ACLARA RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("MD&A") has been prepared as of May 7, 2025, and is intended to assist readers in understanding the operational performance and financial condition of Aclara Resources Inc. (hereinafter, the "Company" or "Aclara"). The Company is, and will remain, a holding company and the only business of the Company is that of the business of its subsidiaries. The Company's material assets consist of interests in: (i) Aclara Resources Mineracao Ltda. ("Aclara Brazil"), a wholly-owned Brazilian subsidiary that holds the Carina Project (as defined below) and performs exploration activities in Brazil; (ii) REE Uno SpA ("REE Uno"), a majority-owned Chilean subsidiary that holds the Penco Module (as defined below); (iii) Aclara Technologies Inc. ("Aclara Technologies"), a wholly-owned U.S. subsidiary with the objective of developing a project for the separation of mixed rare earth carbonates ("MREC") from the Carina Project and the Penco Module into individual rare earth oxides ("REO"); (iv) REE Alloys SpA ("Aclara Metals"), a 50%-owned Chilean subsidiary with the objective of developing a project for the conversion of individual REOs to metals and alloys for the manufacture of rare earth permanent magnets; (v) Prospecciones Greenfield SpA ("Prospecciones"), a majority-owned indirect Chilean subsidiary that holds other exploration concessions located in Chile; (vi) Fundacion de Beneficencia Publica, Medioambiental, Científica, Cultural y Social Queule ("Fundación"), a majority-owned indirect Chilean subsidiary that performs charitable work through implementing, promoting and supporting initiatives and projects pertaining to environmental conservation and heritage rescue, as well as Chilean cultural, social and scientific development; (vii) Polaris Creek LLC ("Polaris"), a wholly-owned indirect U.S. subsidiary that performs exploration activities in the United States; and (viii) Aclara Resources Peru S.A.C. ("Aclara Peru"), a wholly-owned Peruvian subsidiary that provides administrative services to Aclara and performs exploration activities in Peru.

This MD&A provides information concerning the Company's interim consolidated financial condition and results of operations for the three (3) months ended March 31, 2025 ("Q1 2025") and March 31, 2024 ("Q1 2024"). This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements and the notes thereto for the three months ended March 31, 2025, and March 31, 2024 (collectively, the "Interim Unaudited Consolidated Financial Statements"). The Interim Unaudited Consolidated Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

As used in this MD&A, references to "Q1 2025" and "Q1 2024" are to the three (3) months ended March 31, 2025 and three (3) months ended March 31, 2024, respectively; references to "Q3 2024" and "Q3 2023" are to the three (3) months ended September 30, 2024 and three (3) months ended September 30, 2023, respectively; references to "Q2 2024" and "Q2 2023" are to the three (3) months ended June 30, 2024 and three (3) months ended June 30, 2023, respectively; references to "Q4 2024" and "Q4 2023" are to the three (3) months ended December 31, 2024 and three (3) months ended December 31, 2023, respectively; and references to "FY 2024" are to the 12 months ended December 31, 2024. Unless otherwise specified, the financial information contained in this MD&A is reported in United States dollars ("$" or "US$"). Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. Additional cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found under the section of this MD&A entitled "*Cautionary Statements and Reader Advisories*".

COMPANY OVERVIEW

Aclara is a company focused on the development of a vertically integrated supply chain for rare earths alloys used in permanent magnets, and it is listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "ARA".

Aclara's business strategy is supported by its ion-absorption clay ("ionic clay") deposits in Brazil and Chile, which feature large concentrations of heavy rare earths ("HREE"), which provides the Company with unique access to a reliable, long-term source of these critical minerals. Aclara has also developed and patented an innovative technology to extract rare earths from ionic clay deposits through recycling and circular economy processes, which results in low water consumption and minimal carbon emissions.

Aclara's flagship project is its Carina project, a 9,863-hectare HREE ionic clay project located in Nova Roma, Goiás, Brazil (the "Carina Project"). The Company is also advancing the Penco Module project, a 600-hectare HREE ionic clay project located in Biobío, Chile (the "Penco Module"). The Company has successfully completed the preliminary economic assessment ("PEA") for the Carina Project and Penco Module, the results of which are respectively detailed in the following technical reports:

- "NI 43-101 Technical Report – Preliminary Economic Assessment Update for Carina Rare Earth Element Project", dated effective May 3, 2024 (the "Carina Project Technical Report"); and
- "Amended and Restated NI 43-101 Technical Report – Preliminary Economic Assessment for Penco Module Project", dated effective September 15, 2021 (the "Penco Module Technical Report").

The Company holds an aggregate of approximately: (i) 83,185 hectares of mining rights in Chile, distributed in the regions of Maule, Ñuble and Biobío; (ii) 48,564 hectares of mining rights in Brazil, distributed in the states of Goiás, Bahia, Minas Gerais and Paraná; and (iii) 30,100 hectares of mining rights in Peru. The Company aims to identify additional opportunities to enhance potential future HREE production through its greenfield exploration programs in Chile, Brazil and Peru, alongside the development of further project "modules" within its mining concessions.

Aclara, through its wholly-owned U.S.-based subsidiary, Aclara Technologies, is focused on enhancing product value through the development of a rare earths separation plant in the United States. Aclara Technologies aims to source high purity MREC from Aclara's mining projects to further refine and separate it into individual REOs. Additionally, Aclara is developing rare earths alloy-making capabilities to convert refined oxides into the alloys needed for fabricating permanent magnets. The Company's vertical integration strategy seeks to address the demand for a geopolitically independent supply chain of permanent magnets, focused on traceability, high environmental standards throughout the value chain, cost-competitiveness and expedited access to market. Aclara is well-positioned to become the first vertically integrated HREE company outside of Asia.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE HIGHLIGHTS

Mining Projects Development

During Q1 2025, the Company continued to advance the development of the Penco Module and the Carina Project and made consistent investments in respect of evaluation and exploration assets ("E&E") and property, plant and equipment assets ("PP&E").

In Q1 2025, the Company invested $5.62 million in E&E and $0.06 million in PP&E. In comparison, investments in Q1 2024 totaled $3.30 million for E&E and $0.04 million for PP&E. Aggregate expenditure for E&E and PP&E in FY 2024 totaled $19.29 million and $0.3 million, respectively.

<u>Carina Project and Future Outlook</u>

On August 9, 2024, the Company announced an updated mineral resource estimate for the Carina Project, which reported an increase to inferred mineral resources of 77%, from 168 million tonnes ("Mt") to 298 Mt, and an extension to the life-of-mine from 17 years to 22 years. The update also highlighted a 69% increase in key magnetic elements (Dysprosium ("Dy"), Terbium ("Tb"), Neodymium and Praseodymium) as compared to the previously announced mineral resource statement in 2023.

On August 16, 2024, Aclara signed a Memorandum of Understanding ("MoU") with the state of Goiás and the municipality of Nova Roma, recognizing the strategic nature of the Carina Project. This strategic relationship aims to accelerate the analysis and evaluation of the permitting process and support the execution, implementation and development of the Carina Project. The Company has also committed to hiring and developing the local workforce, as well as local suppliers. As a result of these efforts, the Company will reinforce its positive impact on the social and economic development of Nova Roma and Goiás regions, further positioning Brazil as a key player in the sustainable supply of critical minerals.

On September 5, 2024, the Company delivered an updated PEA for the Carina Project, reporting robust economic feasibility including the following: (i) net present value at an 8% discount rate of ~$1.5 billion; (ii) estimated internal return rate of 27% over the 22-year life-of-mine and payback period of 4.2 years; (iii) average annual net revenue and EBITDA of $505 million and $366 million, respectively (excluding the first year of ramp-up and last year of ramp-down); and (iv) average net smelter return of $52.0 per tonne processed, compared to an average production cost of $13.6 per tonne processed.

