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Este documento corresponde a información financiera de Aclara Resources Inc., sociedad controladora de REE Uno SpA.

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 March 18, 2026, 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 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 that holds Project Dynamo (as defined herein) in the United States for the processing, separation and purification of mixed rare earth carbonates ("MREC") from the Carina Project and the Penco Module into individual rare earth oxides ("REO"); (iv) Aclara Metals SpA ("Aclara Metals") and Aclara Metals Inc. ("Aclara Metals Inc."), 50%-owned Chilean and U.S. subsidiaries, respectively, both established 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) Fundación 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 consolidated financial condition and results of operations for the fiscal years ended December 31, 2025 ("FY 2025") and December 31, 2024 ("FY 2024"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for FY 2025 and FY 2024 (collectively, the "Audited Consolidated Financial Statements"). The Consolidated Financial Statements were prepared in accordance with 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", "Q2", "Q3" and "Q4" are to the three months ended March 31, June 30, September 30, and December 31, respectively, of the applicable fiscal year, references to "H1" and "H2" are to the six months ended June 30 and six months ended December 31, respectively, of the applicable fiscal year, and references to "FY" are to the 12 months ended December 31 of the applicable fiscal year. 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"), providing 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 pre-feasibility study technical report ("Carina PFS") for the Carina Project and preliminary economic assessment ("PEA") for the Penco Module, the results of which are respectively detailed in the following technical reports:

- "NI 43-101 Technical Report & Pre-Feasibility Study on the Carina Project, Goiás, Brazil", dated effective October 22, 2025 (the "Carina Project PFS 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) 83,685 hectares of mining rights in Chile, distributed in the regions of Maule, Ñuble and Biobío; and (ii) 48,278 hectares of mining rights in Brazil, distributed in the states of Goiás, Bahia, Minas Gerais and Paraná. The Company aims to identify additional opportunities to enhance potential future HREE production through its greenfield exploration programs in Chile and Brazil, 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 earth separation facility in the United States ("Project Dynamo"). Aclara Technologies aims to source high purity MREC from Aclara's mining projects to further refine and separate it into individual REOs.
In addition, Aclara, through its equally-owned joint venture, Aclara Metals, is focused on developing rare earth metals and alloys production capabilities through a rare earth metals and alloys facility (the "Metals and Alloys Project"). The project is intended to convert refined rare earth oxides into high-purity metals and alloys required for the manufacturing of permanent magnets. The Metals and Alloys Project is expected to be supplied with separated oxides from Project Dynamo. 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 Q4 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 Q4 2025, the Company invested $13.56 million in E&E and $1.97 million in PP&E. In comparison, investments in Q4 2024 totaled $8.30 million for E&E and $0.03 million for PP&E. In FY 2025, total expenditures amounted to $36.65 million for E&E and $2.50 million for PP&E, compared to aggregate expenditures of $19.29 million for E&E and $0.32 million for PP&E in FY 2024.

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

On November 6, 2025, the Company successfully delivered the Carina Project PFS Technical Report, reaffirming the project's robust economic feasibility: (i) net present value at an 8% discount rate of ~$1.1 billion; (ii) estimated internal return rate of 22% over the 18-year life-of-mine and payback period of 4.5 years; (iii) average annual net revenue and EBITDA of $487 million and $352 million, respectively (excluding the first year of ramp-up and last year of ramp-down); and (iv) average net smelter return of $49.5 per tonne processed, compared to an average production cost of $13.0 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.* The Company has drilled a total of 25,990 meters across 1,823 drill holes as part of Phase 2 of the drilling campaign, which was completed during Q2 2025, supporting the conversion of inferred mineral resources into the measured and indicated categories.

- *Metallurgical Tests.* During Q4 2025, the Company successfully completed the metallurgical tests on samples obtained from the Carina Project through a sonic drilling campaign, providing key inputs for the preparation of the feasibility study technical report ("Carina FS"). The sonic drilling campaign resulted in a total of 1,257 meters of drilling from 86 drill holes. This total includes 940 meters from 59 drill holes completed in 2024 and 317 meters from 27 drill holes completed in 2025.

- *Pilot Test Campaign*. During Q3 2025, the Company successfully completed the semi-industrial scale pilot operation in Aparecida de Goiânia, Brazil, following its relocation from Concepción, Chile in Q3 2024. The pilot campaign operated continuously, incorporating the optimized configuration of the Company's proprietary Circular Mineral Harvesting ("CMH") process. In total, the pilot plant processed approximately 130 tonnes of ionic clay, producing over 150 kilograms (kg) of high-purity MREC. The objectives of the campaign were to: (i) confirm the processing parameters and final process flowsheet design for the Carina Project PFS Technical Report and Carina FS; (ii) produce high purity MREC for separation trials in support of future off-take agreements; and (iii) demonstrate the environmental sustainability of the process design to relevant stakeholders.

