiencies and cost benefits versus traditional solvent extraction.

Read more on page 19

MULTI-ASSET RARE EARTH PORTFOLIO

Rainbow has secured two rare earth projects on different continents that are expected to be brought into production faster and at a lower cost than traditional rare earth mine development projects.

Read more on pages 16 to 20

RESPONSIBLE SUPPLY

Rainbow aims to to be a forerunner in the establishment of an independent and ethical supply chain of REEs and a focus on responsible production is central to our business model.

Read more on pages 22 to 27

LCM – UK

World-leader in the manufacture of alloys for permanent magnets – agreement to purchase seperated rare earth oxides from Rainbow

Phalaborwa – South Africa

- NPV of US$627 million
- Annual production of ca. 1,850t of magnet rare earths
- Annual EBITDA of ca. US$192 million
- Creation of 275-300 direct jobs
- Clean-up of site with legacy environmental issues

Front-end Pilot Plant – South Africa

- Production of a mixed rare earth sulphate
- Technology developed jointly by Rainbow and K-Technologies, Inc. ("K-Tech")

DEVELOPING A RESPONSIBLE RARE EARTHS SUPPLY CHAIN

The International Energy Agency forecasts that wind electricity capacity will need to increase from ca. 75 GW in 2022 to ca. 350 GW by 2030 in order to stay on track with the Net Zero Emissions 2050 Scenario

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

> "RAINBOW HAS BECOME ONE OF THE ONLY RARE EARTH DEVELOPMENT COMPANIES IN THE WORLD WITH MULTIPLE NEAR-TERM PRODUCTION OPPORTUNITIES"

CHAIRMAN'S STATEMENT CONTINUED

Dear Shareholder,
The world is currently in the midst of a new industrial revolution – the transition to a sustainable green energy system. This shift is set to drive a huge increase in the requirements for the minerals needed to power clean energy technologies. Of these minerals, REEs are recognised as amongst those with the highest risk for supply shortages, as well as displaying considerable supply chain vulnerability due to China's dominant position in the market.

REEs are essential components of permanent magnets, which are found in a plethora of high tech products, including smartphones, camera lenses, plasma screens, hard drives and even artificial joints. However, it is their use in electric vehicles ("EVs") and wind turbines that is driving major future market growth, with Argus Media Ltd estimating that supply of the magnet rare earths, NdPr, Dy and Tb, will need to grow by ca. 8% per annum by 2032 in order to match demand. Read more in Market Review on pages 14 to 15.

Rainbow's aim is to be a forerunner in the establishment of an independent, sustainable and ethical supply chain of REEs and I am delighted to note that we made excellent progress towards this aim in the year to 30 June 2023 ("FY 2023" or the "Year") via the advancement of the Phalaborwa project in South Africa and, post Year end, via the MOU entered into with Mosaic to jointly develop the Uberaba project in Brazil.

Both projects target secondary sources of rare earths, being phosphogypsum stacks that are the residue of phosphoric acid production. These stacks sit at surface, thereby eliminating the traditional geological risk and cost of mining, and are therefore expected to have a significantly lower capital intensity and operating expenditure ("opex") than traditional rare earth mining projects. Furthermore they can be considered "near-term" production opportunities – for example, the Phalaborwa project is expected to commence operations in 2026, which is just five years after Rainbow secured the project.

The outstanding economics of the Phalaborwa project were confirmed via the publication of its Preliminary Economic Assessment ("PEA") in October last year, which noted a base case NPV10 of US$627 million , an average EBITDA operating margin of 75% and a payback period of less than two years. This very high margin sets Phalaborwa apart from other development projects in our space as it can withstand significant pricing volatility.

Post Year-end, the Phalaborwa project recorded a major milestone with the recovery of the first mixed rare earth sulphate from the front-end pilot plant in Johannesburg. This material is considered to be a commercially saleable product that could be a standalone revenue stream for the project, with an estimated sales value of ca. 60% of the global price for separated rare earth oxides. The mixed rare earth sulphate will be used as the feed stock to produce separated rare earth oxides at the back end pilot plant at K-Tech's facility in Florida.

Responsible supply
Rainbow's business model is driven by the shift to cleaner energy, in that we will produce the materials required to make permanent magnets needed for EVs and wind turbines - with this comes a responsibility to operate in a sustainable manner - read more about our approach to sustainability on page 22. We have the opportunity at Phalaborwa to clean up legacy environmental issues on site, the main one being acid water which has accumulated over the unlined gypsum stacks. The acid water will be neutralised and used as process water, with the remnant gypsum then deposited on new lined stacks according to International Finance Corporation ("IFC") / Equator Principles. This gypsum is intended to be further on-sold as a clean and benign feed for the cement and other industries, leaving the site rehabilitated to its original state over time.

Phalaborwa's potential to be a near-term source of ethical magnet rare earth supply was recognised by Less Common Metals Ltd ("LCM"), with whom we have entered into a strategic supply agreement for Phalaborwa production. LCM is currently the only rare earth metal and alloy manufacturing facility in the UK and one of the only facilities in the EU. Its location is of strategic importance to Rainbow as the Group's aim is to play an important part in the establishment of a Western supply chain for critical REEs outside of Chinese control.

CHAIRMAN'S STATEMENT CONTINUED

Portfolio development

Post Year-end, the agreement with Mosaic represents a major opportunity for Rainbow to replicate Phalaborwa at a potentially larger scale. The Uberaba phosphogypsum material is similar to Rainbow's Phalaborwa project in South Africa in that the original feedstock was based on a hardrock carbonatite phosphate deposit. Initial assay analysis from samples have indicated an average grade of 0.58% total rare earth oxides ("TREO"), which is more than 30% higher than the 0.44% TREO for Phalaborwa, and confirmed that the Uberaba basket contains all four of the most economically important rare earths, NdPr at ca. 25% of the basket and includes the two "heavy" permanent magnet rare earths, Dy and Tb. Read more in "Uberaba" on page 20.

Further to the acquisition of the Phalaborwa project in December 2020 and the subsequent development of processing technology to recover REEs from phosphogypsum as a by-product of phosphoric acid production, the Directors have re-focused the business on secondary sources of REEs where they consider higher returns are available. As such, the Directors no longer intend to invest significant capital at the Gakara asset in Burundi to convert the existing resource target to a reserve status. This resulted in an impairment review being carried out for the Gakara assets in the year ended 30 June 2023 and led to the net assets being written down to nil as at 30 June 2023. Read more in the "Financial Review" on page 34.

Corporate development

Rainbow's successful development in FY 2023 was rewarded by continued strong backing for the Company in the market, with a placing to raise US$9.5 million in May 2023 achieved at a premium of 30% to the share price, and a placing post Year-end in September 2023 to raise US$5.4 million achieved at a minor discount of 3% to the share price.

Both fundraisings included cornerstone participation by TechMet Limited ("TechMet"), a private investment company developing world class projects across the critical metals for the global energy transition, and which counts the US International Development Finance Corporation ("DFC") as a major backer.

Pursuant to the nomination right held by TechMet, Darryll Castle (currently Director of Operations for TechMet) joined the Rainbow Board in June 2023. Through his extensive career Darryll has served as an executive director of a number of mining and production companies and has first-hand operations and projects experience globally. We welcome Darryll to the Board.

Responsible production is a core component of our business model and Rainbow has made good progress this year with setting up the structural aspects that will ensure ESG is integrated into our operations. Post Year-end, the Board approved a new Sustainability Policy for the Group and we have committed to a number of United Nations Sustainable Development Goals ("SDGs"), which will provide a focal point for our sustainability strategy and plans. Read more in Sustainability on pages 22 to 27.

We have been working with carbon and climate change advisors to further understand Phalaborwa's potential environmental impacts and have provided our first annual disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

Poised for success

I believe Rainbow offers a compelling investment opportunity in our space. Further to the MOU with Mosaic in Brazil, Rainbow has become one of the only rare earth development companies in the world with multiple near-term production opportunities, as well as occupying a unique position in the pipeline given our ability to utilise innovative and proprietary technology to take the processing of our material all the way through to separated rare earth oxides. Read more in "Our Business Model" on page 9.

This is an exciting time for the Group and I look forward to the imminent production of separated rare earth oxides in Q4 calendar year ("CY") 2023, bearing in mind Rainbow will be one of the first companies to do this on US soil, which further validates our vision to be an integral part of an independent and Western supply chain of rare earths.

I would like to thank the host countries in which we operate and all our staff who have worked so diligently in laying the platform for delivering one of the most exciting rare earth stories in the world.

ADONIS POUROULIS
NON-EXECUTIVE CHAIRMAN

BUSINESS MODEL

With our strong project development and operating experience, unique intellectual property and diversified portfolio, Rainbow will develop a responsible, independent rare earths supply chain to drive the green energy transition.

BUSINESS MODEL

Developing a responsible supply of critical rare earths

PROJECT IDENTIFICATION

Focus on secondary sources of supply that can be brought into production quicker and at a lower cost and carbon intensity than rare earth mine development projects

INNOVATIVE TECHNOLOGY

Application of proprietary separation technologies including CIX and CIC in order to deliver separated magnet rare earth oxides more efficiently than traditional solvent extraction methods

RESPONSIBLE PRODUCTION

Rainbow will contribute to a responsible supply chain for rare earths by integrating strong environmental and social practices into its project development and management

UNIQUE POSITION IN PIPELINE

Rainbow will be one of the few companies outside of Asia to produce separated rare earth oxides, including the "heavies" Dy and Tb

Q&A WITH CEO

> “THE LONG-TERM OUTLOOK FOR RARE EARTHS IS POSITIVE AS THERE IS A MANDATED SHIFT TO THE ELECTRIFICATION OF OUR TRANSPORT SYSTEM, AS WELL AS THE EXPONENTIAL ROLL-OUT OF OFFSHORE WIND CAPACITY TO FACILITATE GLOBAL DECARBONISATION”

“ WHAT DO YOU CONSIDER TO BE THE KEY ACHIEVEMENTS OF FY 2023?

FY 2023 has been a period of further rapid development for Rainbow and the progression of our aim to be a forerunner in the establishment of an independent and ethical supply chain of the rare earth elements driving the green energy transition.

The publication of the Phalaborwa PEA in October last year demonstrated that this was one of the lowest cost rare earth projects in development today and, not only that, it could be brought into production at much quicker pace than traditional projects, as it involves the processing of gypsum stacks already sitting at surface, thereby eliminating the cost and risk of mining.

Phalaborwa will use a unique processing flowsheet that was developed by and in conjunction with our partner K-Tech and which incorporates continuous ion exchange (“CIX”) and continuous ion chromatography (“CIC”). While this technology was proven at lab-scale, we wanted to demonstrate that it is commercially viable and this was achieved both during the Year and post Year-end via the successful operation of our pilot plant and the production of the mixed rare earth sulphate.

This validates Rainbow’s business model and has allowed us to target other phosphogypsum resources globally. Post Year-end, we signed an MOU with Mosaic in Brazil with regards to the Uberaba phosphogypsum stack, which is expected to have comparable characteristics to Phalaborwa due to the similarities of the host rock. This deal has opened up the future for Rainbow to become a multi-asset producer of rare earth elements from secondary sources. Read more in “Uberaba” on page 20.

Post Year-end, we also entered into a strategic supply agreement with LCM, the UK-based world leader in the manufacture and supply of complex alloy systems and metals. Securing a buyer of our separated rare earth oxides that shares our values and aspirations was of strategic importance to Rainbow, especially as the vast majority of rare earth processing and manufacturing companies are based in China.

The intention is for the separated rare earth oxides produced by Phalaborwa to be manufactured by LCM into metal in order to create an alloy, which is then supplied to permanent magnet manufacturers in the EU and the USA, with the ultimate customer of the rare earth permanent magnets being clearly defined and in alignment with the positioning of both Rainbow and LCM in a Western supply chain.

Q&A WITH CEO CONTINUED

AND WHAT WERE THE KEY CHALLENGES?

We continued to see turbulence in the global geopolitical landscape, which had ramifications for economies worldwide, particularly with the ongoing disruption to supply chains and the rising cost of various inputs and commodities. This compounded the issue of slower global economic activity and growth that was already an issue further to the impacts of the Covid-19 pandemic.

We have found that this has played out with investors taking a "risk-off" approach, especially with regards to smaller companies in the resources sector. In spite of these external, macro-economic challenges, we continue to be greatly encouraged by the progress we have been able to make internally and fortunately we have a host of catalyst points over the next six months to two years, as we deliver on the various milestones that bring Phalaborwa closer to first production in 2026.

Another challenge relates to volatility in the pricing of rare earths experienced during the Year, albeit Rainbow is not in production as of yet. Pricing performed strongly in the year ended 30 June 2022 ("FY 2022") due to surging demand, especially following a rush to install offshore wind capacity in China to take advantage of government subsidies, combined with the continued adoption of EVs worldwide. Pricing was also positively impacted by supply disruptions due to the COVID-19 pandemic and the start of the conflict between Ukraine and Russia. However, in FY 2023 we saw a correction in pricing as China increased supply, set against a backdrop of softer economic conditions.

At the time of this Report, pricing has recovered from the lows and expectations are for further improvements into 2024.

We remain confident that the long-term outlook for rare earth demand and pricing is positive as there is a mandated shift to the electrification of our transport system, as well as the exponential roll-out of offshore wind capacity worldwide in order to meet global decarbonisation and net zero targets. Read more in "Market Review" on pages 14 to 15.

CAN YOU GIVE AN UPDATE ON THE PHALABORWA PROJECT?

Work at Phalaborwa has continued apace and we are underway with all the various workstreams required for the Definitive Feasibility Study ("DFS"), which we plan to complete by the end of H2 CY 2024 subject to funding.

A major component of this was the construction, commissioning and operation of the pilot plant to prove up our proprietary separation technology, both at scale and on a continuous basis, as well as to produce sufficient quantities of separated permanent magnet rare earth oxides for testing and marketing purposes.

During the Year, the decision was made to split the pilot plant, so that the front-end, which will produce a high-value mixed rare earth sulphate, would remain in South Africa close to the Phalaborwa project, while the back-end, which will produce separated rare earth oxides, would be built and run at the premises of our partner, K-Tech. This would deliver cost and time efficiencies as a result of removing the logistics involved in transporting pilot-scale equipment from the USA, where it is designed, fabricated, and tested, to South Africa, where it would have to be reassembled and commissioned, as well as ensuring that key K-Tech personnel would be available on site to oversee and optimise the process in real-time.

Post Year-end, we achieved a major milestone with the production of the first mixed rare earth sulphate from Phalaborwa phosphogypsum material at the pilot plant front-end pilot plant in Johannesburg. This was a significant de-risking event for the project and the Group, as it confirms Phalaborwa as a rare earth producer and can provide a standalone revenue stream for the project.

This material will be used as feed for the back-end pilot plant and will be processed further to produce separated rare earth oxides in Q4 CY 2023. Read more in "Phalaborwa" on pages 16 to 19.

Q&A WITH CEO CONTINUED

HOW DOES THE PHALABORWA PROJECT COMPARE TO OTHER RARE EARTH DEVELOPMENT PROJECTS GLOBALLY?

Phalaborwa is a unique project with exceptional economics, as demonstrated by the PEA. One of the main aspects that attracted me to the project was its comparatively low cost base, which provides resilience against pricing volatility:

- firstly, as this is not a traditional mining project there are no costs associated with drilling, blasting, crushing, milling and flotation to produce a mixed rare earth concentrate;
- secondly, the phosphogypsum material has already been chemically "cracked" because it is the by-product of phosphoric acid production, meaning it has already been subjected to heat and sulphuric acid – the cracked material allows for a simpler hydrometallurgical process to produce separated and purified rare earth oxides; and
- thirdly, the CIX / CIC separation technology developed by K-Tech replaces traditional solvent extraction ("SX") technology, which uses toxic and flammable solvents and diluents and requires many different stages, thereby delivering a process that is safer and more environmentally responsible, as well as reduced capital and operating costs due to a simplified flowsheet.

The project also has exceptional sustainability-related opportunities as it is founded on the principles of circularity. We will be taking a waste product (the existing phosphogypsum stacks), cleaning it and extracting value from it – both via the recovery of the REEs and then via the sale of the benign gypsum that is produced as the by-product of the process. Our operations will see the clean-up of the legacy environmental issues, namely the acid water on site, and will fully deplete the gypsum stacks over time, thereby allowing for a full-circle environmental rehabilitation of the site.

Finally, a key benefit of targeting a secondary source of rare earths in this manner is that the project can be brought into production in a much quicker manner than traditional mining projects. In fact, we are targeting for the project to begin production just five years after we commenced work on site.

WHAT ARE THE KEY RISKS TO ITS DEVELOPMENT?

As the process developed with and by K-Tech is a novel process, albeit using existing technologies and equipment, investors undoubtedly saw technology risk as a key hurdle to investment. This was why the successful production of a mixed rare earth sulphate from the front-end pilot plant in August 2023 was an important milestone; however, we expect to see the benefit of a "de-risked" investment case once the back-end pilot plant produces the separated rare earth oxides – expected in Q4 2023.

Management has always had a high level of confidence in the technology. For us, it is more about timing of the project development and what could impact that. Permitting in South Africa is a factor, which is why we are running the various workstreams required already, alongside or incorporated with the DFS requirements. The fact that the project will be cleaning up the legacy issue of acid water on site I think incentivises the permitting process to stay on track as it is to the benefit of the local environment and communities.

In terms of financing, we believe that Phalaborwa will continue to be of interest to strategic investors, especially since it will produce all four of the critical rare earths for permanent magnets, including the heavies Dy and Tb, which are of even scarcer supply. In fact, McKinsey released a report in 2023 noting that of all the critical minerals it surveyed, Dy could see the most severe imbalances of supply with potential "shortages of up to 70% of demand". These heavy rare earths are essential to produce the kind of high-performance permanent magnets needed for EVs and wind turbines. Read more in "Importance of the Heavies" on page 19.

Our job is to ensure that Phalaborwa maintains its position in an independent and responsible supply chain. This will open the door to investment from the various US initiatives that have been set up to fund US interests in the green transition. We have already seen this via the involvement of TechMet, which has a 12% stake in Rainbow, and, indirectly, their major shareholder the DFC.

Q&A WITH CEO CONTINUED

WHAT ARE THE PRIORITIES FOR FY 2024?

The production of the separated rare earth oxides in the back-end pilot plant will be the most important milestone in the project to date and it is even more exciting and symbolic that they will be produced in the US. This favourable position has led us to consider permanently basing our oxide separation process in the US and we will continue to evaluate this.

We will maintain the pace of the project development to date with the continued progress with the environmental and social impact assessment ("ESIA") and publication of the DFS by the end of FY 2024 and that will set the scene to commence project finance and on to construction.

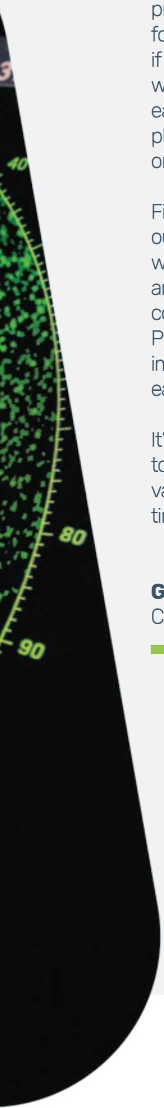
We will look to gain a better understanding of the mineralogy of the Uberaba stack, which will inform the future work programme around resource delineation and development of a flowsheet adapted to the Uberaba material.

We will continue to work with OCP and UM6P to evaluate the optimal technique for the extraction of REEs from sedimentary-sourced phosphogypsum. While this is a longer-term project, it represents an exciting opportunity for Rainbow due to the scale of the opportunity if test work can achieve favourable results, as it will unlock the enormous potential of rare earths contained in sedimentary-sourced phosphogypsum material. Read more in "OCP" on page 21.

Finally we will also be continuing to develop our sustainability approach and practices within the Group, bearing in mind these are an essential part of our future success, and are conducting a life cycle assessment ("LCA") at Phalaborwa to understand the environmental impacts associated with the lifecycle of rare earths production.

It's an exciting period ahead. I would like to thank the Rainbow team, as well as our various partners and contractors, for working tirelessly to deliver the results we have to date.

GEORGE BENNETT
CHIEF EXECUTIVE OFFICER



EVOLVING REGULATORY LANDSCAPE

REEs are considered integral to decarbonisation, as well as having many highly strategic uses in advanced technologies, including in defence applications.

Currently China controls ca. 70% of rare earth mining, but ca. 90% of the downstream rare earth processing and manufacturing. This reliance on one country creates supply chain vulnerability, which is exacerbated by geopolitical tensions.

As such, the world has woken up to REEs as "critical minerals", i.e. minerals that are considered essential to economic or national security and which have a supply chain vulnerable to disruption. The race is on to access new sources of raw material supply from countries outside of China aligned with Western interests, as well as to develop downstream processing and manufacturing capabilities.

SIGNIFICANT GOVERNMENT SUPPORT FOR RARE EARTHS

Inflation Reduction Act
US$400bn directed to funding clean energy, including securing rare earth supply chains

Critical Minerals Strategy
Building resilience of supply chains for critical minerals, including the acceleration of domestic capabilities

CRITICAL RAW MATERIALS ACT
Building resiliance of supply chains for critical minerals, including rare earths, to enable EU to meet 2030 objectives

Critical Minerals Strategy
A national framework to grow Australia's critical minerals sector and the ability to process minerals domestically

National Security Strategy
Rare earths included in strategy to reduce Japan's dependence on countries to secure stable supply for critical goods

Relevance to Rainbow: Rainbow aims to be a forerunner in the establishment of an independent and ethical supply chain of REEs.

MARKET REVIEW

CLEAN ENERGY IS DRIVING A HUGE INCREASE IN DEMAND FOR REEs

Due to their unique electrical and magnetic properties, rare earth elements have become integral to many of the high tech products that we rely on today, especially consumer electronics such as laptops, smart phones and flat screen TVs, as well as being used across diverse applications such as lasers, glass, magnetic materials and industrial processes.

However, the shift to a clean energy system is set to drive a huge increase in the requirements for REEs and other critical minerals, meaning that the energy sector is emerging as a major force in mineral markets.

The four REEs that are particularly important to the green energy transition are Nd Pr, Dy and Tb, due to their role in the rare earth permanent magnets ("REPMs") critical for use in EVs and wind turbines.

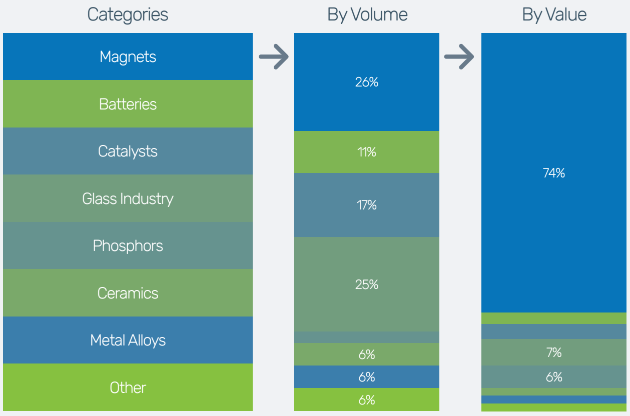
The competitive advantage of REPMs is their very high strength to weight ratio, meaning they can deliver a higher power output from a more compact magnet size than other magnets. The most powerful REPM on the market currently is the neodymium magnet, also known as an NdFeB magnet, which is renowned for having the best magnetic properties, as well as being easy to process into the special shapes required for innovative technologies.

REPMs are also integral to the defence industry, where they are used for integrated electronic displays, sonar, laser and advanced guiding systems.

REPMs are by far the most economically important use of rare earths, accounting for ca. 26% by volume in 2022, but ca. 74% by value;. however, they are forecast to account for +99% by value by 2040, according to Argus Media.

Relevance to Rainbow: The Phalaborwa project is well placed to capitalise on the demand for REPMs, as its rare earth basket contains all four of the most important rare earths (NdPr, Dy and Tb) in economic quantities.