Following the positive results obtained at the Carina Project, and in an effort to move the Carina Project towards an investment decision, the Company has advanced or is advancing the following activities in parallel:

- *Drilling Campaigns.* During Q4 2024, the Company updated its Phase 2 drilling campaign to include the areas in the new mining rights adjacent to the Carina Project. The new drilling estimate encompasses a total of 30,453 meters within 1,678 reverse circulation ("RC") drill holes and 3,934 meters within 320 auger drill holes. The primary objective of the Phase 2 drilling campaign is to convert the reported inferred mineral resources into a measured and indicated resource category.

- *Metallurgical Tests.* The Company intends to conduct and complete metallurgical tests on samples obtained from the Carina Project during H1 2025. Sample collections were obtained through sonic drilling and will be sent to SGS Geosol for mineralogical and recovery characterization, which will serve as an input for the pre-feasibility study ("Carina PFS"), as well as form the basis for a new semi-industrial scale piloting operation scheduled to occur in Q2 2025.

- *Pilot Test Campaign.* In Q2 2025, the Company commenced its semi-industrial scale pilot operation, following the relocation of the pilot plant facility from Concepción, Chile to Aparecida de Goiania, Brazil in Q3 2024. The pilot campaign will run continuously, incorporating the optimized configuration of the Company's circular mineral harvesting process. The objectives of the campaign include: (i) confirming the processing parameters and final process flowsheet design for the Carina PFS and feasibility study ("Carina FS"); (ii) generating high purity MREC for separation trials in support of future off-take agreements; and (iii) demonstrating the environmental sustainability of the process design to relevant stakeholders. The pilot operation is expected to last approximately three (3) months.

- *Technical Development.* The Company began Carina PFS-related activities during Q2 2024 and expects to deliver a technical report pursuant to National Instrument 43-101 *Standard of Disclosure for Mineral Projects* ("NI 43-101") during Q3 2025.

- *Environmental Baselines and EIA Development.* The Company has successfully completed all of the baseline studies for the Carina Project in Q1 2025, and is currently preparing the necessary reports for the environmental preliminary license application. The Company plans to submit the environmental impact assessment ("EIA") report in Q2 2025.

- *Commercial Efforts.* The Company is developing a separation project in the United States to refine the Carina Project's MREC into individual rare earth oxides. Additionally, in partnership with CAP S.A. ("CAP"), the Company is advancing a metals and alloys project to produce the alloys needed for high-performance permanent magnets. As part of this strategy, the Company is engaged in commercial discussions with potential counterparties regarding offtake agreements, offering flexibility in product options including MREC, individual rare earth oxides and metals and alloys derived from the Carina Project.

- *Carina Project Schedule.* The Company has updated its previously announced short-term milestones and/or targets in respect of the Carina Project as follows:

  - Complete Phase 2 Drilling Campaign — Q2 2025
  - EIA filling — Q2 2025
  - Pilot Plant Operation in Aparecida de Goiania, Goiás, Brazil — Q2 2025
  - Complete Carina PFS — Q3 2025
  - Complete Carina FS — H1 2026

Penco Module and Future Outlook

- *EIA Application.* On September 25, 2023, the Company revised its permitting strategy with the primary aim of addressing concerns associated with native forests located within the Penco Module project site, while minimizing substantial impacts to the Penco Module's development timeline. To effectively implement the revised permitting strategy, the Company decided to prepare and submit two (2) EIAs, which will collectively cover the full life-of-mine of the Penco Module. On June 10, 2024, the Company filed the first EIA ("EIA 1"), which encompasses the first six (6) years of the full life-of-mine of the Penco Module. The evaluation of EIA 1 by the Environmental Assessment Service (the "SEA") is expected to take approximately between 18 and 24 months. On September 12, 2024, the Company received the consolidated clarification report ("Technical ICSARA") including 394 technical observations from the SEA on EIA 1, followed by the citizen consolidated clarification report ("Citizen ICSARA") including 1,331 public consultation observations on December 12, 2024, each of which were duly addressed and filed on March 28, 2025.

- *Social License.* The Company continued ongoing efforts to strengthen its relationship with the local community through continuous engagement at "Casa Aclara", (a community center located in the central Penco community), and through several social initiatives including education, technical training, reforestation and sports programs. The Company will continue maintaining open dialogue and incorporating community feedback into its plans for the Penco Module.

- *Technical Development.* In light of the revised permitting strategy, the Company has decided to postpone the completion of the feasibility study ("Penco FS") technical report in respect of the Penco Module pursuant to the requirements of NI 43-101 and use the additional time to further refine the engineering aspects of the Penco Module by incorporating certain enhancements that are expected to result in a reorganization of operating and capital costs focused on improving operational efficiency. Such proposed engineering enhancements are a result of the Company's piloting work and research and development initiatives. The Company plans to reinitiate work on the Penco FS technical report during Q2 2025.

- *Commercial Efforts.* The Company is pursuing the same commercial strategy for the Penco Module as with the Carina Project, as described above under "*Mining Projects Development – Carina Project and Future Outlook – Commercial Efforts*". In parallel, the Company has shipped high-purity MREC samples produced in the Company's pilot plant in Chile to more than 15 separation firms located within the United States, Europe and Asia, in an effort to validate product specifications and assess potential partnerships.

- *Updated Penco Module Schedule.* As a result of its updated permitting and development strategy, the Company is working to achieve the following proposed milestones and/or targets in respect of the Penco Module:

  - Anticipated EIA 1 Approval — Q4 2025
  - Penco FS Filing — Q4 2025
  - Construction — H1 2026
  - Production — 2028

Separation of MREC to Individual Oxides and Future Outlook

On April 3, 2024, following the announcement of the CAP Investment Agreement (as defined below), the Company announced that it had incorporated a wholly-owned U.S.-based subsidiary, Aclara Technologies, to develop its rare earths separation capabilities in the United States. The Company's efforts through Aclara Technologies are intended to better position the Company and develop the necessary expertise required to carry out all stages of processing leading up to the production of rare earth alloys for high performance permanent magnets. Aclara Technologies is expected to source high purity MREC from the Company's extraction projects in Chile and Brazil. These carbonates will then be converted into individual rare earths oxides in the U.S.-based separation facility.

On October 15, 2024, the Company completed an initial conceptual engineering study for its rare earths separation project. The separation conceptual flowsheet, based on solvent extraction technology, was developed in collaboration with the Saskatchewan Research Council ("SRC") and supported a Class 5-AACE CAPEX and OPEX estimate developed by Hatch Ltd. ("Hatch Canada"). Hatch also incorporated robust environmental features such as significant waste reduction and zero liquid discharge. Highlights from the technical study include:

- *Separation of Key REE.* Contemplates the separation of MREC to be produced by the Carina Project and Penco Module in order to obtain high-purity didymium ("NdPr"), Dy and Tb.

- *Proven Technology.* The flowsheet process employs solvent extraction technology with hydrochloric acid chemistry.

- *High Purity.* Achieves over 99.5% purity for all separated REEs.

- *Strong Metallurgical Recoveries.* Expected metallurgical recoveries of 94% for NdPr, 92% for Dy and 91% for Tb.

- *Environmental Features.* Incorporates full water recirculation, achieving no liquid discharge.

- *Unoptimized CAPEX and OPEX.* Initial CAPEX is estimated at US$354 million, which includes US$244 million for the solvent extraction plant and US$110 million to significantly reduce waste and achieve no liquid discharges. OPEX is estimated at US$12 per kg of REO.

