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**Rainbow Rare Earths Limited**  
**("Rainbow" or "the Company")**  
LSE: RBW

## **TechMet option to invest US\$50 million materially de-risks Phalaborwa equity financing**

- **Critical metals champion TechMet Limited ("TechMet") granted option to invest US\$50 million to take direct stake in the Phalaborwa project in South Africa**
- **TechMet's mission is to develop world-class projects across the critical minerals supply chain and counts the United States International Development Finance Corporation ("DFC") as a major backer**
- **TechMet's extensive due diligence process has confirmed Phalaborwa's potential to be one of the lowest cost producers of separated rare earth oxides in development, leading to economic resilience across all anticipated future pricing scenarios**

### **NEWS RELEASE**

**Rainbow Rare Earths** is pleased to announce that it has entered into an option agreement with TechMet (the "TechMet Option"), whereby TechMet has the right to invest US\$50 million to fund a substantial part of the equity component required for the project financing for Rainbow's Phalaborwa project in South Africa.

Under the terms of the TechMet Option the US\$50 million investment will, depending on final project economics, give TechMet between a 15% and 33% direct equity interest in the project, underpinning a valuation of the project equity at between US\$151.5 million and US\$333.3 million. Given the de-risking that the TechMet Option will bring to the overall funding requirement to develop Phalaborwa, Rainbow sees this as a significant validation of the robust economics of Phalaborwa.

The TechMet Option agreement follows a period of extensive due diligence, as required by its own internal processes and as part of its commitments to the DFC and other shareholders. TechMet's mandate is to identify world-class projects across the critical minerals space, which are operated according to high standards of environmental, social and governance criteria, as well as showing the potential for excellent economic returns.

The overall capital expenditure for the project set out in the Preliminary Economic Assessment released in October 2022 was US\$295 million, which is expected to be financed predominantly via debt.

**George Bennett, CEO of Rainbow, commented:** *"We are delighted with the confidence shown by our long-term strategic investor, TechMet, following their due diligence on Phalaborwa. We believe that the TechMet Option is a significant de-risking for the financing requirements. This validates the Company's focus on the development of rare earths from secondary sources, as well as supporting the Company's belief that Phalaborwa is a strong and unique project. We expect Phalaborwa to continue to attract funding, especially from US-sources of capital, due to the focus on the critical role of these rare earth metals in the technology-driven industrial and clean energy age."*

**Brian Menell, Chairman and CEO of TechMet, said:** *"Phalaborwa has the potential to become one of the most environmentally friendly and lowest-cost rare earth projects anywhere in the world. Thanks to Rainbow's proprietary separation technology, Phalaborwa provides a significant opportunity to fast-track production of the four most economically important rare earth elements which are essential for future supply chains for electric vehicles, wind turbines and other products vital to the energy transition and the global economy. TechMet, is excited to be able to continue to support this outstanding project, which will produce rare earths in the most responsible manner possible."*

### **About the Phalaborwa project**

The Phalaborwa project in South Africa represents an exciting, near-term production opportunity of all four of the permanent magnet rare earths required for the green energy transition. The operation will involve the processing of phosphogypsum stacks, which are the byproduct 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-Technologies, Inc., which will allow for the material to be processed into separated rare earth oxides of 99.95% purity. This separation technique replaces traditional solvent extraction 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. Rainbow will be taking a waste product (the existing phosphogypsum stacks), cleaning it and extracting value from it – both via the recovery of the rare earth elements and then via the sale of the benign gypsum that is produced as the by-product of the process. Rainbow's 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.

The Phalaborwa Preliminary Economic Assessment confirmed strong base line economics for the project, which has a base case NPV<sub>10</sub> of US\$627 million<sup>1</sup>, an average EBITDA operating margin of 75% and a payback period of < two years. Due to its comparatively low operating cost and high EBITDA margin, the project is expected to be highly cash generative across the rare earth pricing cycle.

### **TechMet Option – Key Terms**

TechMet has been granted an option to invest US\$50 million as part of the equity funding component for the Phalaborwa capital cost, which will see TechMet take a direct ownership stake at project level. The TechMet stake will be dependent on the net present value set out in the definitive feasibility study for the project. Based on the agreed formula, the equity stake will be within a range of 15-33%.

The TechMet Option is executable for three months following receipt of a credit approved term sheet for construction debt, which will define the total equity requirement for the project development.

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<sup>1</sup> Net present value using a 10% forward discount rate

As part of the TechMet Option agreement, Rainbow has also granted TechMet a put option to exchange the direct stake in the project for shares in the listed entity at the fair market value of the underlying Phalaborwa stake for a period of two years from the commercial completion of the Phalaborwa project, or at any time in the event of a change in control of Rainbow.

**For further information, please contact:**

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**Notes to Editors:**

*About Rainbow:*

Rainbow Rare Earths 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 permanent magnet rare earth elements neodymium and praseodymium, dysprosium and terbium.

The Company is focused on the development of the Phalaborwa Rare Earths Project in South Africa and the earlier stage Uberaba Project in Brazil. Both projects entail the recovery of rare earths from phosphogypsum stacks that occur as the by-product of phosphoric acid production, with the original source rock for both deposits being a hardrock carbonatite. Rainbow intends to use a proprietary separation technique developed by and in conjunction with its partner K-Technologies, Inc., which simplifies the process of producing separated rare earth oxides (versus traditional solvent extraction), leading to cost and environmental benefits.

The Phalaborwa Preliminary Economic Assessment has confirmed strong base line economics for the project, which has a base case NPV<sub>10</sub> of US\$627 million<sup>2</sup>, an average EBITDA operating margin of 75% and a payback period of < two years. Pilot plant operations commenced in 2023, with the project expected to reach commercial production in 2026, just five years after work began on the project by Rainbow.

More information is available at [www.rainbowrareearths.com](http://www.rainbowrareearths.com).

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<sup>2</sup> Net present value using a 10% forward discount rate

## *About TechMet*

TechMet Limited is a leading technology metals investment company with a portfolio of assets that responsibly produce, process, and recycle the metals that are critical to the global energy transition and the electric vehicle revolution. Current assets in the TechMet portfolio include lithium extraction from both brine and hard rock sources, nickel and cobalt hydroxide production from laterite ores, vanadium chemical production from industrial waste feedstocks, rare earth production and processing, tin and tungsten mining, lithium-ion battery recycling, and high-performance cathode manufacturing. TechMet's major shareholders include the U.S. International Development Finance Corporation (DFC) and the global energy and commodity group Mercuria.

More information is available at [www.techmet.com](http://www.techmet.com).