- *Technical Development.* The Company continued to progress on the development of the Carina FS, which follows the completion of the Carina Project PFS Technical Report delivered on November 6, 2025. The Carina FS is expected to be completed by the end of Q1 2026.

- *Environmental Baselines and EIA Development.* The Company has successfully completed all baseline studies for the Carina Project in Q1 2025 and submitted the environmental impact assessment ("EIA", or "Preliminary License") in May 2025 to the Secretariat of the Environment and Sustainable Development ("SEMAD") of the State of Goiás, Brazil. Following regulatory updates, the Company resubmitted the EIA in Q3 2025 to ensure compliance with the revised requirements. The Company anticipates receiving approval for the EIA by Q2 2026 that will include authorization for early works.

- *Commercial Efforts.* The Company is developing Project Dynamo 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 its 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 and the Penco Module.

- *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 Carina FS — Q1 2026
  - Anticipated EIA Approval — Q2 2026
  - Commencement of Early Works Construction — H2 2026

On October 20, 2025, the Company signed a memorandum of understanding ("MoU") with the State University of Goiás to collaborate on technical and scientific initiatives related to REE. The MoU, which establishes a framework for academic and technical cooperation, aims to integrate innovation, teaching and university activities with the practical training of students through internships and technical-scientific exchanges. The partnership focuses on the development of technology and initiatives related to agricultural sciences, sustainability, and technological sciences, creating a solid academic foundation to advance studies on the CMH process for rare earths from ionic clays in Goiás, Brazil.

On October 1, 2025, the Company announced an updated mineral resource estimate for the Carina Project. The new estimate reported that 79% of previously inferred mineral resources were successfully upgraded to the indicated category, resulting in 236 million tonnes (“Mt”) of indicated resources and 48 Mt of inferred resources, compared to 298 Mt of inferred resources reported in 2024.

On September 2, 2025, the U.S. International Development Finance Corporation (“DFC”), the United States Government’s development finance institution, committed up to $5 million in project development funding (the “Project Development Funds”) for the Carina Project. The funding, provided under DFC’s Project Development Program, will primarily support the Carina FS, which was initiated in July 2025 and is expected to be completed by Q1 2026. The Carina FS is being conducted by Hatch Consultoria em Projetos Ltda. (“Hatch Brazil”) as a continuation of the Carina Project PFS Technical Report delivered on November 6, 2025. The Project Development Funds will be disbursed progressively based on the achievement of milestones that form integral components of the Carina FS. Under the terms of DFC’s commitment, the Project Development Funds may be converted into equity of the Company upon completion of a single financing event of more than $50 million, or multiple financing events totaling at least $75 million within a twelve-month period, related to the construction of the Carina Project. DFC will also have a preferential option to be mandated to directly provide and/or arrange for financing or investment in the Carina Project upon the occurrence of such financing event. The Project Development Funds bear no interest, and no security interest will be granted by the Company in connection therewith. Repayment of the Project Development Funds may be triggered upon the Company achieving a qualifying financing event for the construction of the Carina Project.

On August 16, 2024, the Company signed an 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.

<u>Penco Module and Future Outlook</u>

- *EIA Application.* As at FY 2025, the Company is advancing the environmental permitting process for the Penco Module through the evaluation of the first environmental impact assessment (“EIA 1”), which covers the initial six (6) years of the Penco Module’s life-of-mine. EIA 1 was submitted on June 10, 2024, following a revision of the permitting strategy to address concerns related to native preservation forests within the project site while minimizing impacts to the project development timeline. On March 28, 2025, the Company submitted the first addendum addressing the consolidated technical clarification report (“Technical ICSARA”) and the citizen consolidated clarification report, which had been received during Q3 2024 and Q1 2025, respectively. Subsequently, the Environmental Assessment Service (“SEA”) issued a Complementary Technical ICSARA on May 14, 2025, requiring additional clarifications and updates to the citizen participation responses, which were addressed through the submission of a Complementary Addenda on October 14, 2025. Thereafter, the SEA published a third ICSARA on November 25, 2025, to which the Company expects to submit an Exceptional Addenda in response by the end of Q1 2026. Under the revised permitting approach, the Company expects to initiate preparation of the second environmental impact assessment (“EIA 2”) during H1 2026, in line with its objective to cover the full life-of-mine of the Penco Module.

- *Social License.* The Company will continue maintaining 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, development of local suppliers, reforestation and sports programs. The Company will maintain open dialogue and incorporate community feedback into its plans for the Penco Module.