Uses of REEs by volume and value

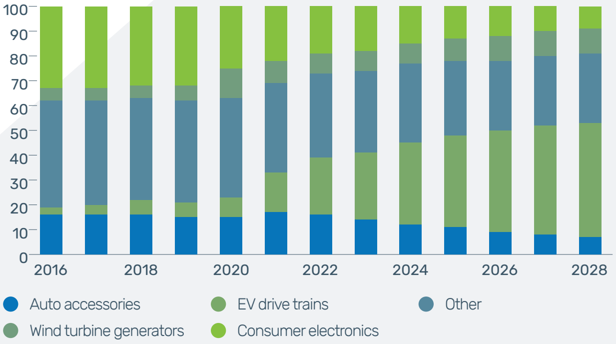


Source: Argus Media

Demand drivers

Currently, ca. one third of global REPM demand is driven by EV drivetrains and wind turbines applications. The remaining ca. two thirds is driven by consumer electronics, traditional automotive, HVAC, disk drives, speakers, robotics and a variety of consumer/industrial/defence applications. However, growth in the clean energy sector is expected to see its share of the REPM market rise to ca. 56% by 2028, according to Canaccord Genuity and Adamas Intelligence.

REPM demand by end-user 2016 – 2028

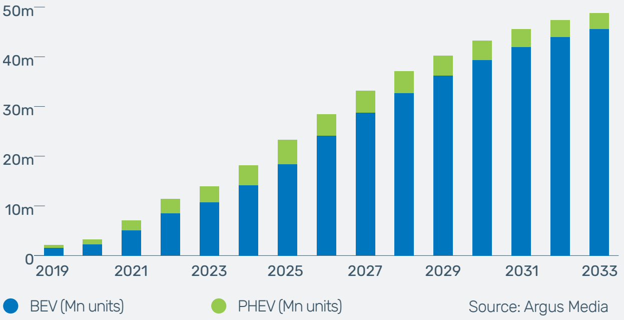


Source: Adamas Intelligence actuals, Canaccord Genuity estimates

Within the clean energy space, there are two major drivers of demand for REPMs, being EVs and wind turbines.

The EV market is forecast to grow ca. 13% per annum from 2023 to 2033, with global sales of EVs expected to rise to ca. 49 million units in 2033.

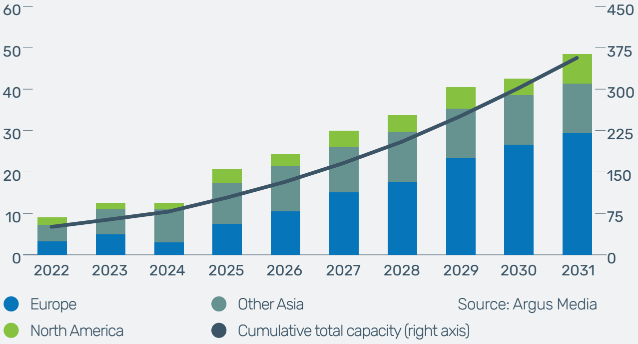
Global EV sales by type 2019 – 2033



Source: Argus Media

The increasing use of REPM direct drive generators (efficiency benefits over traditional gearbox-based designs) used in wind turbines is expected to be another key demand driver, as wind generation is one of the fastest growing forms of energy. Nearly 400GW of capacity is expected to be installed from 2021 to 2031, which will require growth of ca. 20% per annum.

Global offshore wind capacity additions 2022 – 2031 (GW)



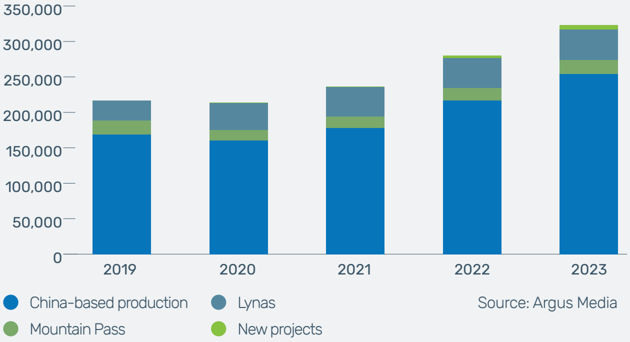
Source: Argus Media

MARKET REVIEW CONTINUED

Supply Outlook

Rare earth supply grew 19% from ca. 236Kt in 2021 to ca. 280Kt in 2022, driven by higher output from China and Myanmar. China updates its REE mining and smelting/separation quotas twice a year. The production quota increased by 25% to 210kt TREO in 2022 and a more moderate increase of 14% to 230kt TREO was set for 2023. This increase was deemed appropriate in order to support global demand growth and in light of uncertainty surrounding output from Myanmar, where production at certain assets was temporarily shut down during the year.

Rare earth supply by source 2019 - 2023 (tonnes)



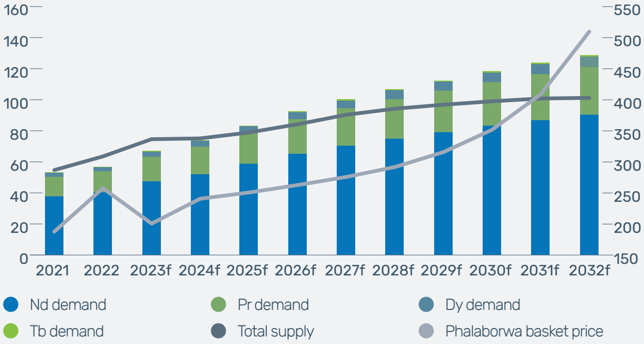
Source: Argus Media

While there are a number of new REE projects outside of China in development today, there are multiple challenges in bringing new supply to market. Due to the nature of REE mineral deposits, they often involve complex mineralogy with associated radioactive elements. This can lead to processing challenges, as well as permitting difficulties, and is associated with higher capital requirements and ongoing operating costs.

Relevance to Rainbow: The Phalaborwa project will recover REEs from phosphogypsum stacks that sit at surface, thereby eliminating the mining cost and risk associated with traditional development projects, as well as the longer lead time required to bring a new project into production.

While REE supply is forecast to continue to grow, it is not expected to be able to keep pace with the fast-growing demand for REPMs, which would need supply of the permanent magnet REEs to grow by nearly 9% per annum to satisfy the demand for the green energy transition.

Supply vs demand outlook 2021 - 2032



Supply & Demand, kt REO (left axis) Phalaborwa basket price, US$/t gypsum (right axis)
Source: Argus Media

The chart above forecasts a supply deficit to emerge from 2025 onwards, with a total deficit of ca. 27,000t of magnet REEs forecast by 2032.

Relevance to Rainbow: The Phalaborwa project will produce ca. 1,850t of magnet rare earths per annum, which is equivalent to ca. 7% of the forecast supply deficit by 2032.

Rare earth pricing

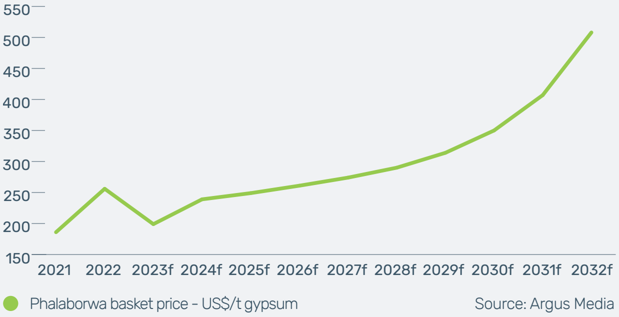
Rare earth pricing performed very strongly in FY 2022, with 10-year highs hit in Q1 2022 due to surging demand, especially following a record year in the roll-out of global offshore wind capacity, according to the Global Wind Energy Council, with a quadrupling in additions from 2020 as a result of a rush to install offshore wind in China to take advantage of government subsidies, combined with the continued adoption of EVs worldwide.

Pricing was also positively impacted by supply disruptions, particularly due to the COVID-19 pandemic and the start of the conflict between Ukraine and Russia.

It has been a different picture in FY 2023, with pricing of NdPr down ca. 50% due to the increased supply, set against weaker demand due to softer economic conditions in China and globally. At the time of this Report, pricing has recovered from the lows and expectations are for further improvements into 2024.

While there could be continued pricing volatility in the short-term, industry commentators agree that the longer-term outlook for REE pricing is supportive given the forecast supply/demand deficit that will be driven by global decarbonisation.

Phalborwa basket price performance and forecast



Source: Argus Media

Relevance to Rainbow: The Phalaborwa PEA indicated an operating cost of US$33.86 per kilo of separated magnet REO, which is believed to be one of the lowest operating costs globally. By contrast, many of the rare earth projects in development today are estimated by Canaccord Genuity to require spot pricing of >US$100/kg for NdPr in order to be economic.

OPERATIONS REVIEW

PHALABORWA

SOUTH AFRICA

ESTIMATED TO BE ONE OF THE LOWEST COST RARE EARTH PROJECTS IN DEVELOPMENT TODAY

Project timeline

- PILOT PLANT
- PERMITTING UPDATED
- DEFINITIVE FEASABILITY STUDY
- PRODUCTION EXPECTED 2026

Overview
The Phalaborwa project in South Africa represents an exciting, near-term production opportunity of all four of the magnet rare earths required for the green energy transition.

The operation will involve the processing of phosphogypsum stacks, which are the by-product of historic phosphoric acid production on the site, which ceased in 2014. This resource sits at surface, thereby eliminating the cost and risk of traditional mining projects.

Rainbow will be using proprietary separation technology developed by, and in conjunction with, its partner K-Tech, which will allow for the material to be processed into separated rare earth oxides of 99.95% purity. Annual production is estimated to be ca. 1,850 tonnes of the magnet rare earths NdPr, Dy and Tb.

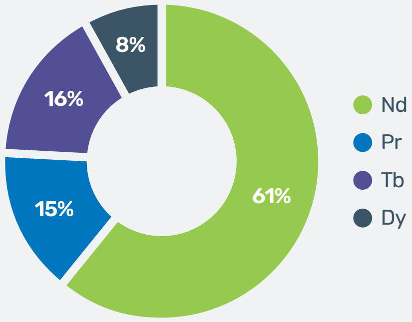
Apart from delivering products that are vital to global efforts of decarbonisation, Phalaborwa has strong environmental credentials in terms of reducing legacy risks from the previous operations on site to an environmentally sensitive area. Furthermore, consideration of sustainability-related risks and opportunities are an integral part of the Phalaborwa development and operating plan.

Rainbow currently owns 85% of the project, with an option to acquire the remaining 15% from Bosveld for US$7 million of equity in the Company - read more on page 34.

Background to Phalaborwa Phosphogypsum
The original source rock for the phosphoric acid operations was a hardrock carbonatite, which was mined to initially produce a phosphate slurry feed that was then processed into phosphoric acid. While the hardrock carbonatite did not contain rare earths in sufficient quantities to be mined for these elements alone, the processing it underwent served to concentrate the quantity of rare earths contained therein, resulting in higher concentrations of rare earths than were in the original hardrock.

This processing also subjected the material to sulphuric acid and heat, which effectively led to "cracked" chemical phosphogypsum material at Phalaborwa. The benefit of this is that it has rendered the rare earths associated with the phosphogypsum amenable to direct acid leaching, which allows for a simpler hydrometallurgical process to produce separated and purified rare earth oxides.

Phalaborwa magnet rare earth basket value



OPERATIONS REVIEW CONTINUED

Post-tax NPV[10]

US$627.4m

Annual EBITDA $192m

75%

Operating Margin

OPERATIONS REVIEW CONTINUED

PHALABORWA
CONTINUED

Stellar economics
The PEA was based on processing 2.2 million tonnes per annum of phosphogypsum over a 14-year project life to deliver 26,208 tonnes of separated rare earth magnet oxides at an average cost of US$33.86/kg. This delivers an exceptional 75% operating margin at the base case basket price of US$137.92 per kg for the rare earth oxides.

The base case financial model set out in the PEA delivered:

- post-tax NPV10 of US$627.4 million, representing more than double the US$295.5 million total capital cost ;
- post-tax IRR of 40%; and
- post-tax payback of upfront capital costs after two years of operations.

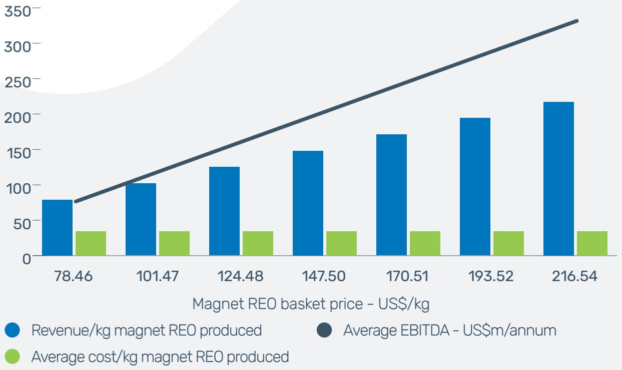
Phalaborwa's comparatively low operating cost is due to the fact that its material has already been mined and deposited at surface, which eliminates the cost and risk associated with traditional rare earth development projects. It also gives the project exceptional resilience against pricing volatility, which was experienced in FY 2023.

The PEA generates a strong EBITDA at all pricing scenarios, with our sensitivity analysis showing that at US$60/kg for Nd and Pr oxides, which is below the weakest prices seen in 2023, Phalaborwa would produce US$82 million per annum EBITDA – rising to an average of US$504 million per annum over the project life using long term forecast pricing from Argus Media published in April 2023.

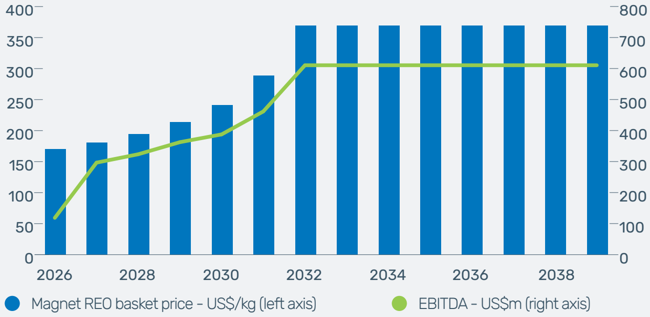
Update on operations
Rainbow is well progressed on a number of workstreams required to deliver the project's DFS, which is due by the end of H1 2024. METC Engineering has commenced work to fully define the engineering scope required for the project and will play a central role in coordinating the different operational aspects of the DFS. Paragon Tailings has been engaged to advise on the work around reclamation of the gypsum stacks in accordance with strict safety and environmental standards, and will be assisted by the US-based global gypsum experts Ardaman and Associates, Inc., a Tetra Tech company ("Ardaman"). Ardaman are conducting tests and the design work for the new stacks upon which the benign gypsum will be deposited.

Full ESIA workstreams are underway with WSP Golder for the DFS and permitting process.

EBITDA sensitivity to pricing



EBITDA sensitivity to Argus market forecast pricing over the life of mine



Source of forecast rare earth oxide pricing from 2026 - 2032: Argus Media

OPERATIONS REVIEW CONTINUED

A key workstream that forms part of the project's DFS is the operation of a pilot plant in order to optimise the flowsheet and demonstrate the efficacy of the separation technology developed by and with K-Tech.

Phase one of the pilot plant comprises a front end situated at the facilities of Mintek in Johannesburg, South Africa. The front-end process incorporates the front-end gypsum washing, acid leach, fluoride removal via CIX, rare earth precipitation and a sulphuric acid agitated bake to produce a high-value mixed rare earth sulphate. This was successfully achieved in Q3 CY 2023, with the product being in line with management expectations in terms of purity, grade, reagent consumption and overall recoveries of ca. 65%.

Phase two of the pilot plant comprises a back end situated at the facilities of K-Tech in Lakeland, Florida, USA. The back-end process will water leach the mixed rare earth sulphate into a pregnant leach solution, perform a cerium rejection step to minimise flows downstream (thereby further reducing operating costs and capital expenditure) into the CIX circuit for loading onto the cation resin before stripping and going into the final CIC step, which will produce the separated rare earth oxides using K-Tech's patented CIX/CIC technology.

Rainbow is currently exploring the option of permanently establishing its back-end rare earth oxide separation process in the USA and has identified a potential site for a commercial scale plant.

Mineral Resource Estimate ("MRE")
During the Year, the Group published an updated JORC compliant MRE for the project, which upgraded a portion of the Inferred Resource to Measured and Indicated and confirmed a total Resource of 30.4 Mt at 0.44% TREO, with the high-value, permanent magnet elements Nd and Pr representing 29% of the TREO in the rare earths basket, as well as economic quantities of Dy and Tb. The full MRE can be accessed at https://www.rainbowrareearths.com/project/phalaborwa/.

The technical team is currently focused on evaluation and confirmation of the bulk density at depth of the gypsum stacks, also with input from Ardaman. It is probable, based on Ardaman's experience and techniques used to evaluate the resource of similar phosphogypsum stacks, that the in-situ dry density for the stacks below the water table is higher than that for the upper dry material. This may result in an increase in the MRE.

Sustainability-related opportunities
Rainbow's operations at Phalaborwa will serve to clean up a legacy environmental issue – namely the build-up of acid water associated with the historic gypsum stacks, which are currently unlined.

Rainbow's front-end plant process will neutralise the acid water and the plant's by-product will be a cleaner "benign" gypsum which no longer contains any acid water residue. The neutralised water will be used in the closed-circuit plant process, thereby eliminating the need to draw on an external water source.

The benign gypsum will be deposited on new stacks which are lined according to International Finance Corporation standards and Equator Principles. Post Year-end, Rainbow signed a letter of intent to enter into an offtake agreement with NEXUS, under which NEXUS will acquire the benign gypsum and on-sell it to both South Africa and neighbouring countries.

This agreement will see the stacks at Phalaborwa eventually fully depleted, allowing for a complete environmental rehabilitation of the site, as well as having a positive socio-economic effect on local industry.

An important part of an independent and ethical rare earths supply chain
Phalaborwa is a unique project in that it offers a near-term source of responsible production of the critical rare earths NdPr, Dy and Tb, all of which can be delivered as separated oxides, unlike most projects which produce a mixed rare earth product.

These credentials are demonstrated by the backing for Rainbow and Phalaborwa by TechMet, the critical minerals champion which is itself partially funded by the US DFC, and the strategic supply agreement with UK-based LCM, which is looking to negotiate a binding offtake agreement for Phalaborwa's separated rare earth oxides.

THE IMPORTANCE OF HEAVY RARE EARTH ELEMENTS ("HREES")

Heavy rare earth metals are defined by their higher atomic weights relative to light rare earths. They are less common, and some elements within the group are facing shortages as demand outpaces supply.

The incorporation of Dy and Tb into REPMs delivers enhanced operating performance by enabling them to operate at higher temperatures (magnets with HREE can operate up to 240°C as compared to 60°C for those magnets without HREE), without losing their magnetic properties (high coercivity). This makes them essential to the REPMs used in EVs, wind turbines and military applications.

Of all the critical minerals, McKinsey assesses that Dy and Tb are amongst the highest risk for supply shortages and it was telling that China actually decreased its production quota for HREEs in H1 2023, which is considered likely due to resource scarcity.

While there are some processing projects in the development pipeline, there are currently no facilities producing separated HREE oxides outside of Asia.

Relevance to Rainbow: The Phalaborwa project will produce all four of the critical REPM REEs, including Dy and Tb. If the Group decides to establish the plant back-end process permanently in the USA, this could establish Rainbow as one of the first producers of separated rare earth oxides in the country.

UBERABA

BRAZIL

THE OPPORTUNITY TO REPLICATE PHALABORWA AT A POTENTIALLY LARGER SCALE

Uberaba
The Uberaba project in Brazil is the subject of an MOU between Rainbow and its owner Mosaic, which was announced post Year-end.

The project is similar to Phalaborwa in that it will entail the processing of a phosphogypsum stack that is the by-product of phosphoric acid production which was originally based on a hard rock carbonatite.

Mosaic's phosphoric acid operations are ongoing, meaning that new phosphogypsum is deposited on the stacks annually.

Due to the similarities of the feedstock, the Uberaba stack was expected to have a similar grade and rare earth element make-up as those of Phalaborwa and this was confirmed by initial assay analysis, which indicated:

- an average grade of 0.58% TREO;
- the basket contains all four of the magnet rare earths NdPr, Dy and Tb, with NdPr representing ca. 25% of the basket.

Rainbow and its partner Mosaic are very encouraged by these results and are therefore planning additional test work at SGS Laboratories in Toronto around the mineralogy to identify the rare earth phases and facilitate the development of a processing test programme. The costs for this initial work programme will be shared by both parties 50:50.

Under the terms of the MOU, Rainbow and Mosaic will look to jointly develop a process flowsheet to extract the rare earth elements from the Uberaba stack. Due to the similarity of the Phalaborwa and Uberaba projects, Rainbow anticipates that the majority of the Phalaborwa front-end process flowsheet (jointly developed by Rainbow and K-Tech to deliver a mixed rare earth sulphate) will be applicable, as well as the Phalaborwa back-end process flowsheet (the patented K-Tech IP which uses CIX and CIC to deliver separated rare earth oxides), which Rainbow has exclusive rights to in Brazil.

Following the production of the process flowsheet, Rainbow and Mosaic will collaborate on the production of a PEA for this opportunity to extract rare earths.

> "This agreement with Mosaic represents a major opportunity to become a multi-asset producer of rare earth elements from secondary sources."
>
> **GEORGE BENNETT**
> CHIEF EXECUTIVE OFFICER

OCP

MOROCCO

A LONGER-TERM OPPORTUNITY TO UNLOCK THE POTENTIAL OF RARE EARTHS IN SEDIMENTARY-SOURCED PHOSPHOGYPSUM

OCP
In August 2022, Rainbow entered into a master agreement with OCP, the Moroccan world-leading producer of phosphate products, and UM6P, a Moroccan university with a strong focus on science, technology and innovation, to further investigate and develop the optimal technique for the extraction of rare earth elements from sedimentary-sourced phosphogypsum.

As at Phalaborwa and Uberaba, the OCP phosphogypsum material is generated as a by-product from their phosphoric acid production operations; however, it differs in that the original source rock is a sedimentary phosphate rock. Sedimentary ores are typically lower grade in rare earths than hardrock carbonatites, but they make up the bulk of phosphoric acid production worldwide (estimated at ca. 90%). Therefore, these sedimentary ores represent a significant, and as yet untapped, potential global resource of rare earths.

Test results of initial upgraded samples of the OCP phosphogypsum material, carried out by SGS Laboratories in Johannesburg, indicated the following:

- an average grade of 0.40% TREO; and
- the OCP basket contains all four of the magnet rare earths, NdPr, Dy and Tb, with NdPr representing ca. 14.3% of the basket.

Rainbow, OCP and UM6P will continue to jointly run a test programme aimed at developing an economically viable process to extract rare earths from sedimentary-sourced phosphogypsum. This collaborative effort will evaluate possible economic process routes to upgrade and extract rare earths from the relatively low grade feedstock.

This test programme will require a longer timeframe than that required for the Phalaborwa project, as there are more steps to the process that must each be shown to be economically viable.

> “The combined skills of OCP and UM6P, as well as our technical team and partner K-Tech, offers unparalleled expertise in the recovery of rare earths from phosphogypsum.”
>
> **GEORGE BENNETT**
> CHIEF EXECUTIVE OFFICER

SUSTAINABILITY

DEVELOPING A RESPONSIBLE SUPPLY OF CRITICAL RARE EARTHS

Our approach to sustainability
By focusing on the production of critical rare earths from secondary sources, integrating environmental considerations into decision making, taking a responsible approach to business and concentrating on stakeholder value creation, Rainbow is a crucial contributor to a responsible, independent rare earths supply chain that we believe will drive the global green energy transition.

A focus on responsible production is central to our business model. We seek to minimise to the greatest extent possible any potential, adverse impacts of our operations as well as to maximise the Group's ability to positively affect the economy, environment and society.