- *Synergies with Circular Mineral Harvesting Process.* The development of the separation project has resulted in potential significant synergies with Aclara's proprietary circular mineral harvesting process, including the potential for: (i) reducing CAPEX and OPEX at both mine and separation stages; (ii) minimizing waste management costs; and (iii) maximizing the quality of MREC output from the Carina Project and Penco Module.

The Company has begun advancing the following activities as part of the next stage of development of its separation project:

- *Metallurgical Testing and Optimization.* Execution of bench scale and mini-pilot testing to optimize the separation flowsheet, CAPEX and OPEX.

- *Location Study.* Analysis within the United States to identify an optimal site for the contemplated industrial separation facility, with the goal of maximizing efficiency and minimizing cost and development timeline.

- *Pilot operation*. Construction and operation of a pilot plant expected for H2 2025.

Greenfield Exploration and Future Outlook

During Q1 2025, the Company continued to advance its greenfield exploration activities in order to identify REE mineralization and potential new modules for further development. The Company incurred total expenses of $0.19 million in Q1 2025, as compared to $0.09 million incurred in Q1 2024.

The Company intends to continue advancing its greenfield exploration strategy and objectives, which have been expanded to include additional exploration targets in Brazil. This expansion aligns with the Company's overarching objective of accelerating the development of additional project modules to achieve future growth of the Company.

Commercial Update

On July 9, 2024, the Company announced that it has signed a MoU with VACUUMSCHMELZE GmbH & Co. KG ("VAC"), which establishes a preliminary agreement to jointly approach potential clients as a "mine-to-magnets" solution for the production of ESG compliant permanent magnets. VAC is considered the largest producer of rare earths magnets outside of Asia, with more than 40 years' experience in magnet-making technology. VAC, whose main permanent magnet facility is located in Hanau, Germany, recently executed a contract with General Motors ("GM") to supply GM with permanent magnets by building a new magnet plant in the state of South Carolina, United States. Pursuant to the MoU, each of the parties will engage in collaborative efforts, through a preferred supplier-purchaser relationship with cooperative marketing, customer relations and related matters.

Corporate Development

On March 12, 2024, the Company entered into a strategic investment agreement (the "CAP Investment Agreement") with CAP, a publicly listed company on the Chilean Stock Exchange, providing for, amongst other things: (i) a $29.1 million capital contribution to be made by CAP in REE Uno in exchange for a 20% equity ownership interest, payable in three tranches upon closing and subsequently in January 2025 and January 2026; (ii) the grant of an option to invest an additional $50 million by CAP in REE Uno for an additional 20% equity ownership interest upon the Company obtaining the requisite environmental permit in respect of the Penco Module; (iii) the grant of an option exercisable by CAP to acquire up to 19.9% of the outstanding common shares of the Company in any private placement or public offering of common shares made by the Company within the 36 month period following the effective date of the CAP Investment Agreement, including a residual top-up right to maintain pro-rata voting rights; (iv) a demand subscription right for up to an aggregate of 19.9% of the outstanding common shares of the Company exercisable upon the satisfaction of certain conditions and continuing for a maximum period of 18 months beginning on the third anniversary of the CAP Investment Agreement; and (v) the terms on which CAP and the Company will form a joint venture to develop metals and alloys for the rare earths permanent magnet industry and contemplates an investment of $3 million in consideration for 50% of the ownership interests in such joint venture entity. On April 17, 2024, the Company announced the successful closing of the acquisition by CAP and receipt by the Company of the initial payment of approximately $9.7 million in connection with such acquisition. Subsequently, in January 2025, the Company reported the receipt of the second payment, amounting to approximately $12.5 million.

On December 23, 2024, the Company announced a non-brokered private placement financing of 51,303,573 common shares of the Company for aggregate gross proceeds of $25 million at a price of C$0.70 per common share (the "Private Placement"). The subscription price represented a 41% premium over the closing price of the common shares on TSX on the last trading day prior to the date of the announcement of the Private Placement. In connection with the Private Placement, the Company entered into subscription agreements with each of CAP, Hochschild Mining Holdings Limited ("HM Holdings") and New Hartsdale Capital Inc. ("New Hartsdale") whereby the Company agreed to offer, sell and issue an aggregate of 51,303,573 common shares and each of CAP, HM Holdings and New Hartsdale agreed to subscribe for and purchase 22,163,143, 10,260,715 and 18,879,715 common shares, respectively. The Company also announced its intention to seek disinterested shareholder approval of the Private Placement at a special meeting of shareholders (the "Special Meeting"), pursuant to certain Canadian securities laws requirements.

On February 13, 2025, the Company held the Special Meeting to allow disinterested shareholders to vote on an ordinary resolution approving the proposed Private Placement. As announced on February 13, 2025 in the Company's Report of Voting Results, the requisite number of disinterested shareholder votes were cast in favour of the resolution, and the Private Placement was thereby approved. On February 20, 2025, the Company announced the closing of the Private Placement. As a result of the Private Placement, the total number of issued and outstanding common shares of the Company increased from 166,409,223 to 217,712,796. Additionally, each of CAP, HM Holdings and New Hartsdale respectively hold 22,163,143, 42,787,104 and 80,340,876 common shares, representing approximately 10.18%, 19.65% and 36.90% of the issued and outstanding common shares of the Company.

Concurrent with the closing of the Private Placement, the Company and CAP executed an investor rights agreement (the "CAP Investor Rights Agreement") whereby for so long as CAP holds, directly or indirectly, between at least 10% and up to 15% of the issued and outstanding common shares of the Company (calculated on a non-diluted basis), Mr. Juan Enrique Rassmus will be the only eligible designated nominee of CAP for election to the Company's board of directors (the "Board"). Once CAP attains, and for so long as CAP holds, at least 15% of the issued and outstanding common shares of the Company (calculated on a non-diluted basis), it shall have the right to designate any eligible nominee for election to the Board. The CAP Investor Rights Agreement also granted to CAP certain pre-emptive and top-up rights to maintain its percentage interest in the outstanding common shares in connection with any future issuances of the Company's securities, subject to certain exclusions. In addition, the CAP Investor Rights Agreement grants CAP a demand subscription right providing it with the ability to increase its ownership interest in the Company to 19.9% (on a non-diluted basis) subject to certain conditions.

Cash Balance and General Administrative Expenses

Cash Balance

As at Q1 2025, the Company's consolidated cash balance was $44.76 million, consisting of $29.27 million from the Company, $1.46 million from its wholly-owned subsidiaries (Aclara Brazil, Aclara Technologies, Polaris Creek and Aclara Peru) and $14.02 million from its majority-owned Chilean subsidiaries (REE Uno, Prospecciones and Fundación). Comparatively, as at Q1 2024, the Company's consolidated cash and cash equivalents were $27.74 million. In addition, as at Q1 2025, the cash balance of the Company's joint venture Aclara Metals was $0.33 million.

On January 15, 2025, the Company received the second tranche payment of $12.5 million from CAP's strategic investment in REE Uno. To date, CAP has deposited two (2) of the three (3) tranches owed pursuant to the CAP Investment Agreement, totaling $22.2 million. The final tranche of $6.9 million is scheduled for deposit in January 2026. These funds, combined with the cash balance from the Company's majority-owned Chilean subsidiaries, will support planned capital and operating expenditures for the Penco Module over the next 24 months. These expenditures include permitting and environmental activities, the development of the Penco FS, and administrative and corporate costs.

On February 19, 2025, the Company received $25 million from its Private Placement. These funds, along with the cash balance from its wholly-owned subsidiaries, will finance planned capital and operating expenditures for the Carina Project throughout 2025. Planned expenditures include permitting and environmental activities, the pilot plant construction and operation, infill drilling for the conversion of inferred resources to measured and indicated category, and the development of both the Carina PFS and Carina FS, as well as administrative expenses. Additionally, a smaller portion of the funds will be allocated to advancing the Company's rare earths separation project in the United States and for corporate purposes.

