

Rainbow Rare Earths Limited

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A reinvigorated Rainbow Rare Earths looks forward to a productive 2020

There's never been any real question about the quality of the Gakara project in Burundi, currently being mined by Rainbow Rare Earths Ltd (LON:RBW).

The question instead, has been how to mine it.

Gakara is the highest grading rare earths project outside of China, boasting grades of between 47% and 67% total rare earths. The grade has allowed Rainbow to create a very simple operation, digging up the ore and shipping it out to customers in trucks. The theoretical margins on offer were very attractive, but although cashflow has built up nicely, last year the company struggled to make a profit.

Enter new chief executive George Bennett, a man with much experience in the world of African mining. Back in the day, he listed Shanta Gold on Aim. He then went on to create and list MDM Engineering, a company which was eventually sold to Foster Wheeler for US\$120m. So, he's a man who knows how to get things done.

Even so, when Rainbow's chairman Adonis Pouroulis asked him if he was interested in a rare earths project in Burundi he was initially sceptical. But it didn't take long for him to recognise the potential.

"Basically, what we've had to date is trial mining," he says.

"I think we can get it up to being the second biggest rare earths mine outside of China."

In order to do that though, and to deliver the chunky margins that investors have always been lead to expect, a change in approach was necessary.

Bennett was somewhat nonplussed when he arrived at Rainbow to learn that production had started at Gakara without any established resource. Sure, a practised eye could recognise the potential, and the likelihood of a resource base that stretches out for many years. But until an actual, properly measured resource could be put into place, meaningful modelling was extremely difficult.

And there was more.

Bennett recognised that one reason why Rainbow had been failing to turn cash into profits was that the economies of scale were wrong.

"They were trying to mine this project the way the Belgians did," he says.

"They were just mining the high grade veins. But it became clear to me that there's mineralisation between the high grades and it needs to be mined. You've got to mine everything."

Price: 2.4

Market Cap: £9.13 m

1 Year Share Price Graph



June 2019 November 2019 June 2020

Share Information

Code: RBW

Listing: LSE

52 week	High	Low
	8.7	1.35

Sector: General mining & base metals

Website: www.rainbowrareearths.com

Company Synopsis:

Rainbow Rare Earths is a mining company focussed on production from, and expansion of, the high grade Gakara Rare Earth Project in Burundi, East Africa. With in-situ grades in the range of 47-67% Total Rare Earth Oxide (TREO), Gakara is one of the world's richest rare earth deposits. First production and sales to Rainbow's offtake partner, thyssenkrupp Materials Trading, commenced in Q4 2017.

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It was another way of getting there, but the result was the same: a resource was required.

Accordingly, Bennett made the establishment of a JORC resource one of his earliest priorities when he arrived in August. That work is now well underway.

In the meantime, the pressure on margins is beginning to ease. In-country, the company is now running at breakeven as Bennett brings his tried and tested management experience to bear.

He's certainly got the motivation to keep him going. Unlike many a time-serving director, Bennett has put plenty of his own money into the operation. His and Pouroulis's shares combined account for just over 27% of the shares in the company.

And what is it that's really lead him to put his money where his mouth is?

Simply, that he knows how to build plant for projects like this, and he knows how Gakara stacks up against the competition.

"We can build plant at Gakara at a much lower price than any other rare earths project out there. Because we don't need reagents. There's such great mineralogy and metallurgy, and the production costs are low."

The returns aren't quiet on the horizon yet, but you can tell Bennett has got a clear idea in his mind of how much money he could make, and how he's going to make it.

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