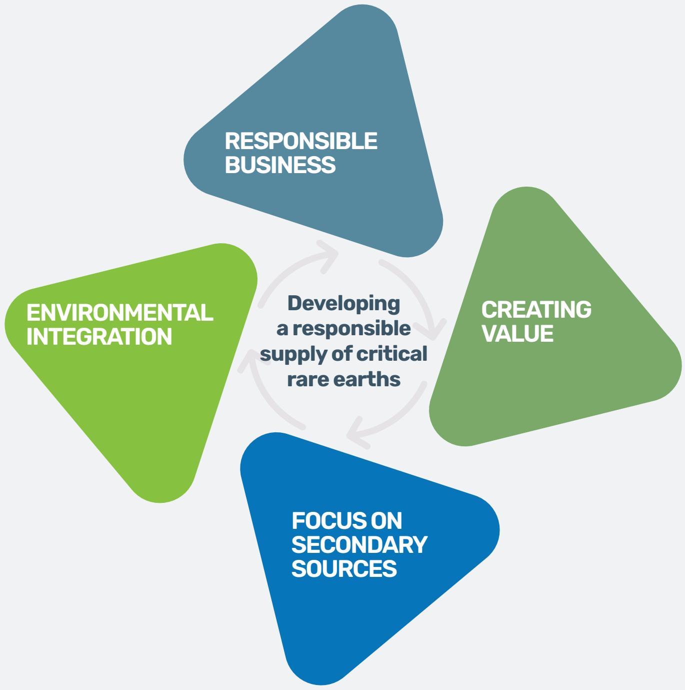
In FY 2023, we have concentrated on advancing our sustainability strategy. We believe in the importance of a systematic approach and are laying strong foundations from which to embed sustainability in project development as well as to manage, measure and report on our sustainability performance.

Key achievements
- Developing and formalising sustainability approach
- Reviewing and updating policies
- Calculating office-based emissions
- Publication of first disclosures under TCFD framework

Current focus
- Progress Phalaborwa ESIA
- Implement internal systems to measure and monitor key envrionmental and social metrics
- Phalaborwa LCA

Future aims
- Continued integration of sustainability in overall strategic development
- Conduct a comprehensive materiality assessment
- Development of sustainability reporting
- Implement sustainability targets

Rainbow's approach to sustainability is founded upon the following four pillars:



SUSTAINABILITY CONTINUED

Sustainable Development Goals

We recognise the role that business and industry can play in advancing the United Nations SDGs – the blueprint to achieve a better and more sustainable future for all. In FY 2023, we have analysed the 169 underlying targets of the 17 goals to identify initial areas where we believe Rainbow can make a clear contribution. In global terms, clearly all the SDGs are important (and indeed interconnected), however, we think a focused approach at this stage of the Group's development will enable us to take proactive steps to contribute to their achievement – both by optimising our positive impact as well as implementing the correct practices to minimise any negative impact. Therefore, we have chosen 8, 9 and 12 as our current core goals and, as our business grows, we will continue to assess our performance against these, as well as look to add additional goals over time.

8 DECENT WORK AND ECONOMIC GROWTH

With its innovative approach to producing critical rare earths in an environmentally responsible manner from secondary sources, Rainbow aims to create economic value, with a focus on local supply chain support and job creation, thereby supporting growth and development.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Rainbow leverages its technological expertise, and that of its partners, to effectively process rare earths, which are an essential building block for permanent magnets used in critical sustainable infrastructure and environmentally sound technologies, such as wind turbines and EV motors.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The Group focuses on the production of rare earths from secondary sources, aiming to integrate a circular economy approach and avoid some of the carbon emissions and other environmental impacts often associated with rare earths mining business models.
By processing material from waste, Rainbow looks to rehabilitate historical environmental degradation.

Sustainability governance and management

Sustainability is an important agenda point at Rainbow's Board meetings and the Company has a Sustainability Committee. This was previously the Board-level Safety, Health and Environment Committee, which has been amended post-Year end with updated terms of reference.

The Sustainability Committee is responsible for overseeing on behalf of the Board, and making recommendations to the Board, on:

- the Group's initiatives, including policies, compliance systems, monitoring processes and strategies, to manage sustainability-related business practices and performance;
- promoting the Group's long-term success and viability by seeking opportunities to strengthen the Group's licence to operate, recognising the role Rainbow has to play in taking a responsible approach to managing its environmental and social impacts as well as prioritising ethical business practices; and
- oversight of the implementation of the Group's sustainability strategy, helping to ensure that Rainbow is a responsible, resilient and sustainable business.

Rainbow's Sustainability Policy guides the Groups's approach and sets out clear commitments to operating in a safe, ethical, sustainable and responsible way. This is approved by the Board and is available on our website here: https://www.rainbowrareearths.com/about/corporate-governance/company-policies/.

The policy covers a range of topics such as governance and ethics, human rights, health and safety, employment, environmental impacts (including, but not limited to, those related to climate change, emissions, pollution, water stewardship, responsible waste management, biodiversity), communities and our supply chain.

It is fundamental to our business model that sustainability considerations are integrated into all strategic decision making. Sustainability risks and opportunities are considered as part of the Group's overall risk management processes and frameworks.

SUSTAINABILITY CONTINUED

RESPONSIBLE BUSINESS

OPERATING IN A SAFE, ETHICAL, SUSTAINABLE AND RESPONSIBLE WAY

Related SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Key achievements

- ✓ All existing Group policies reviewed and updated
- ✓ Sustainability Policy implemented
- ✓ Supplier Code of Conduct implemented

Governance, ethics and values

Rainbow is committed to good governance, transparency, accountability, effective risk management and to conducting business in an ethical and responsible manner. This is guided by our policies, including the Group Code of Conduct, which is available on our website: www.rainbowrareearths.com/about/corporate-governance/company-policies/. The policies are reviewed on an annual basis and approved by the Board.

As part of our work to advance our approach to sustainability and ensure the Group has the appropriate internal frameworks to guide this approach, we have reviewed and further developed our policies in FY 2023. This involved updating existing policies and also implementing two key new policies – our Sustainability Policy and our Supplier Code of Conduct.

Rainbow has an Anti-Bribery Policy that sets out the key principles of ethical and responsible conduct and standards of behaviour to which all employees and stakeholders are expected to adhere. We also have a clear Whistleblowing Procedure in place, with explicit detail on how we process and investigate concerns- read more on page 44.

As our business continues to grow, we will focus on further maturing our procedures and developing our policies to encourage effective corporate governance.

Human rights

Rainbow is aware of its responsibility to respect and protect the internationally recognised human rights of our people, business partners and, where this is within our control, the human rights of those within our supply chain and communities.

We are committed to the prevention, mitigation and, where appropriate, remediation of any adverse human rights impacts with which the Group is involved. Our approach is guided by the UN Guiding Principles on Business and Human Rights and the UN Declaration of Human Rights and is contained within our Code of Conduct (as well as within our Supplier Code of Conduct – see "Responsible supply chain" on page 25).

Purpose and values

Rainbow's purpose is to produce the critical rare earths required to progress the global green technology revolution in an efficient and responsible manner. By integrating sustainable development considerations into corporate strategy and decision-making processes, we believe we can operate in a manner which creates long-term shared value and benefits for our stakeholders and reflects our core values of:

- Zero harm
- Integrity
- Respect
- Accountability
- Transparency
- Courage

Health and safety

Our primary objective is to achieve a zero-harm working environment and we are committed to supporting employee health.

We prioritise the safety of our workforce and will implement and maintain strong health and safety management systems at our operations.

Our approach to safety prioritises a commitment to identifying and taking appropriate action to avoid or mitigate workplace incidents, injuries and illnesses. We will also provide appropriate training on health and safety management to our workforce and promote a culture of responsibility for keeping ourselves and each other safe from harm.

Fair employment

Rainbow is committed to responsible and fair employment practices, with due consideration to diversity, wherever we operate. We look to provide a working environment in which everyone is treated with respect and dignity.

We aim to provide training and skills development opportunities, contributing to an effective and engaged workforce.

Rainbow is an equal opportunity employer and does not tolerate discrimination against, or harassment of, any of our employees on any grounds (including race, ethnicity, national origin, age, religion, gender, sexuality) or retaliation. Any such instances of discrimination are treated as serious misconduct, in line with our Code of Conduct.

CREATING VALUE

CONTRIBUTING TO A RESPONSIBLE SUPPLY CHAIN, PROMOTING SOCIO-ECONOMIC DEVELOPMENT AND PROVIDING LOCAL OPPORTUNITIES

Related SDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Key achievements

- ✓ Phalaborwa ESIA work progressing
- ✓ Supplier Code of Conduct implemented

We aim to positively contribute to the communities in which we operate through the provision of local employment opportunities, the support of local supply chains, community support and the transparent payment of taxes and royalties – read more in our Payments to Governments Report on page 35.

Phalaborwa will create numerous employment opportunities over its life, with priority being given to the local workforce. The Group will also work closely with local contractors and suppliers to build long-term supply chain solutions from the local area, contributing to socio-economic development.

We are aware that effective stakeholder engagement will be fundamental to the long-term success of Phalaborwa and are focused on building mutual trust and respect with our local communities and integrating stakeholder considerations into project development decisions to create long-term value for all our stakeholders.

As part of the ESIA process, we will be commencing stakeholder consultations in FY 2024. The Group has a Whistleblowing Policy which can be used by local communities to raise any concerns ahead of the development of a specific grievance mechanism for Phalaborwa which will be developed at this time.

Responsible supply chain

Rainbow is committed to developing a responsible rare earths supply chain and, as such, we have been working during the Year to build the correct internal frameworks to manage this. We have put in place a Supplier Code of Conduct to encourage the companies within our supply chains also to apply the same high standards that we expect at Rainbow.

Our Supplier Code of Conduct includes some of the following key expectations of our suppliers:

- the provision of safe working conditions and responsible employment practices, including a minimum requirement to pay statutory wages and to follow applicable working time legislation;
- taking adequate measures for the prevention, mitigation and, where appropriate, remediation of any adverse human rights; and
- environmentally responsible operating practices.

Following the development of our Supplier Code of Conduct, going forward when working with suppliers for the first time, Rainbow will supply them with the Code and ask them to confirm that they have read, understood and will comply with the commitments. We expect suppliers to implement or develop appropriate internal processes and/or corrective actions to achieve compliance with the Supplier Code of Conduct.

In the event of failure to uphold commitments and in the case of a serious breach of practices, Rainbow may end a contractual relationship.

As our business grows, responsible supply chain management will continue to be an area of significant focus and we will develop our policy and approach accordingly.

SUSTAINABILITY CONTINUED

FOCUS ON SECONDARY SOURCES

APPLY OUR UNIQUE PROCESSING TECHNOLOGY TO HISTORICAL WASTE IN THE FORM OF PHOSPHOGYPSUM STACKS

Related SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key achievements

- ✓ MoU signed with Mosaic to jointly develop a process flowsheet to extract rare earth elements from secondary source in Brazil
- ✓ Kicking off LCA for Phalaborwa

By focusing on the production of rare earths from secondary sources, Rainbow aims to integrate a circular economy approach into business decisions, where possible, and avoid some of the carbon emissions and other environmental impacts usually associated with many elements of a traditional mining business model, which are not required when processing secondary source material as opposed to mining primary ore.

Using our unique processing technology, our intention at Phalaborwa is to process material from historical waste in the form of phosphogypsum stacks in an efficient and responsible way, operating on a brownfield site therefore not impacting land use. We believe this will provide us with the opportunity to rehabilitate environmental degradation brought about by previous operations on site. Rainbow will work closely with previous owners of the property to accelerate the rehabilitation of unused areas in accordance with the closure plans and funding already in place.

An important element of Rainbow's opportunity to rehabilitate the site will be neutralising the acidic solution currently on top of the gypsum stacks for use in a closed circuit in the processing plant. In addition to this, Rainbow will then dispose clean, benign gypsum on stacks, which are built according to IFC Performance Standards and Equator Principles. Where possible, the Group will seek to identify uses for waste and by-products of its processing activities.

Demonstrating our focus on the circular economy approach and the responsible use of natural resources, Rainbow has signed an offtake agreement with NEXUS to acquire the benign gypsum from Phalaborwa.

Rainbow expects Phalaborwa to use a lower amount of energy and reagents (due to the material already having been "cracked") when compared to traditional hard rock mining deposits. In order to better understand Phalaborwa's environmental impact, we are conducting a LCA.

The LCA will quantify and analyse the GHG emissions associated with the entire life cycle of rare earth elements production, including mining, processing, manufacturing, product use, and disposal. This will assist us in identifying opportunities for reduction to minimise the Group's carbon footprint by optimising energy use, improving efficiency and exploring alternative materials and processes.

Other portfolio opportunities

Leveraging our proprietary technology, we continue to explore opportunities to deliver separated rare earth oxides from secondary phosphogypsum sources around the world, which currently include the below:

- Rainbow has signed an MOU with Mosaic to jointly develop a process flowsheet to extract rare earth elements from the Uberaba stack in Brazil – read more on page 20.
- Rainbow has a master agreement with OCP and UM6P to investigate and develop the optimal technique for the extraction of rare earth elements from phosphogypsum material generated as a by-product of OCP's phosphoric acid production – read more on page 21.

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION

INTEGRATING ENVIRONMENTAL CONSIDERATIONS INTO STRATEGIC DECISION-MAKING

Related SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Key achievements

- ✓ Office-based Scope 1 & 2 emissions calculated
- ✓ First disclosures in line with TCFD recommendations
- ✓ Phalaborwa ESIA work progressing

We are committed to integrating environmental considerations into strategic decision-making at the highest level of the business (i.e. Board and Sustainability Committee level) in order to create a responsible and sustainable supply of critical rare earths. We aim to achieve continuous improvement in environmental practices and performance and to minimise, or where possible avoid, negative impacts from our operations on the natural environment, including those relating to climate change (see our TCFD Report for more information), water usage, waste management and biodiversity.

The ESIA at Phalaborwa is being conducted by consultants WSP in accordance with IFC Performance Standards and work is progressing well, with many of the reports and specialist studies required for regulatory processes and to obtain environmental authorisations either at an advanced stage or in progress. This work will inform the implementation of a robust environmental management system for the project.

As Phalaborwa progresses to development, our aim will be to implement sound environmental management practices around resource use, energy, water and waste management, air quality and carbon emissions and biodiversity. Given the site's brownfield nature, we will look to maximise our potential for positive impacts through rehabilitation and remediation.

Phalaborwa is founded on the principles of circularity via the extraction of value from 'waste' products. As part of this, the intention to sell the benign gypsum by-product produced at the project is expected to see the phosphogypsum stacks at Phalaborwa eventually fully depleted, which would allow for a complete environmental rehabilitation of the site.

We have made significant progress in understanding Phalaborwa's potential environmental impacts through the carbon accounting work we have commenced in FY 2023 which will feed into the LCA.

TCFD report

Rainbow is focused on achieving responsible, near-term and efficient rare earths production from secondary sources. With demand for the rare earths required in permanent magnets largely driven by global decarbonisation efforts, Rainbow's business model itself is linked to climate-related opportunities. As such, we acknowledge the importance of integrating climate-related risks and opportunities into our strategy and have initiated the first phase of carbon disclosure in our annual reporting, representing a significant step forward in our sustainability workstreams.

We are committed to embedding environmental considerations into Phalaborwa's development and are therefore intent on putting the right foundations in place from the outset from which to build our sustainability strategy. Developing climate change-related strategies and commitments is a key element of this approach. Rainbow's climate-related reporting will mature as we move through project development and construction and into production. We intend to publish a standalone disclosure report in line with the recommendations of the TCFD in due course.

In preparation for such a disclosure, we have published information on pages 28 to 33, which is presented according to the TCFD key themes and recommendations for the period 1 July 2022 to 30 June 2023.

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD FRAMEWORK

The TCFD was created by the Financial Stability Board in 2015 to develop guidance for consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. One of the Financial Stability Board's key aims was to enable stakeholders to better understand the "concentrations of carbon-related assets in the financial sector and the financial system's exposure to climate-related risks"[1].

Ultimately, increasing the amount of reliable information on exposure to climate-related risks and opportunities will strengthen the stability of the global financial system, contribute to a greater understanding of climate risks, and facilitate financing the transition to a more stable and sustainable economy.

Accordingly, the TCFD developed a set of recommendations in 2017 to assist companies in identifying and disclosing the financial impacts of climate change risks and opportunities on their business in their mainstream reports, including their annual reports and financial filings. The latest TCFD guidance on implementing the recommendations was published in 2021, which includes supplemental guidance for insurance companies and asset owners.

The TCFD recommendations are categorised according to four thematic areas that represent core elements of how organisations operate: Governance, Strategy, Risk Management and Metrics and Targets. These elements are outlined in Figure 1 below.

Governance	**Strategy**	**Risk management**	**Metrics and targets**
Disclose the Group's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's businesses, startegy and financial planning where such information is material.	Disclose how the Group identifies, assesses and manages cliate-related risks.	Disclose the metric and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Figure 1: TCFD framework.

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[1] FSB Proposal for a Disclosure Task Force on Climate-Related Risks, 2015.

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT

The following table provides a summary of Rainbow's first climate disclosures aligned with the TCFD recommendations associated with the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets.

GOVERNANCE

Recommendation	Response	Compliance
a. Describe the board's oversight of climate-related risks and opportunities	Rainbow's Board comprises the Chairman, one executive director, and five independent non-executive directors. The Board is responsible for regularly assessing and reviewing key business risks in the Group's operations and met eight times in the last financial year. Notably, in the last year the Board has overseen and approved the development of the Group's Sustainability Policy, which can be found on our website here: https://www.rainbowrareearths.com/about/corporate-governance/company-policies/. The policy states our commitment to sound environmental management and minimising the impacts of our operations on the environment, including those relating to climate change, water usage, waste management and biodiversity.	Partially compliant
b. Describe management's role in assessing and managing climate-related risks and opportunities	The Board delegates sustainability-related responsibilities to management. Accordingly, the Directors and management regularly assess and discuss the principal risks facing the Group. In addition, senior management regularly discuss material developments (normally weekly) and consider the financial and reporting implications of any matters arising. A key element of risk within Rainbow's operations is environmental management, which is overseen by the Board and Audit Committee, in liaison with the Sustainability Committee (formerly the Safety, Health, and Environment Committee). The Sustainability Committee has oversight of the Group's compliance with applicable environmental laws and regulations. Rainbow is currently working with WSP to carry out an ESIA at Phalaborwa. The Sustainability Committee met once during the 2023 financial year to discuss the discuss the development of the Group's ESG strategy, both over the short-and longer-term and regulatory developments.	Partially compliant

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

STRATEGY

Recommendation	Response	Compliance
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Rainbow's strategy is to develop a responsible supply of rare earth minerals to meet the escalating demand for these critical minerals needed for global decarbonisation. Phalaborwa is still in the preliminary stages of development; however, in order to build strong foundations at the earliest stage, the following key workstreams have been initiated to assess and help inform a robust view of the physical and transitional climate-related risks and opportunities that may impact our operations and the environment. • We are in the process of quantifying and assessing expected operation emissions based on the PEA at Phalaborwa. This is the starting point from which Rainbow will measure the actual performance of the Group's Greenhouse Gas ("GHG") emitting activities once in production. • We are commencing work with external consultants to develop a LCA for Phalaborwa to assess the GHG emissions associated with producing and using rare earth metals. This will enable Rainbow to identify emission hotspots and opportunities for reduction, supporting the development of the Group's decarbonisation strategy. • We have embarked on developing scenario analyses to evaluate future climate change-related risks and opportunities for the business over the short, medium and long term.	Partially compliant
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Climate-related opportunities are some of the material drivers behind our business model and growth strategy. Rainbow is contributing to the green energy transition with the responsible production of rare earths, with a specific focus on neodymium (Nd), praseodymium (Pr), dysprosium (Dy), and terbium (Tb). These metals are fundamental in the production of permanent magnets used in wind turbines and EVs, with their demand projected to escalate with the transition to renewable energy - read more in Market Review on pages 14 to 15. The financial impacts of the climate risks and opportunities facing the business will be further explored and articulated following results from the LCA and scenario analysis testing (as described above). These measures will inform Rainbow's business, strategy, and financial planning in relation to climate-related risks and opportunities. Rainbow is committed to integrating environmental considerations into strategic decision-making and sound environmental management, with a focus on environmental protection and the responsible use of natural resources. This includes a focus on energy efficiency and the investigation of the commercial viability of using renewable energy sources.	Partially compliant

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

STRATEGY CONTINUED

Recommendation	Response	Compliance
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Rainbow's focus on processing separated rare earth oxides from historical waste gypsum contributes to the underlying strength and resilience of our business model, as many of the costly, energy-intensive steps, associated with traditional rare earths mining projects, are removed. Further, Rainbow has the opportunity to reduce its negative environmental impact by utilising reclaimed acid water from the phosphogypsum stacks in a closed circuit. Leveraging our proprietary technology, we continue to explore opportunities to deliver separated rare earth oxides from secondary phosphogypsum sources around the world, which will remove significant time, risk and cost from the overall project timeline. Rainbow announced a Memorandum of Understanding with Mosaic shortly after Year-end to jointly develop a process flowsheet to extract rare earth elements from the Uberaba stack in Brazil – read more on page 20. In addition, Rainbow intends to use climate change scenario analyses to fully investigate the resilience of the Group's strategy to climate change risks and opportunities. The outcomes of these assessments will be published once available. The setting of a baseline carbon footprint in the future will assist us in managing the performance of meeting emission reduction targets and other related sustainability metrics.	Partially compliant

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

RISK MANAGEMENT

Recommendation	Response	Compliance
a. Describe the organisation's processes for identifying and assessing climate-related risks; **b. Describe the organisation's processes for managing climate-related risks, and** **c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**	Rainbow is in the process of estimating and assessing expected emissions from planned operations at Phalaborwa based on projections in the PEA, as a first-pass carbon footprint assessment. Alongside the LCA and proposed scenario analysis workstreams, the first-pass carbon footprint will be critical in identifying and assessing climate-related risks and identifying carbon reduction opportunities. The emissions calculations will assist Rainbow in informing, understanding, and optimising project development and subsequent operations. The relatively small size of Rainbow's management and finance team allows the team to retain tight control over the identification and management of risks, and related financial impacts, currently facing the business. The Board therefore does not currently consider it appropriate to have a separate internal audit function. Accordingly, the Board and the Audit Committee are responsible for ensuring that the risks inherent to operating the Group, across numerous jurisdictions, are identified, assessed, and managed. Rainbow's Sustainability Committee is also responsible for liaising with the Audit Committee, as appropriate, on matters relevant to the Group's management of sustainability-related risks and opportunities. In addition to formal Audit Committee meetings, the Chief Financial Officer has regular interaction with the Chairman of the Audit Committee to discuss control and reporting matters in more detail. The Audit Committee and Chief Financial Officer are supported by senior management, who regularly discuss material developments (normally weekly) and consider financial and reporting implications of any matters arising. As the Group matures, Rainbow may consider formalising the processes for identifying, assessing, and managing climate-specific risks, which may be integrated into the organisation's overall risk management. Using the outcomes of the ESIA, which is currently being undertaken for Phalaborwa, Rainbow will introduce a robust environmental and social management system to the project.	Partially compliant

SUSTAINABILITY CONTINUED

ENVIRONMENTAL INTEGRATION CONTINUED

TCFD REPORT CONTINUED

METRICS AND TARGETS

Recommendation	Response	Compliance
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The first-pass carbon footprint will assist in selecting appropriate metrics for monitoring our operation's emissions. Importantly, the first-pass carbon footprint will be critical in identifying carbon reduction opportunities and will assist Rainbow in informing and optimising project development and subsequent operations. As a first step in our emissions accounting and disclosure, we have calculated Scope 1 and 2 emissions for office-related activities – demonstrating a step forward in transparency and setting the Group on the right path for future disclosure of more material operations emissions going forward.	Partially compliant
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Rainbow's carbon footprint for our head office emissions is shown below. This represents Rainbow's actual emissions and first phase of annual carbon disclosure. **Emissions[1] from office-related activity** Scope — Emissions in tCO_2e Scope 1 — 0.15 Scope 2 — 5.85 Scopes 1 & 2 — 6.01 The office activity-related carbon footprint does not serve as a baseline for benchmarking against operation-related emissions in future, as the Group's material carbon emissions will be associated with its processing activities when production commences. Rainbow will establish a baseline emissions profile once the operations are in progress.	Partially compliant
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	As the Group matures, Rainbow will consider setting targets to manage climate-related risks and opportunities. These targets will be informed by the culmination of ongoing climate-related scenario analyses and the setting of a baseline carbon footprint once the business is fully operating.	Partially compliant

Emissions[1] from office-related activity

Scope	Emissions in tCO_2e
Scope 1	0.15
Scope 2	5.85
Scopes 1 & 2	6.01

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[1] Emissions were calculated by multiplying the activity data by the appropriate emission factor to get the tonnes (t) of carbon dioxide (CO2) equivalent (e). The activity emissions are reported in line with the GHG Protocol Corporate Standard (GHG Protocol).