General Administrative Expenses

In Q1 2025, the Company incurred $1.70 million in administrative expenses, which was primarily comprised of: (i) management compensation; (ii) continuous public disclosure and marketing activities; and (iii) ancillary activities undertaken for the development of the Penco Module, the Carina Project and vertical integration projects. In comparison, in Q1 2024, the Company incurred $1.81 million in administrative expenses.

Estimated Budget for 2025

The Company's budget for FY 2025 is $43.3 million, which is comprised of estimated costs relating to the development of the Penco Module, development of the Carina Project, development of the U.S. separation project, development of metals and alloys project and exploration activities aimed at identifying potential new modules. Key aspects of the FY 2025 budget include, among others: (i) $12.4 million in expenses related to the development of the Penco Module, which is comprised of permitting and community relations expenses ($2.8 million), purchase of surface land ($1.3 million), engineering activities ($2.4 million), expenses related to the maintenance of concessions ($0.2 million), administrative and personnel expenses ($5.7 million); (ii) $25.7 million in expenses related to the development of the Carina Project, which is comprised of mineral resource drilling work ($6.3 million), contracts related to surface land ($2.1 million), engineering activities and piloting works ($10.4 million), permitting and community relations expenses ($1.7 million), maintenance of mining concessions ($0.1 million), administrative and personnel expenses ($5.1 million); (iii) $0.8 million in mining concession maintenance costs and exploration in new areas; (iv) $ 0.6 million in activities and studies related to the separation of rare earths; (v) 3.1 million in administrative expenses, personnel and for general corporate and working capital purposes; and (vi) $0.7 million for the metals and alloys project expenses.

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

Infill Drilling - Carina Project

Based on the initial auger drilling campaign results, the Company planned a two-phased RC drilling campaign at greater depths, aimed at increasing the inferred mineral resources and then converting them into a measured and indicated category.

During Q1 2025, the Company restarted Phase 2 of its RC and auger drilling campaign, completing 4,083 meters across 219 RC drill holes and 1,102 meters across 194 auger drill holes. In April 2025, the Company drilled 4,616 meters across 277 RC drill holes and 701 meters across 105 auger drill holes. As of April 30, 2025, the accumulated Phase 2 drilling campaign (including the drilling made in 2024) totalled 16,516 meters across 931 RC drill holes and 1,803 meters across 299 auger drill holes. The Phase 2 drilling campaign is expected to be completed during Q2 2025.

Comparatively, during Q1 2024, the Phase 1 RC drilling campaign was completed and comprised a total of 2,002 meters of drilling within 80 RC drill holes. This initial phase confirmed that the mineralization extended through the full depth of the regolith to the bedrock and provided a greater level of certainty regarding the geological interpretation of the deposit and the existence of REE throughout the full cross-section of the regolith. The Phase 1 RC drilling campaign was the basis for the preparation of the Carina Project Technical Report announced on September 5, 2024.

Greenfield Exploration - Brazil

During Q1 2025, the Company continued executing its greenfield exploration strategy, focusing on preparations for a drilling campaign scheduled for Q2 2025.

Comparatively, during Q1 of 2024, the Company continued advancing its greenfield exploration activities in other high-priority areas in the States of Goiás, Bahía, Tocantins and Paraná, which involved the collection of superficial samples for HREE indications and mapping, intertwined with regional geology interpretations.

Brownfield Exploration - Penco Module

During Q1 2025 and Q1 2024, the Company did not report any brownfield exploration activities within the Penco Module.

Greenfield Exploration - Chile

During Q1 2025 and Q1 2024, the Company did not report any greenfield exploration activities in Chile.

Project Development Activities

Carina Project

General Engineering

During Q1 2025, laboratory results from the second half of 2024 drilling campaigns were incorporated into the updated process design within the PFS. This revision led to significant reductions in acid and ammonium bicarbonate consumption, thereby improving the Carina Project's OPEX efficiency. Furthermore, optimization opportunities were identified in equipment sizing and related aspects, which are expected to contribute to a reduction in CAPEX.

Comparatively, during Q1 2024, the Company did not undertake any engineering activities in relation to the Carina Project.

Mining Study

During Q1 2025, the Company advanced key technical activities to support the continued development of the Carina Project's mining framework. A strategic plan was established for the next phase of mine engineering studies, including a hydrogeological work plan to guide data collection and analysis. Additionally, updated grade block models were developed using the latest geological information, providing a foundation for upcoming mine design efforts in preparation for the PFS.

Comparatively, during Q1 2024, the Company did not undertake any mining studies activities in relation to the Carina Project.

Process Design

During Q1 2025, the Company successfully completed the installation and assembly of its pilot plant in Giânia, Brazil. Further, the Company successfully completed commissioning and commenced operations in April of 2025.

In Q1 2025, the Company also selected a representative set of equipment samples to obtain firm quotations from vendors. These industrial validation tests are scheduled for Q2 2025, in alignment with the Carina PFS and Carina FS execution timelines. The same set of samples will be used to validate metallurgical recoveries and process parameters at the SGS Geosol facilities, further strengthening the technical foundations of the process model.

Comparatively, during Q1 2024, the Company conducted an indicative testing campaign with the Carina Project clays at its pilot plant in Concepción, Chile. The piloting program involved processing 25 tonnes of ionic clays from the Carina Project, producing 47 kilograms of mixed rare earth carbonates containing high levels of HREE, and it was successfully completed by the end of February 2024.

<u>Penco Module</u>

General Engineering

During Q1 2025, the Company responded to technical observations received from the SEA following the submission of the filing requirements for EIA 1. This included optimizing the project's road network, which resulted in an improved project layout. Memorandums of understanding were signed with the pipeline owner (ENAP) and the sanitary landfill owner (CEMARC), outlining operational strategies. These agreements form part of the EIA 1 Addendum. Additionally, progress was made in the design of the Neptune disposal zone, and potential disposal areas were identified. Furthermore, the Company has resumed Penco's FS in Q1 2025 and anticipates filing by Q4 2025.

Comparatively, during Q1 2024, the Company prepared an updated project description for EIA 1. In addition, the Company and the oil pipeline owner (ENAP) agreed on the technical description and drawings for the oil pipeline to be included in the EIA 1 permit processing. A follow-up was also developed with the recycled water supplier, Essbio S.A ("Essbio"), to ensure the development of a permit study and the kick-off of the detailed engineering study for the intake water source.

Mining Study

During Q1 2025, the Company advanced its efforts in integrating geospatial data and conducting preliminary mine planning studies. In parallel, the development of the site-specific hydrogeological model progressed, aimed at enhancing the understanding of groundwater behavior within the designated extraction zones.

In addition, the conceptual excavation design for drying trials was completed, including 2D plans, volume estimates and 3D visualizations. Furthermore, a preliminary OPEX model was developed to establish a solid base for cost modeling, supporting the next phase of the project. The scope for the Penco FS was defined, laying the groundwork for technical deliverables and the scheduling of its upcoming phases.

Comparatively, during Q1 2024, an Electrical Resistivity Tomography ("ERT") study was concluded for the Victoria Norte deposit zone in the Penco Module, identifying that the rock basement appears, on average, 27 meters below the existing estimate. Based on the ERT, geostatistical analysis has been initiated to support the early assessment of a potential change for the geometry of the 3-D model in the Victoria Norte deposit zone. During the same period, a second field campaign was undertaken to assess the moisture level of existing geological drill holes (Victoria Norte, Maite and Luna). Existing hydrogeological models were updated based on results obtained from both the ERT study and the 2024 dry season-moisture level campaign.

