

28 October 2021

**Rainbow Rare Earths Ltd ('Rainbow' or 'the Company')**  
**Report on Payments to Governments for the 12 months ending 30 June 2021**

Rainbow, the rare earth element mining company, today publishes its report on payments to governments for the 12 months ended 30 June 2021 (the "Report").

The Report provides an overview of the payments to governments made by Rainbow and its subsidiaries, arising from mining and exploration activities, for the year ended 30 June 2021 as required under the UK Reports on Payments to Governments Regulation 2014 and its amendment in December 2015 (the UK Regulations). This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

This information is substantially a reproduction of information set out on page 19 of the 30 June 2021 Annual Report.

The governments to whom payments listed in this report have been made are those of the United Kingdom and the Republic of Burundi.

The table below sets out the key payments to government, as direct taxes (such as land taxes, duties etc) as well as indirect taxes arising as a result of Rainbow's activity (such as payroll taxes, withholding tax, and net VAT movements in the period).

Payments disclosed in this report are shown in US Dollars. Actual payments have been made in British pounds sterling and Burundian Francs, however have been translated at average monthly rates.

US\$'000	FY 2021			FY 2020		
	UK	Burundi	Total	UK	Burundi	Total
Royalties	-	36	36	-	59	59
Permit and land taxes	-	-	-	-	20	20
Corporation tax	-	-	-	-	41	41
Duties & other	-	22	22	-	23	23
<b>Total tax borne</b>	-	58	58	-	143	143
Payroll tax	91	154	245	228	89	317
Withholding tax	-	13	13	-	92	92
Net VAT	-	(12)	(12)	2	(77)	(75)
<b>Total net payments to government</b>	<b>91</b>	<b>213</b>	<b>304</b>	<b>230</b>	<b>247</b>	<b>477</b>

Royalty payments relate to the government royalty of 4% charged on the value of exports, which has been charged in the year ended 30 June 2021 on the discounted price received for the sale of a mineral concentrate to third party customers. During the year ended 30 June 2020 (and in previous periods) the Burundian authorities applied the 4% royalty rate to the gross value of rare earth oxides contained in the concentrate exported, with only part of the US\$59k paid relating to the actual realised price of the mineral concentrate. The discounted price received was independently adjudged to be fair and reasonable in a third-party report commissioned on behalf of the Government of Burundi by the World Bank. The discount arises due to the high-cost downstream processing required to deliver the underlying separate rare earth oxides from the mineral concentrate exported. At 30 June 2021, a total of US\$306k has been overpaid in royalties. An impaired value of US\$178k is included within trade and other receivables in respect of the historic royalty overpayment, as set out in note 15 to the financial statements set out in the 30 June 2021 Annual Report, based on an assessment of the

likelihood that the overpayment will be recovered, considering a range of possible outcomes including recovery against future royalty liabilities, full recovery in the short term and no recovery.

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 the current financial year as the cost is expected to be off-set against the royalty receivable noted above, with the cost of US\$20k 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 taxes were paid due to prior year payments on account being in excess of the cumulative tax charge. Payroll taxes, withholding tax, and VAT (net of recovered amounts) are included as they represent funds paid by the Group to the government either directly or via suppliers.

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