FINANCIAL REVIEW

RAINBOW'S STRATEGIC FOCUS IS TO IDENTIFY AND DEVELOP SECONDARY RARE EARTH DEPOSITS

Rainbow's strategic focus is to identify and develop secondary rare earth deposits that can be brought into production quicker and at a lower cost than traditional hard rock mining projects. As a developer, Rainbow capitalises the costs of exploration and evaluation for each identifiable project once the legal right to the project has been secured. During the Year, as a result of the successful PEA released for Phalaborwa and the growing pipeline of growth opportunities from the associated processing technology, the Directors decided against investing significant amounts in Burundi to develop a formal mineral resource. As a result an impairment review was carried out on the Gakara cash generating unit, which has been written down to a net asset value of nil. As a result, the Financial Statements now reflect the updated business strategy, with the exploration and evaluation assets on the balance sheet relating solely to Phalaborwa and the income statement dominated by the impairment charge against Gakara.

PROFIT AND LOSS

The loss for the Year reflects the impairment of the Gakara cash generating unit and the ongoing administrative costs for the Group.

As noted above, due to the change in strategy an impairment review was carried out for the Gakara cash generating unit during the Year, which comprised both intangible and tangible fixed assets together with cash, mineral concentrate, royalty receivables and consumables held in stock. The liabilities associated with the Gakara project include a loan, decommissioning, site rehabilitation and environmental costs, tax liabilities and trade payables. Based on the assessment of both the legal and political position in Burundi, the Directors were unable to foresee a date when the operations at the project would be able to restart and accordingly have written the net assets of the Gakara cash generating unit to nil, with an impairment charge of US$9.6 million recognised.

Within administration expenses, the costs associated with maintaining the Gakara project on care and maintenance totalled US$0.9 million (FY 2022: US$1.3 million) including US$0.3 million of non-cash depreciation associated with the tangible fixed assets prior to the impairment (FY 2022: U$0.4 million). The Group continues to focus on minimising costs associated with the asset.

The Group's other corporate costs totalled US$2.6 million (FY2022: US$2.3 million). This increase was driven primarily by an increase in business development costs as the Group started to develop its pipeline of growth opportunities including both Uberaba and OCP.

Net finance income of US$0.2 million (FY 2022: costs of US$0.3 million) represents foreign exchange differences, primarily relating to movements between the Burundian Franc ("BIF") and US dollars, the functional currency of the Group. Finance costs also include US$0.1 million (FY 2022: US$0.1 million) associated with the FinBank loan in Burundi.

BALANCE SHEET

As set out above, the Gakara impairment has had a significant impact on the Group balance sheet, with US$9.8 million of non-current assets at 30 June 2022 relating to Gakara (US$8.6 million of exploration and evaluation costs and tangible fixed assets with a net book value of US$1.0 million) being written down to nil. The Gakara cash generating unit now includes US$0.7 million of mineral concentrate inventory, carried at cost, which is offset by the FinBank loan (US$0.4 million) and other net liabilities of US$0.3 million dominated by tax and government liabilities in Burundi which have not been settled whilst the suspension of activities persists.

A total of US$2.9 million of exploration and evaluation assets were capitalised in the Year relating to Phalaborwa, leaving a closing capitalised cost of US$4.8 million. Expenditure accelerated following completion of the PEA in October 2022 as pilot test work commenced alongside other activities to develop a DFS. At the balance sheet date, the Group has no tangible fixed assets and no obligations for environmental closure at the Phalaborwa site.

At 30 June 2023, the Group held US$8.1 million of cash and cash equivalents which is predominantly held with Barclays Bank in London, having raised US$9.5 million in May 2023 at a price of 10.377 pence per share.

GOING CONCERN

In July 2023, US$5 million was paid to Barak Fund SPC Limited on behalf of Bosveld Phosphates (Pty) Limited to secure a path to 100% ownership of Phalaborwa. As a result of the payment, the Group secured an immediate 85% interest in Phalaborwa and was granted an option to acquire the remaining 15% via the issue of US$7 million in shares. In September 2023, the Company replenished the funds spent on the Phalaborwa acquisition, raising US$5.5 million at a price of 15 pence per share, of which US$0.7 million is subject to shareholder approval at the forthcoming AGM.

Based on a review of cash flow forecasts for the period to 31 December 2024, at least US$3.4 million of additional funding will need to be raised before 31 December 2024, the timing of which is dependent primarily on the speed at which the Phalaborwa DFS is completed, which is within management's control. Whilst this funding requirement does represent a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern, the Board is confident that this funding will be secured based on its history of successful fundraising.

FINANCIAL REVIEW CONTINUED

PAYMENTS TO GOVERNMENTS

Rainbow is committed to full payment of its tax and fiscal obligations wherever it operates, as this supports the Group's social licence to operate, and ensures a fair contribution to local economies.

The table below sets out the key payments to governments for the Year arising as a result of Rainbow's activity, including direct taxes (such as royalties, land taxes and corporation tax) and indirect taxes (such as payroll taxes and VAT).

Payments disclosed in this Report are shown in US Dollars. Actual payments have been made in South African Rands and Burundian Francs.

	FY 2023			FY 2022		
US$'000	**South Africa**	**Burundi**	**Total**	South Africa	Burundi	Total
Royalties	**-**	**-**	**-**	–	–	–
Permits and land taxes	**-**	**-**	**-**	–	–	–
Corporation tax	**-**	**-**	**-**	–	2	2
Total tax borne	**-**	**-**	**-**	–	2	2
Payroll tax	**139**	**20**	**159**	44	78	122
Net VAT	**133**	**3**	**136**	(22)	(4)	(26)
Total net payments to government	**272**	**23**	**295**	22	76	98

Royalty payments relate to the Government of Burundi royalty of 4% charged on the value of exports of rare earths mineral concentrate. No royalties were paid during FY 2023 as operations in Burundi, including all exports, are suspended by the Government.

Permits and land taxes include annual taxes payable to the Government of Burundi under the terms of the Mining Convention for the Mining Permit at Gakara. No payments were made during FY 2023 as the Burundi operations are suspended, with the annual cost accrued in the Financial Statements.

Corporation Tax is payable in Burundi based on a minimum 1% of turnover whilst the local operating entity remains loss making. No turnover was reported in FY 2023 as operations in Burundi, including all exports, are suspended by the Government.

Payroll taxes and VAT (net of recovered amounts) are included as they represent funds paid by the Group to the government either directly or via suppliers.

EFFECTIVE CORPORATE GOVERNANCE IS ESSENTIAL TO THE SUCCESS OF OUR BUSINESS

Rare earths are used in many of the latest high tech applications, including aircraft radar and touchscreens

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

ADONIS POUROULIS
NON-EXECUTIVE CHAIRMAN

Appointment date:
August 2011

Committees:
Nomination (Chair)

Adonis is an entrepreneur whose expertise lies in the discovery, exploration and development of natural resources across Africa, as well as more recently becoming an active investor and developer of clean technologies and sustainable energy projects. Having worked in the African natural resources sector for over 30 years he has extensive experience and a wide network of industry relationships across the continent. Adonis is the founder of Rainbow, which he listed in 2017. He is also founder and CEO of Chariot Transitional Energy (AIM: CHAR), founder and Chairman of the Pella Resources Group, and was the founder and Chairman of Petra Diamonds (LSE: PDL).

Qualifications:
BA (Hons) in Science and Mining Engineer – University of Witwatersrand.

External appointments:
CEO of
Chariot Transitional Energy plc

Interest in the Company
As at 27 October 2023:
84,108,870 shares / 13.5%

GEORGE BENNETT
CHIEF EXECUTIVE OFFICER

Appointment date:
August 2019

Committees:
SHEC

With over 25 years' experience in mining, finance and management, George has led a number of mining and energy companies, including Shanta Gold Ltd (which he successfully listed on the London Stock Exchange in 2005) and Orecorp Ltd (which he seed funded, raised the initial capital as a non-executive director and listed on the ASX).

In 2006, George established MDM Engineering Ltd, a mining engineering company building mineral process plants and mining infrastructure throughout Africa, which he successfully listed on the London Stock Exchange in 2008. In 2014, George was instrumental in selling the business to Foster Wheeler Limited for US$120 million.

In addition, George has been a partner and director with a number of leading financial, broking and advisory businesses including Fergusson Bros, Simpson McKie, and HSBC Securities Africa (pty) Ltd.

Qualifications:
Member of the Johannesburg Stock Exchange

External appointments:
N/A

Interest in the Company
As at 27 October 2023:
37,347,298 shares / 6.0%

ALEXANDER LOWRIE
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointment date:
November 2016

Committees:
Remuneration (Chair), Audit, SHEC

Alex is an experienced director, advisor, board observer and investor with around 25 years' experience, initially in financial markets and subsequently with a specific focus on the critical metals mining, battery recycling and technology sectors. Concentrating on battery, hydrogen and EV critical materials, Alex advises companies from seed stage through to wider capital markets exposure and is a non-executive director to a number of these entities. He is also the co-founder of Telemark Capital LLP, a capital advisory and asset management partnership, which also provides governance services as an independent investment committee member.

Prior to this Alex worked for 14 years in investment banking. He was a director at Deutsche Bank and then RBS, having started his banking career originally with ABN AMRO. Through these positions, he gained extensive experience in primary and secondary equity offerings, bringing companies to market through IPOs (including structuring, marketing and distribution).

Qualifications:
BA (Hons) in combined social sciences – Durham University; currently carrying out Executive Masters of Business Administration ("MBA") – Henley Business School

External appointments:
N/A

Interest in the Company
As at 27 October 2023:
6,838,124 shares / 1.1%

SHAWN MCCORMICK
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Appointment date:
February 2016

Committees:
SHEC (Chair)

Shawn is an international affairs specialist with more than 30 years of political and extractive industries sector experience having served in The White House as Director for African Affairs on the National Security Council (Washington), Africa Regional Director and Senior Global Affairs Advisor at BP (London) and Corporate Vice President for International Affairs at TNK-BP (Moscow). He is currently Managing Director of a London-based strategic consulting firm focused on the natural resources sector in Africa and beyond.

Qualifications:
BA (Hons) – University of Southern California;
advanced coursework at Insead

External appointments:
Chairman of Trinity Metals Group,
Non-Executive Director
of Karo Mining Holdings

Interest in the Company
As at 27 October 2023:
9,316,571 shares / 1.5%

BOARD OF DIRECTORS CONTINUED

ATUL BALI

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment date:
March 2017

Committees:
Audit (Chair), Nomination

Atul is a corporate CEO and board member with extensive experience in tech, government contracting and regulated industries operating on all six continents. Over more than 25 years, he has led in excess of 50 M&A and JV transactions in over 25 countries and both managed and served on the boards of several highly regulated businesses. Currently he advises a number of high-growth technology companies, is Chairman of the Football Pools and the Lead Independent Director of Everi holdings, Inc (NYSE: EVRI). He has previously held divisional CEO or president positions with International Game Technology PLC (NYSE: IGT), Aristocrat Leisure Limited (ASX: ALL), and RealNetworks, Inc (NASDAQ: RNWK), a venture capital firm, as well as Deputy Chair of Gaming Realms PLC (LSE: GMR).

Qualifications:
BA (Joint Hons) in Law & Economics, University of Keele
Chartered accountant – KPMG, UK

External appointments:
Non-Executive Director of Everi holdings, Inc, Chairman of The Football Pools; board member and Finance Committee Chair of The Bush School Seattle

Interest in the Company
As at 27 October 2023:
4,420,992 shares / 0.7%

J. PETER PHAM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment date:
May 2021

Committees:
Nomination

J. Peter Pham is a scholar and practitioner of international affairs with more than 20 years' experience in Africa. Most recently, he served until January 2021 as first-ever United States Special Envoy for the Sahel Region with the personal rank of Ambassador. He had previously served as the US Special Envoy for the Great Lakes Region of Africa from 2018-2020.

Ambassador Pham is currently a Distinguished Fellow at the Atlantic Council, a preeminent American foreign policy think tank, where he was Vice President for Research and Regional Initiatives and Director of the Council's Africa Center before his service in government. He is the author of several books and more than 300 articles, essays and reviews on African politics, security, and economic issues. He is also a member of the board of the Smithsonian National Museum of African Art in Washington, DC, serving between 2016-2021 as Vice Chair.

Qualifications:
BA (Hons) in Economics - University of Chicago;
MA (Hons), LLM (Hons), PhD (Hons) - Gregorian University

External appointments:
Non-Executive Chairman of High Power Exploration (HPX)
Non-Executive Director, Africell Global Holdings

Interest in the Company
As at 27 October 2023:
631,500 shares / 0.1%

DARRYLL CASTLE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment date:
June 2023

Committees:
N/A

Darryll is Director of Operations for TechMet, a strategic shareholder with the right to nominate one Director to the Rainbow Board for so long as it holds at least 10% of the issued shares in the Company. Previously CEO of a number of mining and production companies including CEO of Trafigura mining, CEO of PPC Cement, CEO of Anvil Mining (listed in Toronto and Australia), as well as multiple board memberships of listed and private companies, and previously Chief Operations Officer at Metorex Group Limited.

First hand operations and projects experience globally including in Cuba, Spain, Peru, and particularly on the African continent, having run projects and companies in the DRC, Zambia, Angola, Zimbabwe, Ethiopia, Rwanda and Tanzania.

Qualifications:
BSc in Civil Engineering – University of KwaZulu-Natal; Bachelor of Commerce – University of South Africa; MBA – University of Cape Town; past Chartered Financial Analyst (CFA) Charterholder.

External appointments:
Director of Operations for TechMet

Interest in the Company
As at 27 October 2023:
821,422 shares / 0.1%

SENIOR MANAGEMENT

PETE GARDNER
CHIEF FINANCIAL OFFICER

Appointment date:
May 2020

Pete is a qualified chartered accountant with a breadth of experience in financial management and corporate finance in the natural resources sector. He was the Finance Director of Amara Mining Plc from October 2009 managing the corporate and financial development of the company culminating in its acquisition by Perseus Mining, and former Chief Finance Officer for Piran Resources, Chaarat Gold Holdings and Alexander Mining Plc.

Qualifications:
BSc (Hons) in Physics - University of Birmingham
Chartered Accountant – ICAEW

External appointments:
N/A

Interest in the Company
As at 27 October 2023:
618,522 shares / 0.1%

DAVE DODD
TECHNICAL DIRECTOR

Appointment date:
January 2021

Dave has 45 years of extractive metallurgy experience covering research and development, technical sales and predominantly metallurgical project development and execution. He was Technical Director and co-founder of MDM Engineering between 1987-2014. Dave has designed and commissioned plants across Africa and the rest of the world, covering minerals from rare earths to gold, platinum, diamonds, copper, zinc, phosphate, cobalt and many others. He is a Fellow of the Southern Africa Institute of Mining and Metallurgy.

Qualifications:
BSc (Hons) in Chemical Engineering – University of Manchester Institute of Science and Technology

External appointments:
N/A

Interest in the Company
As at 27 October 2023:
1,500,000 shares / 0.2%

ALBERTO BRUTTOMESSO
PROJECT DIRECTOR

Appointment date:
May 2023

Alberto has over 30 years' experience in project and engineering management, delivering 80 multidisciplinary mining, water treatment and infrastructure projects to date across the African continent. Alberto has managed projects incorporating all aspects of the mining process across gold, diamonds, chrome, platinum and uranium, including extensive experience in the delivery of processing plants. He has a proven track record of delivering total turn key projects within budget and on time, increasing project value by reducing capital and operating costs during project life cycle from study to execution.

Qualifications:
Mechanical Engineer – Technikon Witwatersrand; post graduate, National Higher Diploma in Business Management - Technikon Witwatersrand.

External appointments:
N/A

Interest in the Company
As at 27 October 2023: N/A

The Senior Managers listed on this page have been designated as persons discharging managerial responsibility ("PDMRS").

In addition, Charles Graham, the Project Director for Phalaborwa, was a PDMR prior to his replacement by Alberto Bruttomesso.

CORPORATE GOVERNANCE STATEMENT

As a guernsey-registered company, trading on the standard list of the main market of the London Stock Exchange, the UK Corporate Governance Code published by the Financial Reporting Council does not apply to the Company. However, the Directors recognise the importance of effective corporate governance and have implemented corporate governance practices having consideration to the recommendations and principles of the UK Corporate Governance Code as far as is appropriate bearing in mind the size and nature of the Company.

The Board oversees the performance of the Group's activities. It comprises experienced board members who have held senior positions in a number of public and private companies. The Board is responsible to shareholders for the proper management of the Group. The Non-Executive Directors have particular responsibility to ensure that the strategies proposed by the Executive Director are carefully considered. The Board meets regularly and met eight times in FY 2023. Prior to such meetings taking place, an agenda and board papers are circulated to the Directors so that they are adequately prepared for the meetings.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information.

There is no agreed formal procedure for the Board (or members thereof) to seek independent professional advice but, pursuant to their letters of appointment, the Non-Executive Directors may, where appropriate, take independent professional advice at the Group's expense.

In accordance with the Company's articles of associations, the Directors submit themselves for re-election every three years at the Company's annual general meeting ("AGM").

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The articles provide that the number of Directors that may be appointed may not be fewer than two. Two Directors present at a board meeting constitutes a quorum.

The Board ensures it is aware of the views of major and other shareholders through regular meetings in person (where appropriate), feedback via the Company's investor relations manager or via the review of investor relations board reports, as well as through discussions with the Company's brokers and market analysts. Where such information has been obtained by the CEO, this information is disseminated to the rest of the Board in a timely manner.

Review of internal control and risk management systems

The Board has reviewed the Group's internal control and risk management systems.

Rainbow has a relatively small team of management and financial staff and is therefore able to retain a tight control over its financial reporting activities. The Board does not consider it appropriate to have a separate internal audit function, however a number of internal controls and reviews have been put in place to provide the Board (and the audit committee) with assurance that the risks inherent to operating a natural resource company in more than one jurisdiction are managed appropriately.

These controls include the following:

- Budgets and forecasts are prepared by finance staff in conjunction with operating teams and are reviewed and approved by senior management (and in the case of the budget, by the Board).
- Actual results are reported against budget and forecast, and variances examined.
- All banking transactions must be initiated and authorised by at least two staff members, one of whom is a senior manager (CEO or CFO). Since the retirement of the general manager in Burundi, all payments are approved by the CEO or CFO prior to payment being made locally. For international payments, all payments are approved in the online banking system by the CFO following sign-off by the CEO.
- Financial operations in Burundi are reviewed regularly by the CFO, both on visits to Burundi and online. During the FY 2023, reviews were primarily conducted in an online environment and in-country visits limited to discussions with the Burundi government.
- The Group uses a central financial reporting system (xero) which records all transactions, capturing third party documents (e.g. invoices) which are reviewed by head office on a monthly basis.
- Senior management regularly discuss material developments (normally weekly) and consider financial and reporting implications of any matters arising.

In addition to formal audit committee meetings, the CFO has regular interaction with the audit committee chairman to discuss control and reporting matters in more detail.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board of Directors

The Company had one Executive Director and six Non-Executive Directors at 30 June 2023. All major decisions relating to the Group are made by the Board as a whole. Operations are conducted by the subsidiaries of the Company. In Burundi, the Company is represented on the Board of Rainbow Mining Burundi SM by the CEO and CFO.

The Board reviews key business risks regularly, including the financial risks facing the Group in the operation of its business. These matters include, but are not limited to, the following:

- determining the strategy for the Company;
- approving the annual budget;
- discussing and approving financing, including new debt and equity;
- setting the dividend policy;
- developing the appropriate ESG standards and practices;
- mergers and acquisitions activity and significant transactions;
- risk management; and
- considering and, if appropriate, approving the recommendations of board committees.

The following table lists the names, positions and ages of the Directors as at 30 June 2023, the year they were appointed, and current committee memberships:

Name	Age	Position	Audit	Remuneration	Nomination	SHEC
Adonis Pouroulis	53	Non-Executive Chairman	–	Member	Chair	–
George Bennett	62	CEO	–	–	–	Member
Alexander Lowrie	48	Independent Non-Exec	Member	Chair	–	Member
Shawn McCormick	56	Independent Non-Exec	Member	Member	–	Chair
Atul Bali	52	Independent Non-Exec	Chair	–	Member	–
J. Peter Pham	52	Independent Non-Exec	–	–	Member	–
Darryll Castle	54	Non-Exec	–	–	–	–

The Company does not consider Adonis Pouroulis to be independent by virtue of being a significant shareholder. The other Non-Executive Directors are considered to be independent (with the exception of Darryll Castle) in terms of character and judgment, notwithstanding the following:

- all the independent Non-Executives are shareholders in the Company see Board of Directors on pages 38 to 39 for further information).
- all the independent Non-Executives held share options during the Year (see note 22 for details).

Darryll Castle is not independent because he is the Director of Operations for TechMet, a strategic shareholder with the right to nominate one Director to the Rainbow Board for so long as it holds at least 10% of the issued shares in the Company.

The table below shows the attendance at board and committee meetings during FY 2023:

Name	Board	Audit	Remuneration	Nomination	SHEC
Adonis Pouroulis	8/8	N/A	1/1	0/0	N/A
George Bennett	8/8	N/A	N/A	N/A	1/1
Alexander Lowrie	8/8	3/3	1/1	N/A	1/1
Atul Bali	8/8	3/3	N/A	0/0	N/A
J. Peter Pham	6/8	N/A	N/A	0/0	N/A
Shawn Mccormick	7/8	0/3	1/1	N/A	0/1
Darryll Castle[1]	1/1	N/A	N/A	N/A	N/A

[1] Darryll Castle was appointed on 12 June 2023.

The table of board committee attendance is based on the board committee appointments at the time of the relevant meeting. The Board is regularly informed of developments outside of formal board meetings, through update calls and meetings, reports and one-to-one discussions with the CEO and other management.

The deliberations of the various committees, referred to on page 44, do not reduce the individual and collective responsibilities of board members with regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their statutory obligations.

These terms of reference are subject to the provisions of the articles and any other applicable law or regulatory provision in force in Guernsey, and the listings rules.

In addition to the audit, remuneration, nomination and SHEC (now renamed the Sustainability Committee) committees which have formally delegated duties and responsibilities within written terms of reference, the Board may set up additional committees as appropriate.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Diversity

The Board of Rainbow understands that diversity and inclusion are important in providing a broad range of perspectives in the workplace, fostering innovation, encouraging collaboration and enabling businesses to deliver better results for their stakeholders.

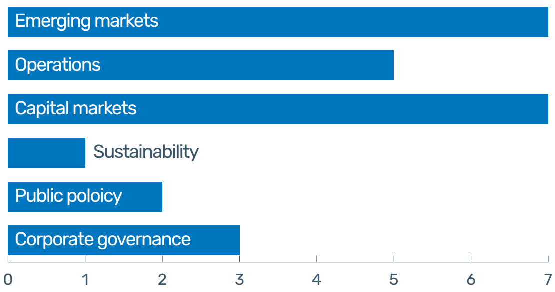
As the Company progresses on its development path, it will continue to consider the appropriate mix of skills, culture and qualities, as well as the diversity represented, that will allow Rainbow to deliver on its strategy.

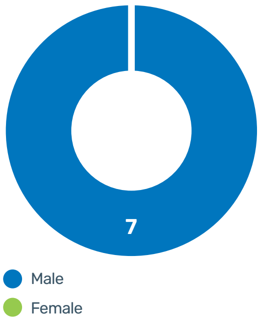
Rainbow is committed to developing a diverse workforce and to providing a work environment in which everyone is treated fairly and with respect.

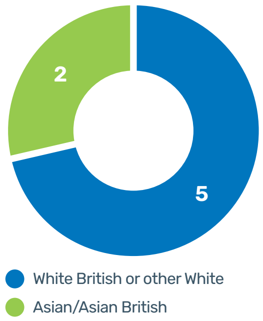
The Company does not currently have a formal Board diversity policy which is mainly a reflection of the small size of the Rainbow business to date. However, as part of its future development plans, in FY 2024 the Company aims to commence the planning work required to put a diversity and inclusion policy in place that will set out its commitment to ensuring an equitable, diverse and inclusive workplace.

As part of this work, we will be looking at all elements of diversity and considering a broad definition of difference, including but not limited to: experience, skills, expertise, ethnicity, nationality, gender, cultural and socio-economic background, geographic location, age, education, religious beliefs, language, neurodiversity, disability, sexuality and family responsibilities.