Process Design

During Q1 2025, a technical review was conducted for the Penco Module to evaluate the integration of improvements from the pilot campaign, resulting in the creation of a comprehensive technical information package.

Comparatively, during Q1 2024, studies on spent clay filtration were completed in collaboration with key suppliers FLSmidth, Andritz, Dewater and Takraf, aimed at obtaining additional information to reduce potential moisture content related to the Penco Module. An additional supplier, Derrick, also conducted tests to define the conditions of the primary and secondary screens, as the pilot screen demonstrated certain weaknesses during operation due to the lack of vibration capability. The results of the primary screen tests were aligned with the engineering design.

Aclara Technologies - Separation

During Q1 2025, the Company made progress in optimizing the rare earth separation process, focusing on cost reductions identified in the initial economic analysis of the PEA conducted by Hatch Canada. Laboratory-scale testing is being conducted at the supplier L3 Process facilities in Trois-Rivières, Canada, to validate design parameters and extraction efficiencies. The Company concurrently advanced its site evaluation for the future separation plant, prioritizing locations with reliable access to key reagents to improve cost efficiency and reduce logistical risks.

Comparatively, during Q1 2024, the Company incorporated its U.S. subsidiary, Aclara Technologies, with the objective of converting the high purity MREC from the Company's extraction modules in Chile and Brazil to individual rare earths oxides. For this purpose, the Company awarded a contract to the SRC to develop a production flowsheet specifically designed for its product characteristics, and to Hatch to provide engineering services.

Environmental, Social and Governance

Penco Module

Environment and Permits

During Q1 2025, the Company made significant progress in the EIA 1 process, submitting the Addendum on March 28, 2025. The EIA 1 Addendum addressed 394 technical observations and 1,331 citizen comments, incorporating updates to optimize the project layout, safety and operational efficiency.

Comparatively, during Q1 2024, the Company completed all chapters of EIA 1, which was subsequently peer reviewed by external consultants (Ferrada Neheme and DAES), and environmental specialists assigned by CAP.

Social License

During Q1 2025, the Company held 10 meetings with 12 evaluation services and 39 technical evaluators to collaboratively prepare the EIA 1 Addendum, which was formally submitted on March 28, 2025. This milestone reinforces the Company's commitment to regulatory compliance and marks a key step in advancing the permitting process.

Comparatively, during Q1 2024, the Company concluded the early citizen participation process recommended by Chilean authorities, which was a vital step in designing a project reflective of community feedback. At conclusion, the process had engaged direct participation of over 1,000 citizens, registration of 280 signatures and 126 individual files, and collection of nearly 300 comments regarding the Penco Module. The comments primarily referred to maintaining dialogue, continuing the commitment to environmental care and recreational areas and promoting local employment and suppliers within the Biobío region.

Additionally, the Company continued fostering its relationship with national and regional authorities and assisted in organizing the seminar "The Opportunity is Now: Rare Earths, Chile and its role in Decarbonization" held at the San Sebastián University.

Carina Project

Environment and Permits

During Q1 2025, the Company completed the archaeological assessment and EIA baseline studies for the Carina Project. The EIA baseline studies are expected to be submitted to the environmental authorities in Q2 2025, in line with the established timeline.

Comparatively, during Q1 2024, the Company began the process of developing environmental baseline studies to apply for a preliminary environmental license (“PEL”), which is equivalent to an EIA in Brazil. This process includes environmental baseline and caving, radionuclides characterization, hydrogeological characterization and acid drainage potential study, archaeological survey and social baseline studies, including engagement with the traditional community.

Social License

During Q1 2025, the Company continued its efforts in local engagement through the Municipal Support and Strengthening Program, a program focused on education, workforce development and supplier capacity-building in Nova Roma and surrounding areas.

The Company also advanced the Social Communication Plan, holding 11 meetings with rural and urban communities and connecting with approximately 200 community members to share updates on the Carina Project’s progress and related opportunities for local employment and development. Additionally, in terms of licensing, the Company was issued the Specific Terms of Reference by the National Institute of Colonization and Agrarian Reform in Q1 2025, marking a crucial step for submitting the preliminary license application. The Company is currently preparing the necessary regulatory studies required for obtaining the preliminary and installation licenses, including the work plan, the Quilombola component study, the basic Quilombola environmental plan and the final execution report.

Comparatively, during Q1 2024, the Company carried out various activities with the Quilombola community, who were largely receptive to such efforts. The Company continued to focus on clarifying basic principles of safety, community respect and overall socio-environmental impacts of the Carina Project.

Occupational Health and Safety

During Q1 2025, the Company advanced its occupational health and safety culture through implementing a performance indicator management system and benchmarking efforts aimed at strengthening safety processes. In addition, two (2) Occupational Safety Technicians were hired to reinforce field supervision and regulatory compliance, reflecting the Company’s ongoing commitment to continuous improvement in occupational health and safety.

Comparatively, during Q1 2024, the Company had no events with lost workdays.

OPERATIONAL PERFORMANCE

Unless otherwise specified, the financial information contained in this section of the MD&A entitled "*Operational Performance*", and the subsections thereunder, is reported in thousands of United States dollars.

As at Q1 2025, the Company's expenditures in respect of exploration, technical development, environmental, social and governance and administration activities were $7.53 million, which were partially offset by capital contribution of $36.92 million, totaling a net cash inflow of $29.38 million and a total cash balance of $44.76 million. Comparatively, as at the end of Q1 2024, the Company's net cash outflow was $5.50 million, and the total cash balance was $27.74 million.

Overview of Operating Expenditure and Costs

The Company incurred an aggregate of $1.80 million in losses from continuing operations before income tax during Q1 2025, as compared to an aggregate of $1.36 million in losses during Q1 2024.

	Three months ended March 31	
(in thousands of US $)	**2025**	**2024**
Exploration expenses	191	95
Administration expenses	1,704	1,808
Other (expenses) income	-	(135)
Share of loss of a joint venture	58	-
Financial costs	57	16
Financial income	(192)	(496)
Exchange differences	(19)	75
Loss from continuing operations before income tax	**1,799**	**1,363**
Attributable to:		
Equity shareholders of the Parent	**1,762**	**1,363**
Non-controlling interests	**37**	**-**

<u>Exploration Expenses</u>

The breakdown of exploration expenses incurred by the Company for the periods Q1 2025 and Q1 2024 are as follows:

	Three months ended March 31	
(in thousands of US $)	**2025**	**2024**
Personnel expenses	46	-
Professional fees	38	3
Rental	13	50
Repair and maintenance	-	4
Studies	2	4
Technology and system	11	-
Contractors and services	2	10
Travel expenses	56	11
Freight	-	13
Laboratory supplies and materials	3	-
Other	20	1
Total	**191**	**95**

Exploration expenses comprise all activities related to and arising from greenfield exploration. The purpose of greenfield exploration is to identify additional resources that may support new development and operation modules. Greenfield activities include surface mapping works, geophysics and topographic studies, among others.

During Q1 2025, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of $46, professional fees of $38, technology and system expenses of $11, costs related to renting of geology equipment of $13 and other exploration-related expenses of $2. Comparatively, during Q1 2024, the Company incurred in professional fees of $3, nil in personnel expenses, costs related to renting geology equipment of $50, exploration-related expenses of $4, and costs related to repair and maintenance of $4. In addition, the Company incurred travel expenses of $56, laboratory supplies and other related expenses of $23, as compared to $12 in Q1 2024.

In Q1 2025, the Company incurred contractors and services expenses of $2, as compared to $10 in Q1 2024, comprised of warehouse expenses.