Rainbow Board Diversity


Diversity of skills and experience


Gender diversity


Ethnic diversity

Gender diversity

The Company has not met the UK's Financial Conduct Authority's ("FCA") diversity targets that at least 40% of the board members should be female and that at least one of the senior board positions should be held by a woman, and the reason for this mainly relates to the historically lower proportion of women in the resources and industrial industries. However, the Company is aware that much progress has been made in order to increase female representation in these sectors and will be looking to improve its gender diversity statistics as the Company continues with its corporate development path. This will be a focus for the Company's Nomination Committee in FY 2024.

The following table sets out the Company's current gender diversity at senior levels of the business as at 30 June 2023:

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID, Chair)	Number in executive management	Percentage of executive management
Men	7	100	2	1	100
Women	0	0	0	0	0

Ethnic diversity

The Company has met the FCA's diversity target that at least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).

The following table sets out the Company's current ethnic diversity at senior levels of the business as at 30 June 2023:

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID, Chair)	Number in executive management	Percentage of executive management
White British or other White	5	71	2	1	100
Mixed / Multiple Ethnic Groups	0	0	0	0	0
Asian / Asian British	2	29	0	0	0
Black / African / Caribbean / Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0

CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit committee

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee is chaired by Atul Bali and its members are Alexander Lowrie and Shawn McCormick.
The members of the audit committee are considered to possess the appropriate skills and experience to monitor and ensure the integrity of the Group's financial reporting, Internal Audit, internal financial control and risk management systems and to support Rainbow's governance.

The audit committee should meet not less than two times a year and is responsible for ensuring the financial performance of the Group is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies. It is also responsible for keeping the categorisation, monitoring and overall effectiveness of the Group's risk assessment and internal control processes under review.

The audit committee met three times during the Year. During these meetings, the following matters were considered:

- the audit of the year ended 30 June 2022 was planned and the key areas of audit risk were discussed ahead of the relevant audit procedures being undertaken. The audit planning meeting for FY 2023 occurred after the financial year end.
- the financial statements for the year ended 30 June 2022, and the interim financial statements for the six months ended 31 December 2022, were reviewed. The audit committee met with the auditors at the conclusion of the FY 2022 audit to discuss their findings and, following due consideration, recommended to the Board that these financial statements be approved.

The audit committee also considered the conduct of the external audit by BDO LLP, which was considered to be appropriate. The committee therefore resolved to propose BDO LLP for reappointment at the next AGM for a period of 12 months. It was noted that BDO LLP had been auditors of the Company since October 2016.

The audit committee also considered the independence and objectivity of BDO LLP. The committee considered the composition of the BDO audit team, together with the duration of service of the partner and senior audit team members on the Group's audit and concluded that BDO LLP was sufficiently independent to conduct the audit. The only non-audit service during the Year was the informal review of the interim financial statements for the six months to 31 December 2022.

Nomination committee

The nomination committee is chaired by Adonis Pouroulis and its members are Atul Bali and J. Peter Pham. The nomination committee is normally expected to meet only as required. The nomination committee is responsible for reviewing, within the agreed terms of reference, the structure, size, and composition of the Board, undertaking succession planning, leading the process for new Board appointments, and making recommendations to the Board on all new appointments and re-appointments of existing Directors. The nomination committee did not meet during FY 2023.

Remuneration committee

The remuneration committee is chaired by Alexander Lowrie and its members are Adonis Pouroulis and Shawn McCormick. It is expected to meet at least once a year. The remuneration committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for Executive Directors and the Non-Executive Chairman. The remuneration of Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

The remuneration committee met once during FY 2023 to discuss and approve Board and Senior Management remuneration, as well as the Company's share option scheme and the award of share options to Directors and Senior Management.

Safety, health, and environment committee

The SHEC is chaired by Shawn Mccormick and its members are George Bennett and Alexander Lowrie.

The SHEC is responsible for developing and reviewing the Group's framework, policies and guidelines on safety, health and environmental management, monitoring key indicators on accidents and incidents within the Group's operations and considering developments in relevant safety, health and environmental practices and regulations.

The SHEC met once during FY 2023 to discuss the development of the Group's sustainability strategy, both over the short-and longer-term, and an action plan and budget were subsequently approved in order to deliver on this strategy. Post year-end, the SHEC was renamed the Sustainability Committee - see page 23 for details.

Share dealing policy

The Company has a share dealing policy requiring all Directors and Senior Executives to obtain prior written clearance from either the Chairman or the Chief Executive Officer to deal in linked shares. The Chairman requires prior written clearance from the chairman of the audit committee. Close periods (as defined in the share dealing policy) are observed as required by market abuse regulations and other rules that apply to the Company by virtue of the market on which its shares are listed. During these periods, the Company's Directors, Senior Managers and inside employees are not permitted to deal in the Company's securities. Additional close periods are enforced when the Company or its applicable employees are in possession of inside information.

Anti-bribery policy

As part of our work during the Year to strengthen our policies, we have updated the Group's Anti-bribery Policy. The Policy includes clear guidance on expected behaviour and procedures (including whistleblowing), which apply to the Group, its officers and staff anywhere in the world. The Policy and procedures have been developed following an assessment of the risks applicable to the Group's business and include clear definitions as well as a process for reporting suspicious conduct, financial limits on gifts and hospitality, procedures for financial record-keeping and for dealing with contracts with third parties, and a prohibition on charitable or political donations without Board approval. Guidance and expectations around conflicts of interest are included in the Group's Code of Conduct.

Pete Gardner, CFO, acts as the Group's Anti-bribery Officer, overseeng the day-to-day operation of the Policy and procedures. He reports to the Board on any specific issues that might arise and the Board also regularly reviews the operation of the Policy and related procedures.

All personnel are required to receive guidance and training in relation to the Group's Policy and procedures.

The anti-bribery officer also undertakes due diligence on third parties as appropriate that are to be engaged by the Group to do business on its behalf. The Group requires third parties to take account of the Anti-bribery Policy and to act in accordance with its provisions.

The Group's Anti-Bribery Policy, along with its Code of Conduct and Ethics, its Whistleblowing Procedure and its Share Dealing Code, can be found on the Company's website at https://www.rainbowrareearths.com/about/corporate-governance/company-policies/.

Signed on behalf of the Board of Directors on 27 October 2023.

GEORGE BENNETT
CHIEF EXECUTIVE OFFICER

THE DIRECTORS REGULARLY ASSESS AND DISCUSS THE PRINCIPAL RISKS FACING THE GROUP

The Phalaborwa front-end pilot plant in Johannesburg

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors regularly assess and discuss the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The key risks affecting the Group are set out below:

Risk	Comment	Business impact	Mitigation
Project definition risk	At Phalaborwa, PEA published in October 2022 confirmed a processing flowsheet capable of economically extracting the magnet rare earth metals from the gypsum stacks in a low capital and low operating cost environment. Pilot test work to confirm the efficacy of the processing flowsheet is underway with the production of a mixed rare earth sulphate in South Africa which will be used for pilot testing of the final separation process in the USA. As a result of the pilot test work, changes may be required to the proposed processing flowsheet which could have a detrimental impact on the economics of the project as set out in the PEA. A DFS will need to be completed to provide sufficient confidence for project development, which may not deliver results in line with the PEA.	**High**	The Group's technical team has designed and commissioned numerous commercial plants in Africa, including completion of feasibility studies for rare earth projects, and are therefore familiar with alternative technical options that may need to be deployed if the original strategies prove uneconomic. The results of the pilot test work programme to date, comprising the production of an initial batch of mixed rare earth sulphate, have been in line with the PEA. This includes both metal recoveries of ca. 65% and reagent consumption in the process.
Permitting risk	New and updated permits and licences will be required to develop the Phalaborwa project including, but not limited to, a water use licence, waste management licence and air emissions licence.	**High**	Rainbow is working with specialist consultants to compile the technical reports required for the permitting process and is aiming to make the relevant applications in parallel with work on the DFS. Whilst the timeframe for the issuance of permits is difficult to predict, the Phalaborwa project will clean up legacy environmental issues at the site, including treating the acid water currently associated with the unlined gypsum stacks and re-stacking the processed gypsum on new lined stacks designed in accordance with IFC Performance Standards and the Equator Principles. Accordingly, the Group is confident that the relevant permits will be issued to allow the project to proceed.
Financing risk	The Group's ability to continue to develop the Phalaborwa project and other new business opportunities will rely upon its continued ability to access financing, both at the corporate and project level.	**High**	The strong economic returns set out in the PEA for Phalaborwa are expected to ensure funding is available to deliver the DFS and, ultimately, the development of the Phalaborwa project. Management maintains strong relationships with key sources of finance. Rainbow has a history of securing funding required for the Group's growth plans, including support from its cornerstone investors, and management expects to be able to secure additional funding as required.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Comment	Business impact	Mitigation
Rare earth prices	Rainbow is focused on the identification and development of secondary rare earth deposits that can be brought into production quicker and at a lower cost than traditional hard rock mining projects, with a focus on the permanent magnet rare earth elements neodymium and praseodymium, dysprosium and terbium. Whilst analysts are predicting strong growth in demand for rare earths, prices have been volatile in the past. If the underlying rare earth basket price of the Group's development projects fall, this reduces potential revenue that will impact the long-term profitability of the projects and could impact the commercial viability of any development.	**High**	The Phalaborwa PEA confirmed a low-cost operation due to the nature of the rare earth mineral resource contained in a chemical form in two gypsum stacks, which will not require many of the processes associated with a primary mineral ore body for the extraction of rare earths. The resulting operating margin will allow Phalaborwa to be resilient against rare earth pricing volatility as the project is expected to generate strong returns even in a lower rare earth price environment. The Group aims to negotiate offtake arrangements to ensure a commercial development is viable in the interests of all stakeholders.
Co-development risk	The Group's assets include projects that will be conducted in joint arrangements or with associates, which reduces the Group's ability to control and manage risk and places reliance on partners not controlled by the Group. At Phalaborwa, Bosveld Phosphates (Pty) Limited has a 15% interest in the project and, as current owner of the site, their assistance is required to ensure the assets necessary for the project development are transferred at the necessary time into the joint venture vehicle and they remain liable for the historic environmental liabilities associated with the project site. The Group's development pipeline, including the Uberaba property in Brazil and the opportunity with OCP in Morocco, are at a much earlier stage of development. The legal framework for the development of a commercial operation for these opportunities has not been fully defined and terms may not be agreed with the owners of these assets to allow a development to occur.	**Medium**	For Phalaborwa, Rainbow has the option to acquire the 15% minority interest from Bosveld by issuing US$7 million of equity in Rainbow Rare Earths Limited. This will enable the Group to fully control that project and creates a strong incentive for Bosveld Phosphates (Pty) Limited to ensure it takes the necessary steps to allow the project to be developed. For the earlier stage projects, Rainbow's rare earths processing expertise and ownership, directly or under licence in the relevant territories, of the IP rights to develop an economic processing flow sheet similar to Phalaborwa is expected to ensure that suitable commercial terms can be agreed for the long term development of these assets.
Political risk in Burundi	On 12 April 2021, the Government of Burundi suspended the export of concentrate produced at Gakara. This was followed on 29 June 2021 with a suspension of all trial mining and exploration activity. All operations remain on care and maintenance.	**Low**	Due to the re-focus of Rainbow's business on the Phalaborwa asset and growth opportunities from the associated processing technology, the Directors do not envisage investing significant amounts in Burundi to develop a formal mineral resource and therefore the net assets of the Gakara cash generating unit have been impaired to nil in the 2023 Annual Report and Accounts.

DIRECTORS' REPORT

The Directors present their Annual Report and the Financial Statements of the Group for the year ended 30 June 2023.

General

Rainbow Rare Earths Limited, the parent company of the Group, was established in Guernsey on 5 August 2011. On 30 January 2017, its shares were listed on the standard segment of the Main Market of the London Stock Exchange.

Principal activity

The Company's principal activity is the development of rare earth minerals projects in South Africa and Brazil.

Business model

The basis on which the Company seeks to preserve and generate value is through the identification and development of secondary rare earth deposits that can be brought into production quicker and at a lower cost than traditional hard rock mining projects, with a focus on the permanent magnet rare earth elements neodymium and praseodymium, dysprosium and terbium. Once operational, the net cash generated from the Group's projects will be used to service the Company's financing, re-invested in further rare earth project development opportunities, or (where appropriate) repaid to investors in the form of dividends.

In the short term, this strategy is focused on the Phalaborwa rare earths project in South Africa, where a measured and indicated mineral resource has been defined contained within gypsum stacks derived from historic phosphate hard rock mining. The PEA has confirmed that Phalaborwa represents an economically attractive potential source of rare earth oxides.

The Uberaba project in Brazil represents a longer-term prospect; the Company is currently carrying out initial test work with its partner Mosaic to understand the mineralogy of the deposit better.

Business review

A review of the business during the Year is included in the Chairman's Statement, the CEO's Q&A, and in the Operating and Financial Reviews. The Group's business and operations and the results thereof are reflected in the attached Financial Statements.

Business risks

A review of the key risks to the Company is set out on pages 46 to 47.

Advisers

The Company's advisers are set out on the inside back cover.

Financial results

During the 12 months ended 30 June 2023, the Company reported a net loss of US$12,865k (30 June 2022: net loss of US$3,985k).

No dividends have been declared in respect of the years ending 30 June 2023 or 2022.

Directors

A list of the Directors of the Company is set out on pages 38 to 39.

No Director shall be requested to vacate office at any time by reason of any specific age attained. The Board considers that there is a balance of skills within the Board and that each of the Directors contributes effectively.

Directors' remuneration

	Salary/fees (US$'000)		Bonus (US$'000)		Total (US$'000)	
	June 2023	June 2022	**June 2023**	June 2022	**June 2023**	June 2022
Executive Directors						
George Bennett	**335**	325	**163**	134	**498**	459
Non-Executive Chairman						
Adonis Pouroulis	**115**	93	**-**	–	**115**	93
Non-Executive Directors						
Alexander Lowrie	**50**	53	**-**	–	**50**	53
Atul Bali	**50**	49	**-**	–	**50**	49
J Peter Pham	**44**	47	**-**	–	**44**	47
Shawn McCormick	**50**	53	**-**	–	**50**	53
Darryll Castle [1]	**-**	N/A	**-**	–	**-**	N/A
Robert Sinclair [2]	**N/A**	30	**N/A**	–	**N/A**	30
Total	**644**	650	**163**	134	**807**	784

1. Darryll Castle was appointed on 12 June 2023.
2. Robert Sinclair retired on 18 January 2022.

DIRECTORS' REPORT CONTINUED

Directors' responsibility statement
The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Group for that period and of the profit or loss of the Group for that period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

So far as each of the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Principal shareholders
A list of shareholders who beneficially hold more than 5% of the Company's shares at 27 October 2023 is as follows:

Key Shareholders	Number	Percent
Adonis Pouroulis	84,108,870	13.5
TechMet	75,206,112	12.0
George Bennett	37,347,298	6.0
Caden Holdings	36,967,805	5.9

Interests of Directors and Senior Managers
The interests (all of which are beneficial and include related parties) of the Directors and Senior Managers in the Company's issued share capital at 27 October 2023 are as follows:

Key Shareholders	Number	Percent
Adonis Pouroulis	84,108,870	13.5
George Bennett	37,347,298	6.0
Shawn McCormick	9,316,571	1.5
Alexander Lowrie	6,838,124	1.1
Atul Bali	4,420,992	0.7
Dave Dodd	1,500,000	0.2
Darryll Castle	821,422	0.1
J. Peter Pham	631,500	0.1
Pete Gardner	618,522	0.1
Total	**145,603,299**	**23.3**

Website publication
The Directors are responsible for ensuring that the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website (www.rainbowrareearths.com) in accordance with applicable legislation in Guernsey governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern
The Directors have reviewed the Group's cash flow forecasts for at least 12 months following the reporting date, together with appropriate sensitivities and mitigating actions. A full analysis of the Directors' analysis of the going concern status of the Group Is set out in note 2 to the Financial Statements.

After considering available cash, loan facilities anticipated to remain available, forecast cash flows and anticipated fundraising activities the Directors consider that the Group will have adequate resources to continue its operational existence for the foreseeable future. However, the cash flow forecast includes additional fundraising which is not yet in place. The Directors believe that the need to raise further funds represents a material uncertainty that casts doubt on this assumption. Nevertheless, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

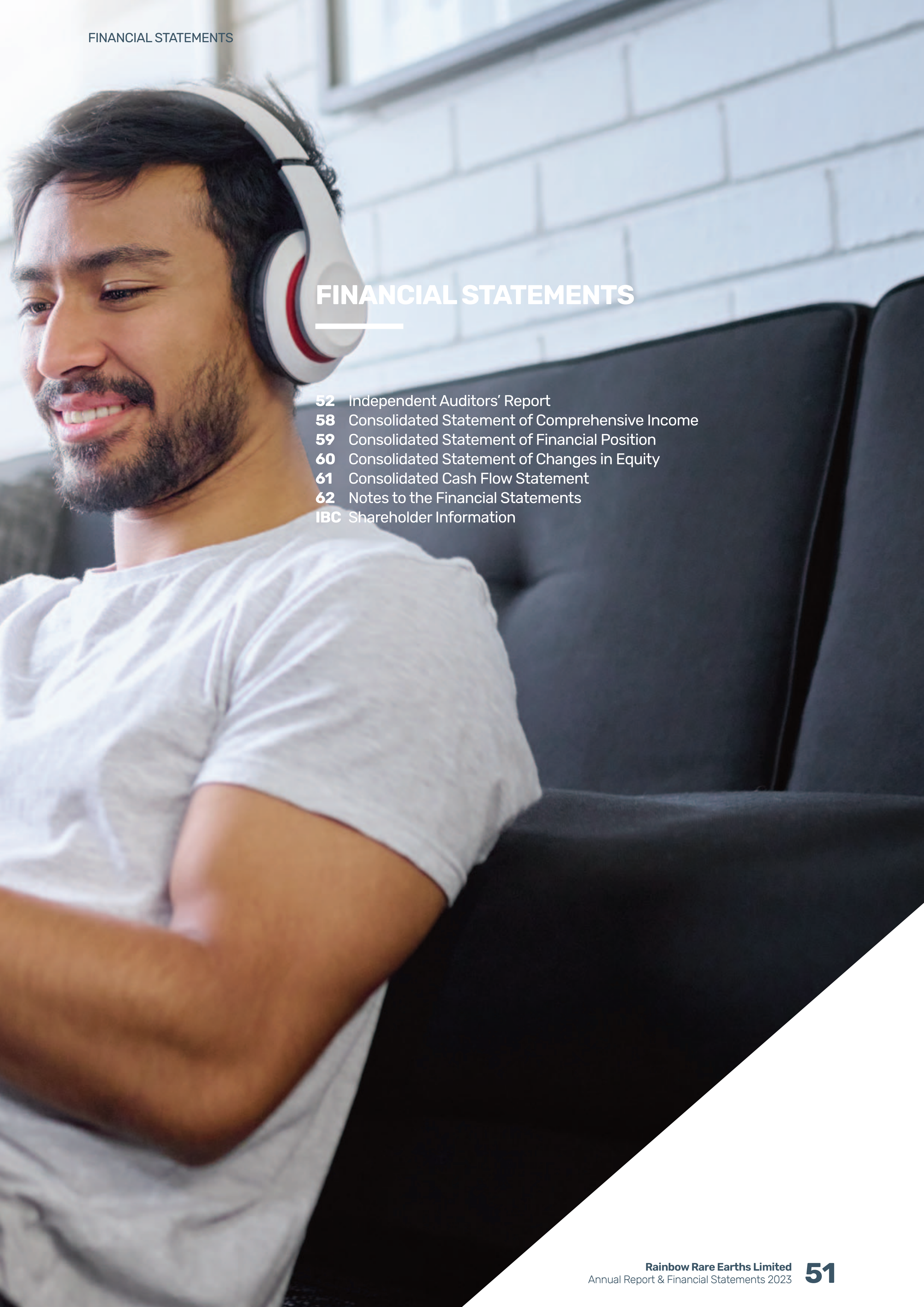
Auditor
BDO LLP has expressed its willingness to continue in office as auditors and a resolution to re-appoint BDO LLP will be proposed at the forthcoming AGM.

Signed on behalf of the Board of Directors on 27 October 2023

GEORGE BENNETT
CHIEF EXECUTIVE OFFICER

RARE EARTHS ARE USED IN THE COMPONENTS OF MANY DEVICES USED DAILY

Rare earths have transformed the consumer electronics market, enabling the high-tech products so integral to our lives



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED

Opinion on the financial statements

In our opinion, the financial statements of Rainbow Rare Earths Limited ("the Group"):

- give a true and fair view of the state of the Group's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Rainbow Rare Earths Limited ("the Group") for the year ended 30 June 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on the 03 October 2016 to audit the financial statements for the year ending 30 June 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 8 years, covering the years ended 30 June 2016 to 30 June 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Material uncertainty relating to going concern

As stated in note 2 the Group has forecasted that it will need to raise additional funding before 31 December 2024, the timing of which is dependent on the speed at which the Phalaborwa Definitive Feasibility Study is completed and the amount of funds required to progress the Uberaba opportunity. These conditions, along with the other matters set out in Note 2 indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. These financial statements do not include any adjustments that may be necessary if the group was not a going concern. Our opinion is not modified in respect of this matter.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter is described below:

- Critically assessing the Director's cash flow forecast and the underlying assumptions which have been approved by the Board. This included stress testing and applying sensitivities to the base cashflow forecast. Our testing included testing the integrity of the model, comparing forecast costs to historical actuals, evaluating the consistency of the forecast capital and exploration expenditure within the Group's strategic plans, and considering the reasonableness of the sensitivities applied and outcome of the stress testing;
- Verifying cash balances used in the forecast close to the date of sign off of these financial statements, by tracing cash positions against bank statements;
- Agreeing the receipt of US$4.7m of the total US$5.4m of funds raised in the September 2023 private placement to bank statements;
- Agreeing future cash outflows in respect of loans to underlying agreements. This included assessing the timing of the interest and capital repayments on the Finbank loan was appropriately reflected in cashflows commencing from July 2023;
- Assessing the reasonableness of the cash outflows for the corporate overhead, which included some contingency and considering the completeness of the costs included in the forecast;
- Assessing the level of cash outflows assumed for the Gakara mine, which was assumed to remain on care and maintenance for the entire forecast period. This involved comparing forecast cash outflows to prior year actuals and considering the completeness of the costs included in the forecast;
- Considering the reasonableness of the assumptions in the model regarding the cost and timing of completing the Phalaborwa Definitive Feasibility Study (DFS) and pilot plant testing by 30 June 2024;
- Considering the ability of the group to secure additional funds in the future based on its history of successful fundraising; and
- Reviewing Board minutes and project reports for any indications of unexpected costs, claims or disputes.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED

Overview

Coverage	100% (2022: 93%) of Group loss before tax 100% (2022: 96%) of Group total assets		
Key audit matters		2023	2022
	1. Accuracy and completeness of the impairment of Burundi assets	☑	☑
	2. Material uncertainty relating to going concern	☑	☑
Materiality	**Group financial statements as a whole** 2023: US$210k based on 1.5% of total assets. 2022: US$160k based on 4% of loss before tax.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Whilst Rainbow Rare Earths Limited is a Company registered in Guernsey and listed on the Standard Segment of the London Stock Exchange in the UK, the Group's principal operations are located in South Africa and Burundi. In approaching the audit, we considered how the Group is organised and managed. We assessed the business as being two projects comprising of the Gakara and the Phalaborwa Projects, and a corporate head office function.

Our Group audit scope focused on the Group's principle operating entities, Rainbow Rare Earths Limited, Rainbow Mining Burundi, Rainbow International Resources and Rainbow Rare Earths (Pty) Ltd. We identified these entities as significant components for the purposes of our financial statement audit, based on their relative share of total assets. The significant components accounted for 100% of total assets and were subject to full scope audits conducted by the group engagement team, with the exception of fixed assets verification and inventory counts in Rainbow Mining Burundi which were carried out by BDO member firm.

The remaining component of the Group, being a dormant entity, was considered non-significant, and this component was principally subject to analytical review procedures with specific procedures for any significant balances impacting the Group financial statements.

All audit work (full scope audit or analytical review procedures) was conducted by the group engagement team, with the exception of the fixed assets verification and inventory count as detailed above.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Performing our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meeting and other papers related to climate change to assist us in performing our risk assessment as to how the impact of the Group's commitment as set out in the Annual Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as Statutory Other Information' on pages 28 - 33 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED
CONTINUED

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "material uncertainty relating to going concern" section above, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matter: Accuracy and completeness of the impairment of Burundi Assets (Exploration Assets, Property plant and Equipment, Inventory and the Royalty Receivable)
Refer to Note 3, 12, 14 & 15

In 2021 the Burundian Government put a suspension on trial mining operations and introduced an export ban. The exploration licence has not been withdrawn, and the Directors believe that the licence area has significant rare earth mineral potential. However, due to the ongoing suspension of mining operations and re-focus of Rainbow's business on the Phalaborwa asset, the Directors do not envisage investing significant amounts in Burundi in the future to develop the resource.

Accordingly, the Directors have written the net assets of the Gakara cash generating unit to US$nil, resulting in a US$9,575k impairment charge being recorded in the year.

The assets associated with the Gakara project include both intangible and tangible fixed assets together with cash, mineral concentrate, royalty receivables and consumables held in stock. The liabilities associated with the Gakara project include a loan, decommissioning, site rehabilitation and environmental costs, tax liabilities and trade payables.

Given the judgements and estimates involved in assessing the accuracy of the impairment charge and recoverability of the unimpaired Burundi assets, this is a key audit matter.

How the scope of our audit addressed the key audit matter

To determine the accuracy of the impairment charge and recoverability of the unimpaired Burundi assets we have undertaken the following procedures:

Exploration and evaluation assets, carrying value of nil after a U$8.6m impairment charge.
- We have considered management's assessment of impairment indicators under IFRS 6 (Exploration and Evaluation of Mineral Resources) and have confirmed against Board approved budgets that no substantive expenditure is either budgeted or planned to further explore the area which is an impairment trigger; and
- We have tested the completeness and accuracy of the US$8.6m impairment of exploration assets by confirming no changes were made to the exploration assets balance between 2022 and 2023 before impairment

Property plant and equipment (PP&E) carrying value of nil after a US$0.7m impairment charge.
- A BDO member firm under our direction and supervision physically verified the existence of a sample of PP&E;
- We considered the requirements of IAS 36 (Impairment of assets) which details PP&E should be held at the higher of value in use and fair value less cost to sell, and:
  - in considering value in use, we reviewed correspondence between management and the Burundi government which gives no indication of when the suspension will be lifted; and we corroborated management's change of focus from Burundi to Phalaborwa by reviewing internal budgets. Based on these procedures we concurred with management that the value in use of PP&E is nil; and
  - in considering fair value less cost to sell, we considered management's ability to sell PP&E, which included consideration of the remote location of the mine, the suspension of all mining activities in Burundi, and management's ability to export the PP&E which also requires government approval. Based on these procedures we concurred with management that fair value less cost to sell is nil.

Inventory Carrying value of US$0.7m after a US$0.1m impairment charge.
The impaired inventory of US$0.1m relates to spares and equipment held at a government warehouse awaiting import clearance.
Neither management nor ourselves have been able to confirm the existence of this inventory and we concur that it is appropriate to impair it to nil.

The remaining inventory on hand is made up of 420 tonnes of rare earth minerals.
- A BDO member firm attended an inventory count at the year-end and tested a sample of volumes and grades of the rare earth minerals;
- We assessed the rare earth minerals were appropriately held at the lower of cost and net realisable value. This included challenging management over the timing of when the export ban will be lifted, as until this is lifted the inventory has no realisable value. In the event that the export ban is not lifted, and the inventory is not able to be sold, management would use this to asset to partially settle any remaining in country liabilities.

Royalty receivable carrying value of nil after a US$0.1m impairment charge.
- We assessed Management's assumptions to determine the recoverable amount of the receivable, including considering the time that has elapsed with no payments having been received.

Key observations:
Based on procedures performed, we consider that the impairment charges and recoverable values of the remaining Burundi assets to have been appropriate determined given the current facts and circumstances, and that the disclosures included within the financial statements that detail the significant judgements and estimates arising from the suspension from mining operations to be appropriate.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED
CONTINUED

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2023 US$'000	2022 US$'000
Materiality	**210,000**	160,000
Basis for determining materiality	**1.5% of total assets**	4% of loss before tax
Rationale for the benchmark applied	Total Assets was determined as an appropriate basis as the principal focus of the Group remains the advancement and development of its projects. As such, we consider the users of the financial statements will focus on the statement of financial position and total assets of the Group in order to understand the level of investment being made. In the prior year, materiality was based on 4% of loss before tax. We considered loss before tax to be the most significant determinant of the Group's financial performance given the increased focus on Phalaborwa which made up a lower proportion of the group's total assets, and the costs incurred to keep Gakara on care and maintenance were being expensed in the period. Therefore, loss before tax was considered to be a more appropriate materiality base as this represents the costs incurred to fund the group in the pre-revenue phase of operation.	
Performance materiality	**147,000**	112,000
Basis for determining performance materiality	Performance materiality was set at 70% (2022: 70%) of the materiality level based on our assessment of a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of internal control and management's attitude towards proposed adjustments.	

Component materiality
We set materiality for each component of the Group based on Group materiality to ensure that the risk of errors exceeding component materiality was appropriately mitigated; this was capped due to aggregation risk in line with the ISAs (UK). Component materiality was US$105,000 for each component (2022: US$106,000). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US$4,200 (2022: US$3,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:
- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED
CONTINUED

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement within the Directors Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations
Based on:
- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance and also consider legal counsel; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, Companies (Guernsey) Law 2008, Tax regulations and the Listing Rules of the Financial Conduct Authority.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Task Force on Climate-Related Financial Disclosures (TCFD), local health and safety law, compliance with the rights for Phalaborwa as per the earn-in-agreement, the mining permits and export ban of Burundi and the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RAINBOW RARE EARTHS LIMITED CONTINUED

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing planning analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and areas of judgement due to level of subjectivity involved with them.

Our procedures in respect of the above included:

- Fraud enquiries were held with management and those charged with governance to identify whether any instances of fraud were noted in the period.
- Testing the financial statement disclosures to supporting documentation, performing testing on account balances which were considered to be a greater risk of susceptibility to fraud. These balances relate to our key audit matters as disclosed above.
- Making enquiries of management as to whether there was any correspondence with regulators and the Government, in so far as the correspondence related to the financial statements and reviewed this correspondence.
- Performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud to address the presumed risk of management override of controls, including bribery. For example, we tested capitalisation to property plant and equipment or exploration assets with the opposite entry being processed against bank and cash accounts and not against liability accounts.
- Reviewing the Group's year end unadjusted entries, consolidated entries and investigating any that appear unusual as to nature or amount by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Acloque
For and on behalf of BDO LLP, Chartered Accountants,
London, United Kingdom

27 October 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Administration expenses		**(3,509)**	(3,585)
Impairment of Gakara assets		**(9,575)**	(69)
Loss from operating activities	4	**(13,084)**	(3,654)
Finance income	6	**377**	216
Finance costs	7	**(158)**	(543)
Loss before tax		**(12,865)**	(3,981)
Income tax expense	10	**-**	(4)
Total loss after tax and comprehensive expense for the year		**(12,865)**	(3,985)
Total loss after tax and comprehensive expense for the year is attributable to:			
Non-controlling interest	24	**(881)**	(105)
Owners of parent		**(11,984)**	(3,880)
		(12,865)	(3,985)
The results of each year are derived from continuing operations			
Loss per share (cents)			
Basic	11	**(2.23)**	(0.76)
Diluted	11	**(2.23)**	(0.76)

Notes on pages 62 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
Non-current assets			
Exploration and evaluation assets	12	**4,830**	10,588
Property, plant and equipment	13	**27**	1,043
Right of use assets	19	**39**	108
Total non-current assets		**4,896**	11,739
Current assets			
Inventory	14	**718**	858
Trade and other receivables	15	**365**	401
Cash and cash equivalents	16	**8,107**	4,134
Total current assets		**9,190**	5,393
Total assets		**14,086**	17,132
Current liabilities			
Trade and other payables	17	**(1,250)**	(909)
Borrowings	18	**(201)**	(235)
Lease liabilities	19	**(23)**	(32)
Total current liabilities		**(1,474)**	(1,176)
Non-current liabilities			
Borrowings	18	**(285)**	(518)
Lease liabilities	19	**(21)**	(81)
Provisions	20	**(55)**	(61)
Total non-current liabilities		**(361)**	(660)
Total liabilities		**(1,835)**	(1,836)
Net assets		**12,251**	15,296
Equity			
Share capital	21	**50,937**	41,442
Share-based payment reserve	23	**1,719**	1,467
Other reserves	23	**-**	-
Retained loss		**(38,483)**	(26,572)
Equity attributable to the parent		**14,173**	16,337
Non-controlling interest	24	**(1,922)**	(1,041)
Total equity		**12,251**	15,296

These financial statements were approved and authorised for issue by the Board of Directors on 27 October 2023 and signed on its behalf by:

GEORGE BENNETT
DIRECTOR

Notes on pages 62 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Share capital US$'000	Share-based payments US$'000	Share warrant reserve US$'000	Other reserves US$'000	Accumulated losses US$'000	Attributable to the parent US$'000	Non-controlling interest US$'000	Total US$'000
Balance at 1 July 2021		32,465	1,295	–	60	(22,878)	10,942	(936)	10,006
Total comprehensive expense									
Loss and total comprehensive loss for year		–	–	–	–	(3,880)	(3,880)	(105)	(3,985)
Transactions with owners									
Shares placed during the year for cash consideration	21	8,779	–	–	–	–	8,779	–	8,779
Share placing transaction costs	21	(240)	–	–	–	–	(240)	–	(240)
Non-cash issue of shares during the period, net of costs	21	157	–	–	–	–	157	–	157
Eliminate historic discount on extinguishment of interest free bridge loan		–	–	–	(60)	60	–	–	–
Fair value of employee share options in year	22	–	298	–	–	–	298	–	298
Share options exercised in the year, net of costs	21	281	(126)	–	–	126	281	–	281
Balance at 30 June 2022		**41,442**	**1,467**	**-**	**-**	**(26,572)**	**16,337**	**(1,041)**	**15,296**
Total comprehensive expense									
Loss and total comprehensive loss for year		–	–	–	–	(11,984)	(11,984)	(881)	(12,865)
Transactions with owners									
Shares placed during the year for cash consideration	21	9,485	–	–	–	–	9,485	–	9,485
Share placing transaction costs	21	(115)	–	–	–	–	(115)	–	(115)
Fair value of employee share options in year	22	–	325	–	–	–	325	–	325
Share options cancelled in year	22	–	(13)	–	–	13	–	–	–
Share options exercised in the year, net of costs	21	125	(60)	–	–	60	125	–	125
Balance at 30 June 2023		**50,937**	**1,719**	**-**	**-**	**(38,483)**	**14,173**	**(1,922)**	**12,251**

Notes on pages 62 to 84 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
Cash flow from operating activities			
Loss from operating activities		**(13,084)**	(3,654)
Adjustments for:			
Depreciation		**382**	380
Impairment		**9,575**	69
Share-based payment charge	22	**325**	297
Operating loss before working capital changes		**(2,802)**	(2,908)
Net decrease in inventory	14	**-**	5
Net increase decrease in trade and other receivables	15	**(31)**	(29)
Net decrease in trade and other payables	17	**(94)**	(100)
Cash used by operations		**(2,927)**	(3,032)
Realised foreign exchange gains		**156**	186
Finance income	6	**-**	-
Finance costs	7	**-**	-
Taxes paid	10	**-**	(2)
Net cash used in operating activities		**(2,771)**	(2,848)
Cash flow from investing activities			
Purchase of property, plant & equipment	13	**(28)**	(42)
Exploration and evaluation costs	12	**(2,510)**	(837)
Net cash used in investing activities		**(2,538)**	(879)
Cash flow from financing activities			
Repayment of borrowings	18	**(61)**	(1,009)
Interest payments on borrowings	18	**(78)**	(138)
Payment of lease liabilities	19	**(42)**	(24)
Proceeds from the issuance of ordinary shares	21	**9,610**	9,077
Transaction costs of issuing new equity	21	**(115)**	(275)
Net cash generated by financing activities		**9,314**	7,631
Net increase in cash and cash equivalents		**4,005**	3,904
Cash & cash equivalents at the beginning of the year		**4,134**	573
Foreign exchange loss on cash and cash equivalents		**(32)**	(343)
Cash & cash equivalents at the end of the year	16	**8,107**	4,134

Notes on pages 62 to 84 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. GENERAL INFORMATION

Reporting entity
Rainbow Rare Earths Limited ("the Company") is a company domiciled in Guernsey and incorporated on 5 August 2011, with company registration number 53831, and is a company limited by shares. The Company's registered office is Connaught House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1GZ. The consolidated financial statements of the Company for the years ended 30 June 2023 and 30 June 2022 comprise the Company and its subsidiaries.

2. ACCOUNTING POLICIES

Basis of preparation
The Financial Statements of the Company and its subsidiaries ("the Group") are prepared in accordance with International Financial Reporting Standards ("IFRS") (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss. Given the development status of the Group's assets, management do not consider sustainability and climate change as key risks requiring significant judgement for the Year. The Group has prepared sustainability disclosures on pages 22 to 33 in line with the requirements set out in the listing rules to the extent relevant for a Group without producing assets.

Going Concern
As at 30 June 2023, the Group had total cash of US$8.1 million. During Q3 CY 2023 the Group paid out a total of US$7.3 million including costs of US$5.7 million to secure an immediate 85% interest in the Phalaborwa project as set out in note 29. On 27 September 2023 the Company announced a private placement raising £4.5 million (approximately US$5.5 million) before costs estimated at US$0.1 million, of which £3.9 million had been received at 27 October 2023 as set out in note 29. Going forward the Group expects further cash income of £0.6 million from the equity fund raise that is subject to shareholder approval, which is expected to be received at the Company's AGM on 20 November 2023, and has no commitments.

The Board have reviewed a range of potential cash flow forecasts for the period to 31 December 2024, including reasonable possible downside scenarios. This has included the following assumptions:

Corporate:
The forecast includes US$3.2 million of ongoing general and administrative costs of the Group over the 18-month period from 1 July 2023 to 31 December 2024 (the "Period"), based on the current administrative costs of the Group. This includes US$0.2 million in respect of pursuing new business opportunities, which will cover only the initial test work at the opportunities identified to date including the opportunity with OCP in Morocco and the opportunity with the Mosaic Company in Brazil.

Management's reasonably plausible downside scenario includes a 10% contingency for unexpected costs plus a further US$0.25 million per annum for business development costs.

Phalaborwa:
The forecast includes US$5.7 million of costs relating to the acquisition of the 85% ownership in Phalaborwa, including relevant transaction costs, which was announced on 28 June 2023 and paid in Q3 2023 as noted above. The forecast also includes all costs required for the completion of the Phalaborwa DFS, estimated at US$5.9 million, inclusive of a 10% contingency. This includes all costs associated with the ongoing pilot test work campaign underway in both South Africa and USA.

The forecast also includes salary and consultant costs of US$0.6 million for the core project team tasked with advancing the project. No further contingency on the costs associated with the DFS was considered necessary for management's reasonably plausible downside scenario as the base case forecast includes relevant contingencies. Management's reasonably plausible downside scenario includes a 10% contingency on the costs of the core project team.

Uberaba:
As set out in note 29, a memorandum of understanding was signed on 17 July 2023 with Mosaic to jointly develop a process flowsheet and conduct a preliminary economic assessment related to the extraction of rare earth elements from Mosaic's phosphogypsum stack in the Uberaba area of Minas Gerais in Brazil. At the date of this Report, the Group has no commitments in respect of this project. A detailed budget for the anticipated work stream is not yet available and will need to be agreed with Mosaic, but it is noted that management's reasonably plausible downside scenario would not be sufficient for a resource to be defined and a PEA to be developed and further funding may be required to allow for the Uberaba opportunity to be de-risked, the timing of which cannot be accurately predicted at this time.

Gakara:
The cash flow forecasts assume ongoing care and maintenance costs totalling US$0.6 million including amounts payable under the FinBank loan facility in Burundi. The Group has determined that no additional cash outflows will be incurred on Gakara until the export ban and mining suspension has been lifted. In the event that the Gakara project did return to operations, stock of rare earth concentrates with a current estimated gross sales value of US$1.0 million would be sold to provide the funds to re-commence operations. The re-start would be conditional on the Gakara project not requiring additional financial support from Rainbow Rare Earths Limited at then current rare earth prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Going Concern continued

Conclusion

The base case forecast includes a total cash outflow over the Period of US$16.1 million. Management's reasonably plausible downside scenario, which includes a 10% contingency for corporate costs, fixed costs at Phalaborwa and Gakara costs, together with a further allowance for business development opportunities, includes a total cash outflow of US$16.9 million.

At 30 June the Group had US$8.1 million of available cash which together with US$5.4 million of net funds raised in September 2023 provides US$13.5 million of available resources, which confirms that the Group will need to raise additional funds before 31 December 2024, the timing of which is dependent primarily on the speed at which the Phalaborwa DFS is completed, which is within managements control. Management's reasonably plausible downside scenario suggests that at least US$3.4 million will need to be raised, along with any funds required to progress the Uberaba opportunity in Brazil.

The Board is confident that this funding will be secured, based on its history of successful fundraising. However, it also acknowledges that this funding is not, at the present time, in place. Accordingly, the Board acknowledges that the need for additional funding represents a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

New and amended standards and interpretations adopted by the Group

No material changes to accounting policies arose as a result of new standards applied by the Group from 1 July 2022.

New standards, interpretations, and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards include:

- IAS 1 – Presentation of Financial statements – The classification of liabilities as current or non-current basing the classification on contractual arrangements at the reporting date. These amendments are effective for periods beginning on or after 1 January 2024.
- IAS 1 and IFRS Practise Statement 2 – Disclosure of Accounting Policies – Amendments to "Presentation of Financial Statements" and an update to "Making Materiality Judgements" to help assist with providing useful accounting policy disclosures. The amendments are effective from 1 January 2023 but may be applied earlier.
- IAS 8 Amendments – Definition of Accounting Estimate - The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. These amendments are effective for periods beginning on or after 1 January 2023.
- Amendments to IAS 12 - International Tax Reform; Pillar Two Model Rules. These amendments are effective for periods beginning on or after 1 January 2023.
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback. The amendments are effective from 1 January 2024 but may be applied earlier.
- Amendments to IAS 1 - Non-current Liabilities with Covenants. The amendments are effective from 1 January 2024 but may be applied earlier.

These amendments are not expected to have a material impact on the Group.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Group. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date that control commences until the date that control ceases.

Where necessary, adjustments are made to the results of subsidiaries to bring the accounting policies they use into line with those used by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the non-controlling shareholder's share of changes in equity. The non-controlling interests' share of losses, where applicable, are attributed to the non-controlling interests irrespective of whether the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses. On acquisition of a non-controlling interest the relevant non-controlling interest share of equity is extinguished and the difference between the fair value of consideration paid and the relevant carrying value of the non-controlling interest is recorded in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Foreign currency

The consolidated financial statements are presented in US dollars, which is also the functional currency of the Company and all of its subsidiaries. The Group's strategy is focused on developing an ethical supply chain for rare earth elements from secondary sources, with its principal project based in South Africa and a global pipeline of earlier stage opportunities being developed. All such opportunities will ultimately generate revenue in United States Dollars, which is the currency in which rare earth elements are traded internationally. All support services are charged between group companies in United States Dollars. The Group is funded by various financial liabilities which are principally denominated in United States Dollars and shareholder equity.

Transactions in foreign currencies are translated to the functional currency of the Group entity at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to the functional currency at the rates prevailing on the reporting date. Exchange differences on all transactions are recognised in the consolidated statement of comprehensive income in the year in which they arise.

Revenue recognition

The Group plans to produce and sell separated rare earth oxides from the Phalaborwa project in South Africa and other secondary rare earth sources via a mixture of long term off-take contracts and spot sales to global customers. The Group's Gakara project in Burundi produces a mixed rare earth mineral concentrate which was previously sold under a long-term offtake contract with ThyssenKrupp Metallurgical Products GmbH.

Revenue is recognised on transfer of control of the relevant rare earth product, which can occur at the project site, at a port in transit to the customers premises or at the customers premises.

Rare earth exploration and evaluation assets

All exploration and evaluation costs incurred are accumulated in respect of each identifiable project area. Costs which are classified as intangible fixed assets are only carried forward to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment as to whether the deposit is commercially viable and technically feasible for extraction. Costs associated with exploration and evaluation include costs related to trial mining and processing when such activity is focused on improving the understanding of the ore body. Such costs include the cost of mining, processing and sales costs for concentrate produced as a result of trial mining activities, excluding any costs associated with year-end inventory.

Costs incurred prior to the legal right to a mineral project being obtained are written off immediately. Accumulated cost in relation to an abandoned area are written off in full to the statement of comprehensive income in the year in which the decision to abandon the area is made.

Exploration and evaluation assets associated with an identifiable project area are transferred from intangible fixed assets to tangible fixed assets as "project development costs" when the commercial viability and technical feasibility of extracting the deposit has been established. This includes consideration of a variety of factors such as whether the requisite permits have been awarded, whether funding required for development is sufficiently certain of being secured, whether an appropriate project development plan is established and the results of exploration and evaluation data including internal and external assessments.

Property, plant and equipment

Property, plant and equipment consists of plant and machinery, project development costs, motor vehicles, computer equipment, and office furniture and fittings.

Property, plant and equipment is initially recognised at cost and subsequently stated at cost less accumulated depreciation and any impairment. The cost of acquisition is the purchase price and any directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

The Group assesses the stage of a development project to determine when it has reached commercial production, at which point the relevant assets begin to be depreciated. The criteria used to assess the date at which commercial production is achieved, being the point at which the project is ready for its intended use and operating in the manner intended by management, include completion of a reasonable period of testing, the ability to sustain commercial levels of production, and engineering sign off on the plant performance. In the case of new project sites, commercial production is deemed to have been met when the site has received all necessary permits and approvals (including a certificate of environmental conformity) and is in operation. Prior to this period, any costs associated with the project site are capitalised.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the asset. Residual values and useful lives are reviewed on an annual basis and changes are accounted for over the remaining lives.

The applicable depreciation rates are as follows:

Description	Useful life
Plant, machinery, and mine infrastructure	5 years
Vehicles	5 years
Computer equipment	3 years
Office furniture and fittings	7 years

Depreciation incurred on equipment used in exploration is capitalised to exploration and evaluation costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Impairment of non-financial assets including exploration and evaluation assets

Exploration and evaluation assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 "Exploration for and Evaluation of Mineral Resources" and tested for impairment where such indicators exist. In addition, these assets are tested for impairment prior to transfer to project development costs. In accordance with IFRS 6 the Group considers the following facts and circumstances in their assessment of whether the Group's exploration and evaluation assets may be impaired:

- whether the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- whether exploration for and evaluation of reserves in a specific area have not led to the discovery of commercially viable quantities of mineable material and the Group has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

If any such facts or circumstances are noted, the Group performs an impairment test in accordance with the provisions of IAS 36. In such circumstances the aggregate carrying value of the exploration and evaluation asset, together with any associated property, plant and equipment held within the relevant cash generating unit, is compared against the expected recoverable amount of the cash generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised for a cash generation are recognised against goodwill (if any) and then to identifiable assets on a pro-rata basis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the Income Statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Leases

At inception the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset, for a period of time, in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used. In rare cases where the decision about how and for what purpose the assets is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The right-of-use asset is initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, impairment indictors for the right-of-use asset is assessed annually and will be adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The liability is subsequently measured at amortised cost using the effective interest method. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Environmental rehabilitation costs
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a project. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present values, are provided for in full as soon as the obligation to incur such costs arises and can be quantified. On recognition of a full provision, an addition is made to tangible or intangible fixed assets of the same amount. Upon commercial production this addition is then charged against profits over the life of the project. Closure provisions are updated annually for changes in cost estimates as well as for changes to the anticipated life of the project, with the resulting adjustments made to both the provision balance and the net book value of the associated non-current asset.