Other Income (Expenses)

The breakdown of other income (expenses) incurred by the Company for the periods Q1 2025 and Q1 2024 are as follows:

	Three months ended March 31	
(in thousands of US $)	**2025**	**2024**
Contractors and services	-	(135)
Total	**-**	**(135)**

As of Q1 2024, the Company incurred other income (expenses) due to a reversal of an exploration expense provision of $135 in 2023. The provision included expenses related to contractors and services such as equipment leasing, drilling and topography which were overestimated at the time of provisioning the expenses.

Administration Expenses

The breakdown of administration expenses incurred by the Company for the periods Q1 2025 and Q1 2024 are as follows:

	Three months ended March 31	
(in thousands of US $)	**2025**	**2024**
Personnel expenses	738	713
Professional fees	330	271
Depreciation and amortization	176	404
Contractors and services	187	165
Travel expenses	129	134
Marketing expenses	96	62
Other expenses	48	59
Total	**1,704**	**1,808**

In Q1 2025, the Company incurred personnel expenses of $738 as compared to $713 in Q1 2024. These expenses were incurred by the Company to support its management and administration team.

Professional fees of $330 incurred during Q1 2025 comprised accounting, tax and legal expenses for the Company’s annual tax and legal processes, as compared to professional fees rendered for a similar purpose of $271 incurred by the Company in Q1 2024. In addition, during Q1 2025, the Company incurred travel expenses of $129, marketing expenses of $9 and other expenses of $48, as compared to $134 in travel expenses, marketing expenses of $62 and subscriptions and other expenses of $59 incurred in Q1 2024.

In Q1 2025, the Company incurred depreciation and amortization expenses of $176, as compared to $404 in Q1 2024. In addition, during Q1 2025, the Company incurred contractor and services expenses of $187, primarily driven by Board expenses. Comparatively, during Q1 2024, the Company incurred contractor and services expenses of $165, which comprised Board expenses, office rental and other administrative expenses.

Financial Income and Costs

In Q1 2025, the Company’s net financial income and costs amounted to $135 and were associated with the Company’s investments in short-term deposits, interest-bearing bank accounts and bank commissions, as compared to net financial income and costs of $480 in Q1 2024.

(in thousands of US $)	Three months ended March 31 2025	 2024
Financial costs	57	16
Loss from continuing operations before income tax	**57**	**16**

(in thousands of US $)	Three months ended March 31 2025	 2024
Financial income	(192)	(496)
Loss from continuing operations before income tax	**(192)**	**(496)**

During Q1 2025, the Company incurred an increase in interest and bank commission expenses related to the administration of its bank accounts, resulting in such expenses of $57 as compared to $16 during Q1 2024. In addition, in Q1 2025, financial income decreased to $192 as compared to $496 in Q1 2024, primarily due to a decrease in interest earned on investments in short-term deposits and a reduced cash and cash equivalents.

Evaluation and Exploration Assets

In accordance with IFRS accounting principles regarding capitalization of E&E assets, costs of mineral properties are capitalized on a project-by-project basis. As at Q1 2025, the Company's principal business included the development of the Penco Module and Carina Project. The Company capitalizes expenses related to brownfield exploration and infill drilling, metallurgical testing and process design, engineering of the mine, processing plant and project infrastructure, permitting and administration activities and services. The following table sets out an overview of the Company's capitalized E&E asset balance:

(in thousands of US $)	Total
Balance at January 1, 2024	**95,152**
Additions	3,300
Foreign exchange effect	(10,123)
Balance at March 31, 2024	**88,329**
Additions	15,994
Foreign exchange effect	(2,099)
Balance at December 31, 2024	**102,224**
Additions	5,616
Foreign exchange effect	6,011
Balance at March 31, 2025	**113,851**
Accumulated amortization and impairment	
Balance at January 1, 2024	**1,111**
Additions	6
Foreign exchange effect	(116)
Balance at March 31, 2024	**1,001**
Additions	763
Foreign exchange effect	(52)
Balance at December 31, 2024	**1,712**
Additions	546
Foreign exchange effect	528
Balance at March 31, 2025	**2,786**
Net book value as at March 31, 2024	**87,328**
Net book value as at December 31, 2024	**100,512**
Net book value as at March 31, 2025	**111,065**

The total investments in the Carina Project and the Penco Module capitalized as E&E as at Q1 2025, Q1 2024 and FY 2024 are as follows:

(in thousands of US $)	Three months ended March 31 2025	2024	Fiscal year ended December 31 2024
Personnel expenses	1,506	1,050	4,593
Professional fees	1,724	426	3,059
Environmental impact study	506	190	1,367
Mining rights	247	424	2,858
Rent building, vehicles, others	224	191	1,086
Analysis & technical	565	425	1,590
Contractors and Services	391	335	3,256
Other	453	259	1,485
Total	**5,616**	**3,300**	**19,294**

In Q1 2025, the Company incurred personnel expenses of $1,506, as compared to the same period in 2024, in which the Company incurred personnel expenses of $1,050. The increase in personnel expenses is primarily due to the growth in headcount in Brazil to support the development of the Carina Project. For purposes of calculating the Company's personnel expenses under its E&E asset balance sheet, the Company's employee headcount as at Q1 2025 is 81, as compared to 55 as at Q1 2024.

Each category of the Company's costs in relation to its investment in the Penco Module and Carina Project in Q1 2025 has been discussed elsewhere in this MD&A. In Q1 2025 and Q1 2024, expenses related to the technical development of the Penco Module and Carina Project were comprised of costs related to engineering services, feasibility studies, professional fees, rent building and vehicle expenses, analysis and technical, contractor services and other related expenses, each of which are discussed under the sections of this MD&A entitled "*Project Development Activities*" and "*Exploration Activities*" above.

As at Q1 2025, expenses relating to permit-related activities were comprised of costs associated with the environmental impact study and are described in greater detail under the section entitled "*Environmental, Social and Governance*" above. The environmental impact study expenses incurred by the Company totaled $506 as at Q1 2025, as compared to the same period in 2024, in which the Company incurred environmental impact study expenses of $190.

Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totaled $247 as at Q1 2025 as compared to $424 incurred in Q1 2024. As at Q1 2025, the Company's concessions were comprised of 83,185 hectares in respect of the Penco Module, 48,564 hectares in respect of the Carina Project and 30,100 hectares in relation to other concessions, as compared to Q1 2024, in which the Company's concessions were comprised of 82,885 hectares in respect of the Penco Module, 183,524 hectares in the Carina Project and 26,300 hectares related to other concessions.

Properties, Plants and Equipment

The breakdown of PP&E capitalized by the Company as at Q1 2025 and FY 2024 are as follows:

(in thousands of US $)	Land	Plant and equipment	Total
Balance at January 1, 2024	**9,234**	**2,877**	**12,111**
Additions	-	394	394
Foreign exchange effect	(1,106)	(85)	(1,191)
Balance at December 31, 2024	**8,128**	**3,186**	**11,314**
Additions	-	64	64
Disposals	-	-	-
Foreign exchange effect	370	42	412
Balance at March 31, 2025	**8,498**	**3,292**	**11,790**
Accumulated amortization and impairment			
Balance at January 1, 2024	**-**	**821**	**821**
Additions	-	619	619
Foreign exchange effect	-	(46)	(46)
Balance at December 31, 2024	**-**	**1,394**	**1,394**
Additions	-	66	66
Foreign exchange effect	-	(1)	(1)
Balance at March 31, 2025	**-**	**1,459**	**1,459**
Net book value as at December 31, 2024	**8,128**	**1,792**	**9,920**
Net book value as at March 31, 2025	**8,498**	**1,833**	**10,331**

During Q1 2025, the Company incurred expenses of $64 due to equipment purchases, compared to $394 incurred during the FY 2024.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US $)	March 31 2.025 US$000	December 31 2.024 US$000	September 30 2.024 US$000	June 30 2.024 US$000
Revenues	-	-	-	-
Net income (loss) from continuing operations	(1,799)	(2,003)	(1,947)	(2,101)
Net income (loss) and comprehensive income (loss)	(1,799)	(2,003)	(1,947)	(2,101)
Basic and diluted net income (loss) (per share)	(0.01)	(0.01)	(0.01)	(0.01)

	March 31 2.024 US$000	December 31 2.023 US$000	September 30 2.023 US$000	June 30 2023 2.023 US$000
Revenues	-	-	-	-
Net income (loss) from continuing operations	(1,363)	(6,015)	(1,442)	(2,519)
Net income (loss) and comprehensive income (loss)	(1,363)	(6,015)	(1,442)	(2,519)
Basic and diluted net income (loss) (per share)	(0.01)	(0.04)	(0.01)	(0.02)

During Q1 2025, the Company incurred lower net losses from continuing operations as compared to Q4 2024, primarily due to a decrease in administrative expenses of $75, a decrease in exchange rate expenses of $161, a decrease in financial income of $134, a decrease in share of loss of a joint venture of $26 and an increase in financial costs of $32. The impacts were partially offset by a decrease in exploration expenses of $108, primarily due to lower travel, rentals and studies expenses.

During Q4 2024, the Company incurred higher net losses from continuing operations as compared to Q3 2024, primarily due to an increase in exploration expenses of $217, an increase in exchange rate expenses of $171, a decrease in financial income of $159, an increase in share of loss of a joint venture of $63 and an increase in financial costs of $15. The impacts were partially offset by a decrease in administrative expenses of $569, primarily due to lower Board related costs associated with restricted share unit compensation.

During Q3 2024, the Company incurred lower net losses from continuing operations compared to the previous quarter, primarily due to a decrease in exploration expenses of $36, an increase in financial income of $135, a decrease in exchange rate expenses of $32, an increase in share of loss of a joint venture of $10, a decrease in financial costs of $4, partially offset by an increase in administrative expenses of $44, primarily due to higher personnel expenses.

During Q2 2024, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of $496, a decrease in financial income of $146, a decrease in exchange rate expenses of $69, an increase in exploration expenses of $24, and an increase in share of loss of a joint venture of $10, partially offset by a decrease in other (expenses) income of $135 and a decrease in financial costs of $2. The increase in administrative expenses was as a result of higher personnel expenses of $440, higher legal and professional expenses of $132 and other expenses of $63, partially offset by lower depreciation and amortization expenses of $139.

During Q1 2024, the Company incurred lower net losses from continuing operations compared to the previous quarter, primarily due to a decrease in administrative expenses of $952, a decrease in exploration expenses of $3,517, an increase in exchange rate expenses of $136, an increase in other (expenses) income of $135, a decrease in other income of $24 and an increase in financial income of $208. The decrease in administrative expenses was as a result of lower legal and professional expenses of $32, personnel expenses of $487, permit expenses of $369, depreciation expenses of $211 and marketing expenses of $77. The decrease in exploration expenses was as a result of the capitalization of expenses related to the Carina Project, resulting in lower chemical assays and drilling services of $2,802, personnel expenses of $529, travel expenses of $120, and other expenses of $67.

During Q4 2023, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of $1,619, exploration expenses of $2,814, financial cost of $26, other income of $22, and a decrease in financial income of $262 and lower exchange rate expenses of $126. The increase in administrative expenses was primarily as a result of expenses related to the exploration in the Carina Project and the incorporation of the local administrative team to support operations carried out in Brazil, resulting in higher legal and professional expenses of $165, personnel expenses of $698, concessions and related permit expenses of $474, marketing expenses of $139 and depreciation and amortization expenses of $314. In addition, the decrease in administrative expenses was as a result of travel expenses of $29, contractor services expenses of $91 and other expenses of $51. The increase in exploration expenses relates to additional exploration works in the regions of Minas Gerais and Goiás, Brazil, and the preparation of preliminary economic assessments, which resulted in higher chemical assays of $246, personnel expenses of $260, geophysical and topographic studies, laboratory and related services of $1,602, travel expenses of $85, legal and professional expenses of $267, rental expenses of $303 which includes vehicles for transporting staff, warehouses and offices, and other expenses of $51.

During Q3 2023, the Company incurred lower net losses from continuing operations compared to the previous quarter, primarily due to a decrease in administrative expenses of $680, a decrease in exploration expenses of $659, an increase in exchange rate expenses of $140 and a decrease in financial income of $122. The decrease in administrative expenses was as a result of lower legal and professional expenses of $222, personnel expenses of $270, permit expenses of $101 and other expenses of $87. The decrease in exploration expenses was as a result of the capitalization of expenses related to the Carina Project, resulting in lower chemical assays and drilling services of $492, travel expenses of $116, and other expenses of $51.

During Q2 2023, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of $728, exploration expenses of $334 and exchange rate expenses of $50. The increase in administrative expenses was due to higher legal and professional expenses of $306, personnel expenses of $214, Board expenses of $158, and other expenses of $50. The increase in exploration expenses was as a result of additional drilling and chemical assays of $137, travel expenses related to exploration activities of $194 and other expenses of $3.

The Company is in the development phase of both the Penco Module and Carina Project, which includes conducting exploration, feasibility and technical studies, as discussed in greater detail under the sections of this MD&A entitled

"*Development Activities*" and "*Exploration Activities*" above. The Company has not generated any operating income as at Q1 2025.

FINANCIAL INSTRUMENTS

Nature and Extent

The Company's consolidated financial instruments consist of cash and cash equivalents. Cash and cash equivalents are included in current assets due to their short-term nature. The fair value of cash and cash equivalents approximates their book value.

The Company's consolidated financial instruments for Q1 2025, Q1 2024 and FY 2024 are as follows:

	Three months ended March 31		Fiscal year ended December 31
	2025	**2024**	**2024**
Cash and cash equivalents			
Current demand deposit accounts	44,759	27,744	15,375
Total Cash and cash equivalents	**44,759**	**27,744**	**15,375**

Financial Instrument Risks

The Company manages risks to minimize potential losses by investing cash in the short term to reduce inflationary risks. The terms of the Company's short-term financial instruments are on arm's length terms and entered into with banks and institutional lenders. The primary objective is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure in respect of its financial instruments is summarized below.

<u>Foreign Currency Risk</u>

The Company is a development-stage mineral resources company and, accordingly, no income or operating costs have been recorded. The principal disbursements are denominated in Chilean pesos and Brazilian reals. The Company has deposits, trade and other payables and account payables to related parties stated in United States dollars.

<u>Credit Risk</u>

Credit risk relates to the Company's inability to make payment of their obligations as they become due. The Company is not exposed to credit risk as it does not currently engage in commercial activities.

<u>Liquidity Risk</u>

Liquidity risks relate to the Company's inability to obtain funds required to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value. Management regularly monitors the Company's level of short- and medium-term liquidity and access to credit lines, in order to ensure appropriate financing is available for its operations. As of the date of this MD&A, the Company has not opened, or been provided access to, any lines of credit.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Requirements

The Company has working capital requirements of $2.82 million as at the end of Q1 2025, and the Company's cash and cash equivalent position as at the end of Q1 2025 is $44.76 million.

Off-Balance Sheet Commitments

A summary of the Company's contractual obligations that must be satisfied with cash, and their approximate timing of payment, is as follows:

(in thousands of US $)	Q2, Q3 & Q4 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	After 2031
Operating Leases (1)	53	-	-	-	-	-	-
Other Obligations (2)	1,300	1,300	-	-	-	-	-
Total Contractual Obligations	**1,353**	**1,300**	**-**	**-**	**-**	**-**	**-**

(1) Operating leases include office, warehouse, and vehicle leases.
(2) Other obligations include land acquisitions.