Inventory
Stockpiles of ore (including but not limited to Run of Mine ("RoM") ore (where applicable), pre-shipment rare earth finished or partially processed product stockpiles, or rare earth products in transit but not yet sold) are valued at the lower of historic cost and net realisable value. Historic cost is based on an allocation of all relevant costs incurred in bringing the stockpiles to their present condition at the period end (including as appropriate mining or reclamation costs, processing costs and transportation costs). Realisable value is based on an estimate of selling price less applicable further costs to be incurred to the point of revenue recognition (including as appropriate further expected processing costs, shipment costs, royalties, and other fees to be incurred in the course of the sales process). Inventory stockpile costs do not include an allocation of support costs.

Inventory spares (including tools, parts for equipment, and stocks of consumables) are also valued at the lower of historic cost and realisable value, where material. Spares are reviewed at each period end for obsolescence, with provisions applied to those stock lines where realisable value is considered to be lower than historic cost.

Taxation
Current tax is based on the estimated taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. In Burundi, when no taxable profit arises, current tax includes a minimum tax charge calculated as 1% of revenue.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Financial instruments
Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

- **Financial assets**
  Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less.

  Trade and other receivables, to the extent they represent financial assets, are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due.

  In applying the general model, the Group monitors on a forward-looking basis the expected credit loss, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

  Losses are recognised in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

2. ACCOUNTING POLICIES CONTINUED

Financial instruments continued

- **Financial liabilities**

  Loans, borrowings and trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. They are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

  A financial liability is removed from the balance sheet when it is extinguished, being when the obligation is discharged, cancelled, or expired. On extinguishment of a financial liability, any difference between the carrying amount of the liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. A modification or exchange of a financial liability is either accounted for as an extinguishment of the original financial liability or a renegotiation of the original financial liability. An extinguishment or substantial modification of a financial liability results in de-recognition of the original financial liability and any unamortised transaction costs associated with the original financial liability are immediately expensed to the profit and loss account. Where the change in the terms of the modified financial liability are not substantial, it is accounted for as a modification of the original liability, with the modified financial liability measured at amortised cost using the original effective interest rate. To determine whether the terms of the modified liability are substantially different from those of the original one, a qualitative assessment is performed. If it is not already clear from a qualitative assessment that a modification has resulted in a substantial change, then quantitative assessment is performed. This includes consideration whether the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Share capital

Ordinary shares are classified as equity and are recorded at the proceeds received, net of any direct issue costs.
The nature of the Company's reserves is set out in note 23.

Share options

Equity-settled share-based payments to employees and Directors are initially measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant, considering market-based vesting conditions.

The fair values of share options are measured at fair value at the date of grant. Where the share options only contain service conditions or non-market conditions and the options are issued with a relevant strike price, a Black – Scholes model is used. Where the share options contain market conditions, a Monte Carlo simulation model is used and reflected in the fair value of the options granted. Where the share options contain no market conditions and do not include a strike price the fair value is assessed by reference to the share price on the date of issue. Details of the assumptions used are included in note 22 Share based payments.

The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Warrants

Warrants issued are recognised at fair value at the date of grant. The fair value is measured using the Black-Scholes model. Where warrants are issued in respect of services provided, the fair value is expensed on a straight-line basis over the vesting period (if applicable). Where warrants are considered to represent a transaction cost attributable to a liability recorded at amortised cost the fair value is deducted from the liability and amortised subsequently through the effective interest rate. Where a fixed number of warrants are issued, and the exercise price is in the functional currency of the issuer, the warrant fair value is credited to equity. Where the number of warrants is fixed but the exercise price is in a currency other than the functional currency of the issuer the instrument fails the "fixed-for-fixed" criteria and is recognised as a financial liability at fair value through profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

3. ACCOUNTING JUDGMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods. Key sources of judgment and estimation uncertainty are:

Accounting treatment of exploration and evaluation costs

Significant accounting judgement

Judgment was required in determining how to treat costs incurred during the Year for the Group's development projects in South Africa and Burundi. For the Phalaborwa asset management note that the project is based on a JORC compliant mineral resource estimate contained within gypsum stacks at the Phalaborwa site. The Group has an 85% economic interest in the project. Accordingly, all costs associated with defining the technical feasibility and commercial viability of the project are being capitalised under IFRS6.

For the Gakara asset, management note that the project has been on care and maintenance throughout the Year. Accordingly, none of the costs incurred have been focused on improving the understanding of the ore body, and as such all costs have been recognised in the income statement in the Year.

Impairment indicator assessment for exploration and evaluation assets and associated assets (notes 12, 13 and 14)

Significant accounting judgement

Judgment was required in determining whether indicators of impairment existed at 30 June 2023 for the Group's exploration and evaluation assets. The Board assessed factors including the remaining licence term, the plans for future exploration and the results of activities to date, together with the strategic plans for the asset against the criteria set out in IFRS 6.

Phalaborwa

For the Phalaborwa asset, management note the PEA released in October 2022 confirmed a processing flow sheet capable of economically extracting the magnet rare earth metals from the gypsum stacks in a low capital and low operating cost environment with strong economic returns. Recent pilot test work has confirmed that the rare earth elements are capable of being extracted from the phosphogypsum and upgraded in line with the flow sheet set out in the PEA to produce a mixed rare earth sulphate. The mixed rare earth sulphate will be shipped to the USA where the back-end pilot plant for the separation of the magnet rare earths recently finished commissioning. Accordingly, management do not consider there to be any indicators of impairment for the Phalaborwa asset.

Gakara

The assets associated with the Gakara project include both intangible and tangible fixed assets together with cash, mineral concentrate, royalty receivables and consumables held in stock. The liabilities associated with the Gakara project include a loan, decommissioning, site rehabilitation and environmental costs, tax liabilities and trade payables.

Despite the ongoing suspension, the Directors note that the Government of Burundi has not suggested that the licence will be withdrawn. The Directors also continue to believe that the licence area represents a significant area of rare earth mineral potential. However, the Directors do consider that an indicator of impairment exists at 30 June 2023 due to the re-focus of Rainbow's business on the Phalaborwa asset and growth opportunities from the associated processing technology. As such, the Directors do not envisage investing significant amounts in Burundi to develop a formal mineral resource and therefore an impairment review is required under IFRS 16 paragraph 20.

Based on the assessment of both the legal and political position in Burundi, the Directors were unable to foresee a date when the operations at the project would be able to restart, and accordingly have written the net assets of the Gakara cash generating unit to nil. In making this judgement, the Directors have made the key judgements and estimates detailed below.

Carrying value of Gakara tangible and intangible assets (notes 12 and 13)

Significant accounting judgement

The impairment review of the intangible and tangible fixed assets associated with the Gakara project required an estimate of the value in use and fair value less costs to sell for the assets. In making this decision, the Directors were unable to assign any value for the potential sale of the project or the separate sale of the tangible fixed assets associated with the project given the nature of the situation, which is subject to political constraints not in accordance with Burundi law. Accordingly, the intangible and tangible fixed assets were fully impaired at 30 June 2023 in accordance with IAS36. A change in the situation in Burundi could allow the operations to restart in the future, or permit the sale of the project to a third party, which could allow the impairment to be fully or partially reversed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

3. ACCOUNTING JUDGMENTS AND ESTIMATIONS CONTINUED

Valuation of available for sale mineral concentrate (note 14)

Significant accounting estimate

Operations at the Gakara project in Burundi are currently on care and maintenance at the request of the Government of Burundi. At 30 June 2023 the operation has 421 tonnes of available for sale mineral concentrate with an estimated sale value of US$1.0 million carried at cost of US$717k on the Group balance sheet as set out in note 14. This concentrate cannot be sold due to an export ban imposed by the Government of Burundi. Management note that in the two years since the export ban was imposed the mineral concentrate has not degraded in any way and, due to the lack of a ready market for the concentrate in Burundi, the risk of loss through theft was very low. Management assess that it is probable that the current export ban will be lifted in due course, although the timing of future sales cannot be accurately predicted. In the event the export ban is lifted, the proceeds from the sale of mineral concentrate will either be used to restart operations or to settle existing liabilities.

Recoverability of royalty receivable (note 15)

Significant accounting estimate

Rainbow Mining Burundi SM ("RMB") has historically overpaid royalties arising from the sale of rare earth concentrate. Whilst the Government has accepted in writing that the overpaid royalties are recoverable, no repayment has been received to date. The Directors have made a judgement that the royalty receivable is unlikely to be recovered in the near term due to the political situation in Burundi. Given the significant uncertainty of the timing and quantum of any future recovery the asset has been fully impaired at 30 June 2023 with a further impairment charge of US$109k recognised in impairment of Gakara assets in the Year. Future recovery may differ from management's best estimate.

Decommissioning, site rehabilitation and environmental costs (note 20)

Significant accounting estimate

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Estimation and experience are used in determining the expected timing, closure, and decommissioning methods, which can vary in response to changes in the relevant legal requirements or decommissioning technologies. No provision was recorded for the Group's Phalaborwa project as on-site activities have not yet commenced and there is no legal obligation for restoration by the Group with historical environmental liabilities associated with the site contractually remaining with the previous owners.

The discounted provision recognised for the Group's Gakara project represents management's best estimate of the rehabilitation costs that will be incurred, discounted from the period in which they are judged to be incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

4. LOSS FROM OPERATING ACTIVITIES

Operating loss includes:

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Employee remuneration (excluding share options)	**(1,517)**	(1,936)
Share-based payment charge	**(325)**	(298)
Audit of the Group financial statements[1]	**(173)**	(150)
Depreciation	**(382)**	(380)
Impairment of Gakara assets	**(9,575)**	(69)

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[1] Audit fees include US$179k for the current year and US$6k foreign exchange differences from the prior year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

5. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.
The chief operating decision maker has been identified as the Chief Executive Officer. It is considered that the Group has two reportable segments:

- Phalaborwa – a gypsum stack re-treatment project for the recovery of rare earths in South Africa.
- Gakara – a high-grade rare-earth project in Burundi.

Unallocated costs include corporate costs, which are not reported by entity to the Board.

Year ended 30 June 2023:

	Phalaborwa US$'000	Gakara US$'000	Unallocated US$'000	Total US$'000
Revenue	–	–	–	**-**
Production and sales costs	–	–	–	**-**
Impairment	–	(9,575)	–	**(9,575)**
Administration expenses	–	(562)	(2,565)	**(3,127)**
Depreciation	–	(368)	(14)	**(382)**
Loss from operating activities	–	(10,505)	(2,579)	**(13,084)**
Finance income	–	191	186	**377**
Finance costs	–	(115)	(43)	**(158)**
Loss before tax	–	(10,429)	(2,436)	**(12,865)**
Income tax expense	–	–	–	**-**
Loss after tax	–	(10,429)	(2,436)	**(12,865)**
Segmental assets	4,868	916	8,302	**14,086**
Exploration and evaluation assets	4,830	–	–	**4,830**
Property, plant and equipment	–	–	27	**27**
Other assets	–	37	2	**39**
Current assets	38	879	8,273	**9,190**
Segmental liabilities	(202)	(916)	(717)	**(1,835)**
Capital expenditure	2,877	–	28	**2,905**

Year ended 30 June 2022:

	Phalaborwa US$'000	Gakara US$'000	Unallocated US$'000	Total US$'000
Revenue	–	–	–	**-**
Production and sales costs	–	–	–	**-**
Administration expenses	–	(993)	(2,284)	**(3,277)**
Depreciation	–	(375)	(2)	**(377)**
Loss from operating activities	–	(1,368)	(2,286)	**(3,654)**
Finance income	–	22	194	**216**
Finance costs	–	(97)	(446)	**(543)**
Loss before tax	–	(1,443)	(2,538)	**(3,981)**
Income tax expense	–	(4)	–	**(4)**
Loss after tax	–	(1,447)	(2,538)	**(3,985)**
Segmental assets	2,198	10,985	3,949	**17,132**
Exploration and evaluation assets	1,953	8,635	–	**10,588**
Property, plant and equipment	–	1,042	1	**1,043**
Other assets	–	108	–	**108**
Current assets	245	1,200	3,948	**5,393**
Segmental liabilities	(133)	(1,232)	(471)	**(1,836)**
Capital expenditure	837	–	1	**838**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

6. FINANCE INCOME

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Change in fair value of warrant liability (notes 18 and 22)	**73**	-
Foreign exchange gains	**304**	216
Total	**377**	216

Foreign exchange gains in the current and prior periods mainly relate to gains on translation of funds from US dollars to Burundian Francs ("BIF") plus the settlement of liabilities in Burundi denominated in BIF.

7. FINANCE COSTS

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Change in fair value of warrant liability (notes 18 and 22)	**-**	109
Interest on Pipestone bridge loan (note 18)	**-**	(52)
Interest on bank borrowing (note 18)	**(78)**	(86)
Interest on lease liabilities	**(11)**	(13)
Interest on outstanding taxes	**(30)**	-
Foreign exchange losses	**(39)**	(501)
Total	**(158)**	(543)

Foreign exchange losses in the current period arise principally from GBP and ZAR bank accounts, which the Group holds to match future expected cash outflows, which depreciated in value against the US dollar during the year. The change in fair value of the warrant liability in the Year represents a gain and has therefore been disclosed in finance income.

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are defined as being Executive and Non-executive Directors and Persons Discharging Managerial Responsibility ("PDMRs"), who are set out on pages 38 to 40. Directors' emoluments are set out on page 48.

Their remuneration for the 12 months ended 30 June 2023 and 30 June 2022 is summarised as follows:

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Wages and salaries	**1,070**	1,330
Bonus	**248**	218
Benefits	**14**	8
Share - based payments	**291**	274
Total remuneration of key management personnel	**1,623**	1,830

Benefits paid to key management personnel include pension contributions. In addition to salary and benefits payments to companies associated with key management personnel are set out in note 26.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

9. TOTAL EMPLOYEE REMUNERATION (INCLUDING KEY MANAGEMENT PERSONNEL)

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Wages and salaries	**1,596**	1,914
Bonus	**248**	218
Benefits	**26**	43
Share-based payments	**325**	287
Total employee remuneration	**2,195**	2,462

Benefits paid to employees include healthcare and pension contributions.

Staff costs include US$352k capitalised within Exploration and Evaluation assets in the Year (2022: US$239k) relating to the Phalaborwa project.

The average number of employees during the period were made up as follows

	Year ended 30 June 2023	Year ended 30 June 2022
Directors	**6**	7
Management and administration	**32**	28
Total	**38**	35

10. INCOME TAX EXPENSE

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Current tax expense	**-**	-
Prior year tax adjustment	**-**	4
Total tax expense for the year	**-**	4

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of corporation tax to the loss before tax is as follows:

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Loss for the year before tax	**(12,865)**	(3,981)
Income tax using the Guernsey rate of 0%:	**-**	-
Effects of:		
Differences in tax rates	**(2,669)**	(337)
Differences in capital allowances	**32**	(289)
Impact of Burundi impairment	**2,472**	3
Tax losses carried forwards	**165**	623
Adjustment of Burundi tax in respect of prior years	**-**	4
Total	**-**	4

Rainbow Rare Earths Limited and Rainbow International Resources Limited are subject to 0% income tax in Guernsey. Rainbow Rare Earths (Proprietary) Limited is subject to income tax rate in South Africa at 27%. Rainbow Burundi SPRL and Rainbow Mining Burundi SM are subject to corporation tax in Burundi at 30%.

No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability of this benefit is dependent on the future profitability of the individual entities within the Group, the timing of which is considered insufficiently certain. The total unrecognised potential deferred tax assets in respect of losses carried forward in Rainbow Rare Earths (Proprietary) Limited are US$43k (30 June 2022: US$17k).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

11. LOSS PER SHARE

The earnings per share calculations for 30 June 2023 reflect the changes to the number of ordinary shares during the Year.

At the start of the Year, 524,405,810 shares were in issue. During the Year, a total of 74,452,846 new shares were allotted (see note 21 Share Capital) and on 30 June 2023, 598,858,656 shares were in issue. The weighted average of shares in issue in the Year was 536,805,149.

The loss per share has been calculated using the weighted average number of ordinary shares in issue. The Group was loss making for all periods presented, therefore the dilutive effect of share options has not been accounted for in the calculation of diluted earnings per share, since this would decrease the loss per share for each reporting period.

	Basic and diluted	
	2023	2022
Loss for the year (US$'000) attributable to ordinary equity holders	**(11,984)**	(3,880)
Weighted average number of ordinary shares in issue during the Year	**536,805,149**	508,566,911
Loss per share (cents)	**(2.23)**	(0.76)

12. EXPLORATION AND EVALUATION ASSETS

	Gakara US$'000	**Phalaborwa US$'000**	**Total US$'000**
At 1 July 2021	8,635	1,116	**9,751**
Additions	–	837	**837**
At 30 June 2022	8,635	1,953	**10,588**
Additions	–	2,877	**2,877**
Impairment	(8,635)	–	**(8,635)**
At 30 June 2023	–	4,830	**4,830**

Only costs relating to the Phalaborwa Project were capitalised during the Year. The Burundi Project has been under care and maintenance throughout the Year and, accordingly, none of the costs meet the requirements under the Group's accounting policy for capitalisation.

On 12 April 2021, RMB received notification from the Ministry of Hydraulics, Energy and Mines of the Republic of Burundi of a temporary suspension on the export of concentrate produced from the trial mining and processing operations at the Gakara Project. On 29 June 2021, a further notification was received temporarily suspending all trial mining and processing operations pending negotiations on the terms of the Gakara mining convention signed in 2015.

The Directors have confirmed from independent legal advisors that the mining convention in place between RMB and the Government of Burundi remains legally binding on both parties, and that the actions of the Government of Burundi have not been in accordance with that legally binding agreement. However, despite ongoing engagement with the Government of Burundi since the export ban was initially imposed, RMB has not received permission to re-start operations and is unable to reliably estimate when such a re-start may be possible.

Since acquiring the Phalaborwa project in December 2020 and the subsequent development of processing technology to recover rare earth elements from phosphogypsum as a by-product of phosphoric acid production, the Directors have re-focused the business on secondary sources of rare earth elements where they consider higher returns are available. As such, as set out in note 3, the Directors no longer intend to invest significant amounts at Gakara to convert the existing resource target to a reserve capable of supporting long term commercial production, resulting in an impairment review being carried out for the Gakara exploration and evaluation assets in the year ended 30 June 2023.

As set out in note 3, based on an assessment of both the legal and political position in Burundi, the Directors consider that the fair value of the Gakara exploration and evaluation assets calculated in accordance with IAS 36 is nil and an impairment loss has been recognised.

FinBank SA hold security over the fixed and floating assets of RMB which include the impaired exploration and evaluation assets associated with the Gakara mining permit in Burundi.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT

US$'000	**Mine development costs**	**Plant and machinery**	**Vehicles**	**Office equipment**	**Total**
Cost					
At 1 July 2021	183	2,847	1,582	45	4,657
Additions	–	42	–	–	42
At 30 June 2022	**183**	**2,889**	**1,582**	**45**	**4,699**
Additions	–	–	24	4	28
At 30 June 2023	**183**	**2,889**	**1,606**	**49**	**4,727**
Depreciation					
At 1 July 2021	73	2,667	539	24	3,303
Charge for year	26	1	316	10	353
At 30 June 2022	**99**	**2,668**	**855**	**34**	**3,656**
Charge for the year	25	5	317	2	349
Impairment	59	216	410	10	695
At 30 June 2023	**183**	**2,889**	**1,582**	**46**	**4,700**
Net Book Value at 30 June 2023	**-**	**-**	**24**	**3**	**27**
Net Book Value at 30 June 2022	84	221	727	11	1,043
Net Book Value at 30 June 2021	110	180	1,043	21	1,354

As set out in notes 3 and 12, the Directors recognise that the ongoing suspension of all activities of RMB in Burundi and the subsequent decision not to commit investment for the conversion of the Gakara resource target to reserves requires an impairment review for the tangible fixed assets relating to the project in accordance with IAS36. Based on an assessment of both the legal and political position in Burundi, the Directors consider that the fair value of the property, plant and equipment associated with the Gakara project calculated in accordance with IAS 36 is nil and an impairment loss has been recognised.

FinBank SA hold security over the fixed and floating assets of RMB which include the impaired property, plant, and equipment in Burundi.

14. INVENTORY

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Finished goods	**717**	717
Consumables	**1**	141
Total inventory	**718**	858

Finished goods represents 421 tonnes (2022: 421 tonnes) of mixed rare earth concentrate available for export at the Gakara processing plant. Notwithstanding the current export ban in Burundi, the Directors note that the stock of concentrate held for sale has not deteriorated over the period of suspension and the estimated sale value remains higher than the original cost. Notwithstanding the uncertainty relating to the likely timing of the future sale of the concentrate, the Directors consider that the future increases in forecast rare earth prices will ensure that the present value of the realisable price for the concentrate will remain above the cost of production and accordingly no provision for impairment has been made at 30 June 2023 (2022: US$Nil). The Directors recognise that the uncertainty relating to the future sale of the concentrate could impact the carrying value of the stock of concentrate, which comprises all of the inventory held at the balance sheet date. Notwithstanding the uncertainty relating to the likely timing of the future sale of the concentrate, the inventory is included within current assets on the basis that dialogue to lift the export ban is continuing and the sale is expected to occur within 12 months.

As set out in notes 3, 12 and 13, the Directors recognise the ongoing suspension of all activities of RMB in Burundi and the re-focus of the Rainbow business to secondary sources of rare earths. Accordingly, the value of goods in transit held in the port of Bujumbura has been written down to an estimated net realisable value of nil during the year ended 30 June 2023 in line with the fixed assets associated with the Gakara project.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

15. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
VAT recoverable	**263**	214
Prepayments	**97**	70
Royalty receivables	**-**	109
Deposits paid	**3**	5
Sundry debtors	**2**	3
Total trade and other receivables	**365**	401

VAT recoverable relates to the input VAT recoverable in Burundi (US$137k, 2022: US$194k) and South Africa (US$126k, 2022: US$20k). During the year ended 30 June 2023 a revaluation of the Burundi Franc has resulted in the reduction in the US dollar value of the VAT recoverable in Burundi. During the year ended 30 June 2021 a tax audit was undertaken in Burundi over the local operating subsidiary, RMB, covering the period from 2017 to 2019. The audit concluded that reverse VAT totalling BIF302 million (US$106k) had not been correctly accounted for on several invoices received for services supplied to RMB from international suppliers. The reverse VAT is recoverable under Burundi legislation and, accordingly, both the asset and liability are recognised at 30 June 2023.

During the Year an impairment of US$109k was recognised against the royalty receivable as set out in note 3.

Expected credit losses were assessed at 30 June 2023 considering various potential scenarios, information regarding the counterparty credit risk, the historical payment profiles, and forward-looking factors. On the basis that the primary credit risk relates to the reverse VAT recoverable in Burundi, which is expected to be paid only on resolution of all matters relating to the suspension of activity in Burundi, no expected credit loss provision was considered necessary in the Year (2022: US$Nil).

16. CASH AND CASH EQUIVALENTS

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Cash at bank and in hand	**8,107**	4,134
Total cash at bank and in hand	**8,107**	4,134

No cash amounts were restricted at 30 June 2023 (30 June 2022: nil).

17. TRADE AND OTHER PAYABLES

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Trade payables	**124**	174
Accrued expenses	**736**	255
Taxes and social security	**290**	360
Burundi land taxes payable	**100**	60
Provision for employment disputes	**-**	60
Total trade and other payables	**1,250**	909

Tax and social security payables include BIF737 million (US$260k) for taxes provided as a result of a tax audit undertaken in Burundi over the local operating subsidiary, RMB, covering the period from 2017 to 2019. Reverse VAT totalling BIF302 million and withholding tax totalling BIF148 million had not been correctly accounted for on a number of invoices received for services supplied to RMB from international suppliers. A further BIF20 million of payroll taxes were found not to have been paid on salaries for casual staff. Penalties totalling BIF182 million on the unpaid taxes have also been provided for in accordance with Burundi legislation together with interest up to the balance sheet date totalling BIF85 million.