Cash and Liquidity

The Company did not have any commercial debt as at the end of Q1 2025. As at Q1 2025, the Company had a cash and cash equivalent balance of $44.76 million. On January 15, 2025, the Company received the second tranche payment of $12.5 million from CAP's strategic investment in REE Uno. To date, CAP has deposited two (2) of the three (3) tranches owed pursuant to the CAP Investment Agreement, totaling $22.2 million. The final tranche of $6.9 million is scheduled for deposit in January 2026. On February 19, 2025, the Company received $25 million from its Private Placement. These funds, along with the cash balance from its wholly-owned subsidiaries, will finance planned capital and operating expenditures for the Carina Project throughout 2025. The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next 18 months.

Capital Resources

The Company's focus in FY 2025 is the continued advancement and development of the Penco Module, the Carina Project and any potential future modules located in the concessions beneficially held by the Company.

The primary uses of capital resources in 2025 are expected to include:

(in thousands of US $)	2025
Activities in connection with the Penco Module	**12,372**
Permitting and community engagement expenditures	2,787
Engineering activities	2,422
Surface land purchase and mining concessions	1,505
Administrative and personnel expenses	5,658
Activities in connection with the Carina Project	**25,669**
Drilling and related exploration expenses	6,307
Engineering and piloting	10,357
Permitting and community engagement expenditures	1,656
Surface land purchase and mining concessions	2,249
Administrative and personnel expenses	5,100
Separation of Rare Earths Project	**570**
Aclara Metals Project	**766**
Maintenance of mining concessions and exploration activities in connection with potential new modules	**809**
Administrative expenses and general corporate purposes	**3,099**
TOTAL	**43,284**

As the Company does not currently generate cash flow from operating activities, the Company will be relying on further equity and/or debt financing, or a strategic partnership, as the most likely sources of additional funds for the development of the Penco Module, the Carina Project and any potential future modules, to the extent necessary.

RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company.

In Q1 2025, the remuneration of the Company's key management totaled $0.68 million, as compared to the same period in 2024 in which remuneration of the Company's key management totaled $0.59 million. The increase in the Company's key management remuneration is a result of the appointment of a new Executive Vice President.

	Three months ended March 31	
(in thousands of US $)	**2025**	**2024**
Shared-based payments (1)	65	168
Short-term employee benefits (2)	610	424
Total compensation paid to key management personnel	**675**	**592**

(1) Amortized share-based payment expenses due to restricted share units granted to management.
(2) The increase in short-term employee benefits during Q1 2025 is primarily due to the addition of a new executive officer position in Brazil.

Related Party Transactions

The Company was subject to the following related-party balances and transactions as at Q1 2025, Q1 2024 and FY 2024:

Accounts payable

	Three months ended March 31		Fiscal year ended December 31
(in thousands of US $)	**2025**	**2024**	**2024**
Compañia Minera Ares S.A.C.	15	7	19
CAP	-	-	6
Total	**15**	**7**	**25**

	Three months ended March 31		Fiscal year ended December 31
(in thousands of US $)	**2025**	**2024**	**2.024**
Aclara Metals - Joint venture	-	-	17
CAP	6,937	-	19,418
Total	**6,937**	**-**	**19,435**

Compañia Minera Ares S.A.C., as a member of Hochschild Mining PLC, is a related party and provides intercompany administrative services pursuant to the terms of a transition services agreement that continues to date.

CAP, a related party and investor in REE Uno, has made a capital contribution to REE Uno in exchange for 20% of the issued and outstanding share capital of REE Uno. As a result, the Company has an accounts receivable for two (2) of the three (3) installments of this contribution.

Accounts payable with Compañia Minera Ares S.A.C. amounted to $15 as at Q1 2025, compared to accounts payable of $7 during Q1 2024. This increase was primarily due to service costs for FY 2024, which were invoiced in December 2024.

Accounts receivable with CAP amounted to $6,937 during Q1 2025, compared to accounts receivable of nil during Q1 2024.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company's issued and outstanding share capital is comprised of an aggregate of 219,985,221 common shares and 2,031,774 restricted share units, which were issued in accordance with the terms of the Company's long-term incentive plan.

SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are described in Note 2 to the Financial Statements.

SIGNIFICANT EQUITY INVESTEE

Disclosure related to the Company's significant equity investee is provided under Notes 2 and 18 to the Financial Statements.

CAUTIONARY STATEMENTS AND READER ADVISORIES

Cautionary Note Regarding Forward-Looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (collectively referred to herein as "forward-looking statements") that is based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be 'taken", "will occur" or "will be achieved". All statements other than statements of historical fact are forward-looking statements and, in particular, any statements that refer to expectations, intentions, estimations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances and similar words suggesting future outcomes or statements regarding an outlook. All statements in this MD&A that address events or developments that the Company expects to occur in the future are forward-looking statements.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, but are not limited to: operating in a foreign jurisdiction (including local political and socioeconomic issues); continued compliance with applicable laws and regulations; failure to obtain necessary permits and licenses or to renew them; timing and requirements of permits and third-party consents (as may be required); impact of social and environmental activism; relations and agreements with local communities; government regulation of mining operations; environmental compliance; actual production, capital and operating costs differing from those anticipated; price volatility of rare earth elements; statements regarding anticipated exploration, drilling, development, construction, permitting and other activities or achievements of Aclara; expectations, strategies and plans for the Penco Module and the Carina Project, including in relation to geology, metallurgy, engineering, title, and environmental matters; expected costs and timing of development of the Penco Module and Carina Project; costs, location and timing of potential future exploration and drilling and the uncertain nature of such exploration and drilling activities; the impact of competition and applicable laws and regulations on the Company's operations and results; environmental risks and hazards; future objectives of the Company and growth and other strategies to achieve those objectives; future financial or operating performance of the Company; global markets for the demand and supply of rare earth elements; continued availability of required expertise and manpower; continued access to capital markets; future trends that may affect the Company's business and results of operations; possible emergence of new global pandemics and their impact on Aclara's operations; continued qualification for listing on the TSX; Aclara having further potential through exploration at the Penco Module and the Carina Project, and those risks associated with the mining industry, including delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks; the risk of commodity price and foreign exchange rate fluctuations; as well as other factors identified and described in more detail in Aclara's most recent annual information form and its other filings with securities and regulatory authorities, which are available on SEDAR+ at www.sedarplus.ca.

Readers are cautioned that the foregoing list of risks, uncertainties and other factors is not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or those in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Cautionary Note Regarding Mineral Reserves and Mineral Resources

This M&DA was prepared in accordance with Canadian standards for reporting of mineral resource estimates and the requirements of the securities laws in effect in Canada. In particular, and without limiting the generality of the foregoing, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" as may be used or referenced in this MD&A are Canadian mineral disclosure terms as defined in accordance with NI 43-101 and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"), adopted by the CIM Council, as amended. Such terms used but not otherwise defined herein have the meanings ascribed to them in the CIM Standards.

The mineral resource estimates noted in this MD&A are preliminary in nature and include inferred mineral resources that at present are considered too geologically speculative in nature to enable categorization as mineral reserves. There is no certainty that such preliminary economic assessments will be realized.

APPROVAL

The Board of Directors of Aclara has approved the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company and its other continuous disclosure materials, including the annual information form, annual management's discussion and analysis and audited annual financial statements, consolidated financial statements, and notice of annual meeting of shareholders and management information circular is available on Aclara's website at www.aclara-re.com and on SEDAR+ at www.sedarplus.ca.