The Directors consider the carrying value of trade and other payables approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

18. BORROWINGS

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
FinBank Loan	**363**	557
Warrant liability	**123**	196
Total borrowings	**486**	753
Borrowings fall due:		
Due within one year	**201**	235
Due between 2 to 5 years	**285**	518
Total	**486**	753

The following table analyses the movement in borrowings:

	Year ended 30 June 2023		Year ended 30 June 2022	
	US$'000	**US$'000**	US$'000	US$'000
Borrowings brought forward		**753**		1,893
Cash flows from borrowings				
Drawdown of borrowings	**-**		-	
Repayment of borrowings	**(61)**		(834)	
Interest paid	**(78)**		(138)	
		(139)		(972)
Non-cash movement in borrowings				
Interest charge on borrowings	**78**		138	
Settlement of borrowings in shares	**-**		(175)	
Valuation of warrant liability	**(73)**		(109)	
Revaluation of BIF loan	**(133)**		-	
Other	**-**		(22)	
		(128)		(168)
Borrowings carried forward		**486**		753

FinBank Loan

The FinBank loan facility in Burundi is expressed in BIF and carries an interest rate of 15%. Interest on the loan was paid throughout the Year. Updated repayment terms were agreed from February 2023, with BIF30 million per month paid until April 2027 (previously BIF50 million per month payable until March 2025) covering both principal and interest on a reducing balance basis. This is not a substantial modification of the loan as the impact on the net present value of the loan from the modification is less than 10%. During the Year the devaluation of the BIF from US$1:BIF2,062.63 at 30 June 2022 to US$1:BIF2,840.54 at 30 June 2023 has reduced the US dollar value of the liability by US$133k.

Under the terms of this loan, FinBank has security over the fixed and floating assets of RMB, the shares of RMB, and the cash held in RMB's FinBank bank accounts. Interest on the loan amounted to US$78k (2022: US$98k).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

19. LEASES

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Lease liabilities fall due:		
Due within one year	**23**	32
Due between 2 to 5 years	**21**	35
After 5 years	**-**	46
Total	**44**	113

The following table analyses the movement in lease liabilities:

	Year ended 30 June 2023		Year ended 30 June 2022	
	US$'000	**US$'000**	US$'000	US$'000
Lease liabilities brought forward		**113**		83
Cash flows from leases				
Payment of lease liabilities	**(31)**		(23)	
Interest paid	**(10)**		(13)	
		(41)		(36)
Non-cash movement in leases				
Recognition of lease liabilities	**-**		110	
Interest charge on leases	**10**		13	
Revaluation on termination	**(38)**		(57)	
Change in lease term	**-**		-	
		(28)		66
Lease liabilities carried forward		**44**		113

Right of use assets

	Land and buildings US$'000
Balance as at 1 July 2021	70
Right of use asset recognised in the year	110
Amendment to expected life	(48)
Depreciation in year	(24)
Balance as at 30 June 2022	**108**
Right of use asset recognised in the year	-
Amendment to expected life	(36)
Depreciation in year	(33)
Balance as at 30 June 2023	**39**

During the year ended 30 June 2022, a new office lease was entered into in South Africa and the leases for two properties in Burundi initially recognised at 1 July 2020 were formally terminated.

In the year ended 30 June 2023 notice of termination was given on the South African office lease and the applicable amendments to the Lease Liability and Right of Use Asset were recorded in the Year to reflect the new termination date.

The remaining leasehold property in Burundi is subject to an annual agreement, with right of use assets and lease liabilities calculated by reference to the Group's anticipated long-term intentions to renew the lease agreements.

There are no other lease commitments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

20. PROVISIONS

	Rehabilitation provision US$'000
At 1 July 2021	61
Discount	–
At 30 June 2022	**61**
Discount	(6)
At 30 June 2023	**55**

The rehabilitation provision relates to the anticipated cost of restoring the operating sites at the Gakara project in Burundi, discounted to reflect management's best estimates of the timing of future estimated cashflows.

No provision was recorded for the Group's Phalaborwa project as on-site activities have not yet commenced and there is no legal obligation for restoration by the Group with historical environmental liabilities associated with the site contractually remaining with the previous owners.

21. SHARE CAPITAL

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
Share Capital	**50,937**	41,442
Issued Share Capital	**50,937**	41,442

The table below shows a reconciliation of share capital movements:

	Number of shares	US$'000
At 30 June 2021	**476,411,434**	32,465
July 2021 - Exercise of share options (cash receipts)	2,500,000	182
October 2021 - Share placing – Cash receipts net of costs	32,900,000	6,557
November 2021 - Share placing – Cash receipts net of costs	10,000,000	1,982
December 2021 – Pipestone Loan repayment shares	875,389	175
April 2022 - Exercise of share options (cash receipts)	1,718,987	116
Costs associated with exercise of share options and loan settlement	–	(35)
At 30 June 2022	**524,405,810**	41,442
November 2022 - Exercise of share options (cash receipts)	2,000,000	125
May 2023 - Share placing (cash receipts)	72,452,846	9,485
Costs associated with exercise of share options and share placing	–	(115)
At 30 June 2023	**598,858,656**	50,937

On 13 July 2021, the Australian Special Opportunity Fund, LP exercised options over 2.5 million shares at an exercise price of 5.28p per share, raising gross cash proceeds of US$182k.

On 13 October 2021, the Company issued 32.9 million shares at a price of 15 pence per share, raising gross cash proceeds of US$6.8 million (before costs of $221k).

On 15 November 2021, the Company issued a further 10.0 million shares at a price of 15 pence per share, raising gross cash proceeds of US$2.0 million (before costs of $18k).

On 25 April 2022, the Australian Special Opportunity Fund, LP exercised options over 1,718,987 million shares at an exercise price of 5.28p per share, raising gross cash proceeds of US$116k.

On 10 November 2022, the Australian Special Opportunity Fund, LP exercised options over 2,000,000 shares at an exercise price of 5.28p per share, raising gross cash proceeds of US$125k.

On 9 May 2023, the Company issued 72,452,846 shares at a price of 10.377 pence per share, raising gross cash proceeds of US$9.5 million (before costs of US$0.1 million).

As set out in note 29 on 5 October 2023 a further 26,412,257 shares were issued at a price of 15 pence per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

22. SHARE OPTIONS AND WARRANTS

Employee share options
The total share-based payment charge for the Year was US$325k (2022: US$287k).

At 30 June 2023, the following employee share options were exercisable and outstanding:

	30 June 2023		30 June 2022	
	Number	**Average weighted exercise price (pence)**	Number	Average weighted exercise price (pence)
Share option plan				
Outstanding as at 1 July	**11,791,400**	**13.43**	7,991,400	12.19
Granted in the year	**-**	**-**	3,800,000	16.03
Lapsed in the year	**250,000**	**18.00**	-	
Outstanding as at 30 June	**11,541,400**	**13.33**	11,791,400	13.43
Exercisable as at 30 June	**9,508,068**	**12.07**	8,491,400	12.53
Long Term Incentive Plan				
Outstanding as at 1 July	**3,708,000**	**-**	3,708,000	-
Granted in the year	**4,550,000**	**-**	-	-
Outstanding as at 30 June	**8,258,000**	**-**	3,708,000	-
Exercisable as at 30 June	**3,708,000**	**-**	1,236,001	-

During the Year, 250,000 options lapsed due to an employee leaving the Group. No employee share options were exercised in the Year. The market based vesting conditions attached to 1,236,000 nil priced options issued in 2021 were judged at 30 June 2023, with the calculated shareholder return for the Company (-23%) being below the median for the basket of investments specified (-22%). The Directors considered the strong post Year-end share price performance and waived the market based vesting conditions allowing the options to vest as set out in the table above. The modification did not result in an increase in the fair value of the share options due to the share price at the date of the modification being below the share price on the original date of grant.

The options outstanding at 30 June 2023 across both the share option plan and long-term incentive plan had a weighted average remaining contractual life of 6.9 years (2022: 6.7 years).

During the Year, 4,550,000 options were issued as follows:

- 3,150,000 issued to the Directors and PDMR's on 19 May 2023, pursuant to its Long Term Incentive Plan (LTIP approved in January 2021). The options are nil priced share options and will vest in equal tranches over three years: one third after 12 months, one third after 24 months and one third after 36 months.
- 1,400,000 issued to staff and PDMR on 6 June 2023, pursuant to its Long Term Incentive Plan (LTIP approved in January 202). The options are nil priced share options and will vest in equal tranches over three years: one third after 12 months, one third after 24 months and one third after 36 months.

The fair value of the options was judged to be the share price on the date of grant (19 May 2023: £0.086/share; 6 June 2023: £0.09/share).

Lind Share Options
In November 2022, 2,000,000 share options were exercised and new ordinary shares allotted to the Australian Special Opportunity Fund, LP at a price of 5.28 pence per share. This exercise represents the final share options held by the Australian Special Opportunity Fund, LP.

Lind also exercised share options during the 2022 financial year as follows:

- 29 April 2022 - 1,718,987 share options at 5.28 pence per ordinary share allotted.
- 14 July 2021 – 2,500,000 share options at 5.28 pence per ordinary share allotted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

22. SHARE OPTIONS AND WARRANTS CONTINUED

Warrants

	Number	**Exercise price**
Outstanding and exercisable at 30 June 2022 and 2023	2,000,000	£0.0455

Weighted average exercise price calculated for US$ based warrants on US$:GBP exchange rate ruling on 30 June 2020.

On 21 February 2020, 2,000,000 warrants were issued to Pipestone Capital Inc ("Pipestone"), in which George Bennett, the Company's CEO, has a beneficial interest. The warrants were issued in lieu of interest on a US$1 million bridging loan provided to the Company as set out in note 18. The warrants have a contractual life of four years at an exercise price of 4.55 pence per warrant. The Pipestone warrants are recognised as a financial liability at fair value through profit and loss with changes in value in the Year included under Finance Income as set out in note 6.

As noted above, the Pipestone warrants are classified as a financial liability and are revalued at each period end using a Black-Scholes model, which is categorised as a level 3 fair value measurement in accordance with IFRS 13. The inputs into the model were:

	At 30 June 2023	At 30 June 2022
Share price (GBP pence)	**9.50**	12.38
Exercise price (GBP pence)	**4.55**	4.55
Expected volatility	**44.44%**	52.07%
Risk free rate	**4.35%**	1.87%
Rate of Exchange	**1.22**	1.22
Time to exercise (years)	**0.58**	1.50

Expected volatility was determined by reference to the annual volatility of the Company's closing mid-market share price on the London Stock Exchange.

The expected life used in the model has been on management's best estimate for the effects of exercise restrictions and behaviour.

23. RESERVES

Reserve	**Purpose**
Share capital	Value of shares issued less costs of issuance
Share-based payment reserve	Fair value of share options issued
Other reserves	Fair value adjustments for interest free loans
Accumulated losses	Cumulative net losses recognised in the statement of comprehensive income
Non-controlling interest	Amounts attributable to the 10% interest the State of Burundi has in RMB and 3% interest Gilbert Midende has in Rainbow Burundi SPRL at 30 June 2023. Refer to note 24 for further details and non-controlling interests for earlier periods

Details in the movements of these reserves are set out in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

24. NON-CONTROLLING INTERESTS

The Group has subsidiaries with non-controlling interests ("NCI") as follows:

- The State of Burundi has a non-dilutable 10% interest in RMB
- Gilbert Midende has a 3% interest in Rainbow Burundi SPRL

Summarised financial information in relation to these subsidiaries, before intra-group eliminations, is presented below together with the attributable NCI.

Name of subsidiary	**Rainbow Burundi SPRL**		**Rainbow Mining Burundi SM**			
Country	**Burundi**		**Burundi**		**Total Group**	
Effective non-controlling interest	3%		10%			
	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
Income statement						
Administrative expenses	**-**	-	**(276)**	(541)	**(276)**	(541)
Impairment	**-**	-	**(8,242)**	(60)	**(8,242)**	(60)
Depreciation	**-**	-	**(368)**	(375)	**(368)**	(375)
Net finance income/(costs)	**-**	-	**76**	(75)	**76**	(75)
Tax	**-**	-		(4)	**-**	(4)
Loss and total comprehensive loss for the period	**-**	-	**(8,810)**	(1,055)	**(8,810)**	(1,055)
Total comprehensive loss attruted to NCI	**-**	-	**(881)**	(105)	**(881)**	(105)
Dividends paid to NCI	**-**	-	**-**	-	**-**	-
Cashflows						
Cashflow from operating activities	**-**	-	**(357)**	(548)	**(357)**	(548)
Cashflow from investing activities	**-**	-	**-**	-	**-**	-
Cashflow from financing activities	**-**	-	**(78)**	(86)	**(78)**	(86)
Net cashflows	**-**	-	**(435)**	(634)	**(435)**	(634)
Balance Sheet						
Non-current assets	**-**	-	**37**	8,403	**37**	8,403
Current assets	**1**	1	**878**	1,200	**879**	1,201
Non-current liabilities	**-**	-	**(361)**	(425)	**(361)**	(425)
Current liabilities	**-**	-	**(572)**	(806)	**(572)**	(806)
Intra-group loans	**(295)**	(295)	**(19,117)**	(18,696)	**(19,412)**	(18,991)
Net assets	**(294)**	(294)	**(19,135)**	(10,324)	**(19,429)**	(10,618)
Accumulated non-controlling interest	**(9)**	(9)	**(1,913)**	(1,032)	**(1,922)**	(1,041)

25. CAPITAL COMMITMENTS

There were no capital commitments on 30 June 2023 (2022: nil). Under the terms of the Gakara Mining Convention there are no minimum expenditure commitments in respect of exploration and evaluation activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

26. RELATED PARTY TRANSACTIONS

	Year to 30 June 2023			Year to 30 June 2022		
	Charged in year US$'000	**Settled in year US$'000**	**Balance as at 30 June 2023 US$'000**	Charged in year US$'000	Settled in year US$'000	Balance as at 30 June 2022 US$'000
Gilbert Midende[1]	**-**	**-**	**-**	50	(50)	–
Benzu Minerals (Proprietary) Limited[2]	**1**	**(1)**	**-**	48	(48)	–
Pipestone Capital Inc[3]	**-**	**-**	**-**	52	(1,061)	–
MPD Consulting Limited[4]	**5**	**(4)**	**1**	13	(13)	–
Magna Capital (Guernsey) Limited[5]	**73**	**(73)**	**-**	–	–	–
Total	**79**	**(78)**	**1**	163	(1,172)	–

1. In the year ended 30 June 2022 Gilbert Midende received a retirement settlement of US$50k. Gilbert Midende continues to hold 3% of Rainbow Burundi SPRL as set out in note 27.
2. Benzu Minerals (Proprietary) Limited is connected to Cesare Morelli who is currently engaged as the acting General Manager of Rainbow Mining Burundi. In addition to the amounts disclosed, which relate to costs associated with the drilling programme at Phalaborwa, salary was paid to Cesare Morelli via Benzu Minerals (Proprietary) Limited and is included in remuneration disclosures in note 9.
3. Pipestone Capital Inc, in which George Bennett, the Company's CEO, had a beneficial interest, provided a bridging loan to the Group which totalled US$1,009k at 1 July 2021 on which interest totalling US$52k accrued during the year ended 30 June 2022. The loan was fully settled via a mixture of cash and shares in December 2021.
4. MPD Consulting Limited, in which Pete Gardner, the Company's CFO, has a beneficial interest, has recharged certain costs relating to travel to Burundi and UK support incurred on behalf of the Group.
5. Magna Capital (Guernsey) Limited ("Magna"), in which Adonis Pouroulis, the non-executive Chairman of the Board of Directors, has a beneficial interest, was engaged in December 2022 to assist the Company with its strategy to consolidate ownership of the Phalaborwa project and lift the notarial bonds in South Africa issued in favour of third parties which may have impacted the ability of Bosveld Phosphates (Pty) Limited to transfer the rights to the Phalaborwa project to a new entity as envisaged. The transaction was concluded in July 2023 as set out in note 29. In addition to the amounts disclosed a success fee of £500k was paid to Magna in July 2023.

27. INVESTMENT IN SUBSIDIARIES

The shareholdings in the Group's subsidiaries for each year are set out below:

			% Share Capital Held	
Name of Company	**Principal Activity**	**Country of Incorporation**	**2023**	2022
Rainbow International Resources	Rare earth exploration	Guernsey	**100%**	100%
Rainbow Burundi SPRL	Rare earth exploration	Republic of Burundi	**97%**	97%
Rainbow Mining Burundi SM	Rare earth mining	Republic of Burundi	**90%**	90%
Rainbow Rare Earths Zimbabwe (Private) Limited	Rare earth exploration	Zimbabwe	**100%**	100%
Rainbow Rare Earths (Proprietary) Limited	Group support services	South Africa	**100%**	100%

a. Rainbow International Resources Limited is 100% owned by Rainbow Rare Earths Limited.
b. Gilbert Midende holds a 3% interest in Rainbow Burundi SPRL.
c. 97% of shares in Rainbow Burundi SPRL and 90% of shares in Rainbow Mining Burundi SM are held by Rainbow International Resources Limited.
d. The government of Burundi has a 10% interest in Rainbow Mining Burundi SM granted in accordance with the Mining Code of Burundi.
e. Rainbow Rare Earths Zimbabwe (Private) Limited is dormant and not trading.
f. Rainbow Rare Earths (Proprietary) Ltd is 100% owned by Rainbow Rare Earths Limited.

28. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2023 (30 June 2022: nil).

29. POST BALANCE SHEET EVENTS

On 28 June 2023, the Company announced an agreement with Bosveld Phosphates (Pty) Limited ("Bosveld") to secure a path to 100% ownership of the Phalaborwa project. As a result, in July 2023 the Company paid US$5 million to Barak Fund SPC Limited on behalf of Bosveld as a result of which the Company secured an immediate 85% interest in the Phalaborwa project and was granted an option to acquire the remaining 15% via the issue of US$7 million in shares. As a result of the transaction a success fee of £500,000 was paid to Magna in July 2023 as set out in note 26.

On 17 July 2023, the Company announced that it had entered into a memorandum of understanding with Mosaic to jointly develop a process flowsheet and conduct a preliminary economic assessment related to the extraction of rare earth elements from Mosaic's phosphogypsum stack in the Uberaba area of Minas Gerais in Brazil.

On 27 September 2023, the Company announced the successful completion of a private placement raising £4.5 million (approximately US$5.5 million) via the issue of 30 million new Ordinary Shares of no par value at an issue price of £0.15 per share. The initial tranche of 25,786,541 shares was allotted and admitted to trading on 5 October 2023 under the disapplication of pre-emption rights granted at the Company's last Annual General Meeting held on 22 November 2022. The final tranche of 4,213,459 shares are subject to the approval of shareholders at the next Annual General Meeting to be held in November 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

30. FINANCIAL RISK MANAGEMENT

The Group's financial liabilities at each period end consist of bank borrowings, leases, unsecured loans and trade and other payables (including accrued expenses). The warrants issued in lieu of interest for the Pipestone Loan, as set out in note 18, are measured at fair value through profit or loss. All other liabilities are measured at amortised cost. These are detailed in notes 17, 18 and 19.

The Group has various financial assets, being trade and other receivables and cash, which arise directly from its operations. To the extent that these represent financial assets they are classified as assets held at amortised cost. These are detailed in notes 15 and 16.

The fair values of the Group's cash, trade and other receivables, borrowings, unsecured loans, leases, trade and other payables and financial liabilities at fair value through profit and loss are considered to approximate book value.

The risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest risk and currency risk). The risk management policies employed by the Group to manage these risks are discussed below.

Credit risk
Credit risk refers to the risk that the Group's financial assets will be impaired by the default of a third party. The Group is exposed to credit risk on its cash and cash equivalents as set out in note 16. Credit risk is managed by ensuring that surplus funds are held in the UK with well-established financial institutions of high-quality credit standing. At 30 June 2023, 99% of funds were held with a bank with a long-term A- credit rating (2022: 99%).

Market risk
Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk
Currency risk refers to the risk that fluctuations in foreign currencies cause losses to the Group.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Sterling and the Burundian Franc. Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The financial assets and liabilities that include significant foreign currency denominated balances are shown below.

Foreign exchange risk is managed by matching the currency profile of cash holdings to expected future cash outflows. Minimal cash is held in Burundian Francs. The table below shows the currency profiles of cash and cash equivalents:

Cash and cash equivalents	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
US Dollars	**7,212**	1,623
GB Pounds	**670**	1,778
SA Rands	**224**	716
Burundi Francs	**1**	17
Total	**8,107**	4,134

The table below shows an analysis of the currency of the monetary liabilities in the functional currency of the Group (US dollars):

	Year ended 30 June 2023 US$'000	Year ended 30 June 2022 US$'000
US Dollars	**503**	336
GB Pounds	**260**	187
Burundi Francs	**679**	1,040
South African Rand	**215**	189
Australian Dollars	**-**	22
Total	**1,657**	1,774

The largest monetary liability exposure and the least stable currency is the Burundi Franc. A 10% movement in the US$:BIF rate would have resulted in a gain or loss of approximately US$0.1m (2022: approximately US$0.1m) in the income statement in relation to the cash and cash equivalents and trade payables as at 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
CONTINUED

30. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk
Interest rate risk refers to the risk that fluctuations in interest rates cause losses to the Group.

The Group and Company have no exposure to interest rate risk except on cash and cash equivalents which carry variable interest rates. The Group has no material sensitivity to reasonable changes in variable interest rates. The group monitors the variable interest risk accordingly.

The Group's borrowings bear fixed rates of interest.

Liquidity risk
Liquidity risk refers to the risk that the Group has insufficient cash resources to meet working capital requirements. The Group manages its liquidity requirements by using both short and long-term cash flow projections. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	As at 30 June 2023				As at 30 June 2022			
	Due within 1 years US$'000	**Due in 1 to 2 years US$'000**	**Due in 2 to 5 years US$'000**	**Due in 5 to 10 years US$'000**	Due within 1 years US$'000	Due in 1 to 2 years US$'000	Due in 2 to 5 years US$'000	Due in 5 to 10 years US$'000
Trade and other payables	**1,250**	**-**	**-**	**-**	909	-	-	-
Loans and borrowings	**127**	**127**	**223**	**-**	235	469	49	-
Lease liabilities	**28**	**18**	**5**	**-**	32	34	46	-
Total	**1,405**	**145**	**228**	**-**	1,176	503	95	-

Ultimate responsibility for liquidity risk management rests with the Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The Group closely monitors and manages its liquidity risk. For further details on the Group's liquidity position, please refer to the going concern paragraph in note 2 of these accounts.

Capital management
In managing the capital, the Group's primary objective is to maintain a sufficient funding base, through debt and equity, to enable the Group to meet its working capital and strategic investment needs. This includes ensuring sufficient funds are available to service the Group's borrowings as they fall due. No funds are held in restricted or designated accounts for future debt servicing requirements. In making decisions to adjust its capital structure to achieve these aims the Group consider not only its short-term position but also its long term operational and strategic objectives.

The Group's primary capital management measure is net debt (borrowings less cash) to total equity, measured as follows:

Net debt/(net cash) to equity	**Year ended 30 June 2023 US$'000**	Year ended 30 June 2022 US$'000
Total borrowings (note 18)	**486**	753
Less: Cash and cash equivalents	**(8,107)**	(4,134)
Net (cash) / debt	**(7,621)**	(3,381)
Total equity	**12,251**	15,345
Ratio	**(62.21%)**	(22.03%)

31. NON-CASH TRANSACTIONS

Material non-cash transactions were as follows:

Year end 30 June 2023
- Impairment of intangible fixed assets, tangible fixed assets, inventory and trade and other receivables associated with the Gakara project in Burundi as set out in notes 12, 13, 14 and 15.
- Recognition of a right of use asset under a lease agreement as set out in note 19.

Year end 30 June 2022
- Settlement of the Pipestone Loan Balance in shares as set out in note 21.
- Recognition of a right of use asset under a lease agreement as set out in note 19.

32. ULTIMATE CONTROLLING PARTY

The Company does not have a single controlling party.

SHAREHOLDER INFORMATION

Executive Director
George Bennett – Chief Executive Officer

Non-Executive Directors
Adonis Pouroulis – Chairman
Alex Lowrie
Shawn McCormick
Atul Bali
J Peter Pham
Darryl Castle

Company Secretary
Scorpio Secretarial Services Limited (Guernsey)

Registered office
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St Peter Port, Guernsey GY1 1GZ

Company website
www.rainbowrareearths.com

Registrars and transfer office
Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road
Bristol BS99 7NH

Bankers
Barclays Bank PLC (UK)
FinBank S.A (Burundi)
Standard Bank of South Africa Limited (South Africa)

Brokers
Joh. Berenberg, Gossler & Co. KG (UK)

Independent Auditors
BDO LLP (UK)

Solicitors
K&L Gates LLP (UK)
Legal Solutions Chambers (Burundi)
Cliffe Dekker Hoffmeyer Inc. (South Africa)

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RARE EARTHS

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