- *Technical Development.* During H2 2025, the Company resumed the preparatory work for the Penco Module feasibility study technical report ("Penco FS"), focusing on integrating outcomes from pilot testing and research initiatives to refine the engineering design and update operating and capital cost estimates. These activities aim to enhance operational efficiency and ensure alignment with the project's revised development schedule.

- *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:

    - Receive EIA 1 Approval — H1 2026
    - Complete Penco FS — H2 2026

On December 17, 2025, the Company's Local Suppliers Network initiative received recognition from the United Nations Global Compact Chile Network, reflecting its contribution to local employment and supplier development in the Biobío region. The initiative integrates small and medium-sized enterprises into the Company's supply chain, supporting local participation in the emerging rare earth industry and contributing to employment generation and productive development. Since its launch, the program has incorporated a significant number of regional suppliers and supports the Company's broader social engagement and sustainability objectives for the Penco Module.

Project Dynamo and Future Outlook

On January 15, 2026, the Company announced that its U.S.-based subsidiary Aclara Technologies entered into a cooperative research and development agreement with Argonne National Laboratory, a U.S. Department of Energy national laboratory, to develop an artificial intelligence-enabled digital twin for the Company's heavy rare earth separation process. The initiative is intended to support process simulation and optimization, leveraging the Company's pilot-scale unique data.

On October 24, 2025, the Company announced that it has entered into a partnership with the State of Louisiana to establish its first U.S.-based separation project at the Port of Vinton, located within the Lake Charles region. Louisiana was selected as the preferred location due to its Louisiana Economic Development ("LED") Certified Site designation, which ensures fully serviced infrastructure and fast-track construction due to the prior completion of substantial permitting and zoning due diligence, as well as its proximity to major chemical suppliers and port facilities, all of which are expected to contribute to lower capital and operating costs. The project also benefits from the State's pro-business environment, skilled industrial workforce, and robust industrial ecosystem. As part of the partnership, the Company will receive approximately $46.4 million in state-level incentives, including benefits under the Industrial Tax Exemption Program, High Impact Jobs Program, Infrastructure Grant, and the LED FastStart Workforce Development Program.

During Q3 2025, the Company completed a new conceptual study for its Project Dynamo, which resulted from previous metallurgical testing and optimization work. Based on this new conceptual study, the Company is continuing to advance the following activities as part of the next stage of development of its Project Dynamo:

- *Basic Engineering ("FEL 3").* Hatch Ltd. ("Hatch") has been retained to develop the engineering of the U.S. Project Dynamo in addition to its work relating to the Carina Project. The FEL 3 report was initiated in Q4 2025 and is expected to be completed by Q2 2026.

- *Pilot Operation*. In parallel and based on the new flowsheet configuration, the Company started the construction of a separation pilot plant at the Virginia Tech Corporate Research Center ("VTCRC"). The operation commenced in February 2026 and is expected to continue throughout 2026.

On August 11, 2025, the Company announced that it has signed an MoU with Virginia Polytechnic Institute and State University ("Virginia Tech") to collaborate on the operation of a REE separation pilot plant. The facility, currently being implemented at the VTCRC, will demonstrate the Company's solvent extraction technology for producing high-purity light and REO. The pilot plant has been designed based on the characteristics of the Carina Project mixed rare earth carbonate production and will utilize a sustainable feedstock supplied by Aclara's pilot plant in Aparecida de Goiânia, Goiás, Brazil.

In May 2025, the Company became a member of Securing America's Future Energy ("SAFE"), a leading nonpartisan organization focused on strengthening U.S. supply chains for critical minerals. This strategic alignment supports the Company's objective of establishing a fully integrated and independent rare earths supply chain for advanced technologies. Through its Energy Security Leadership Council and the Center for Critical Minerals Strategy, SAFE plays a pivotal role in shaping U.S. policy and fostering public-private collaboration in the critical minerals sector.

Metals and Alloys Project and Future Outlook

On March 11, 2026, the Company announced the completion of the technological development and metallurgical process design for its Metals and Alloys Project. Following this milestone, the Company is advancing the next stage of development, including the following activities:

- *Technical Development.* The Company is progressing the Metals and Alloys pre-feasibility study ("Metals and Alloys PFS") to evaluate the proposed industrial development. The study is expected to be completed by the end of Q1 2026.

- *Pilot Operation*. In parallel with the completion of the Metals and Alloys PFS, the Company plans to begin the construction of a pilot plant utilizing molten salt electrolysis technology to produce rare earth metals and alloys. The plant is intended to validate the process under industrial operating conditions and generate operational data to support a future feasibility study.

Greenfield Exploration and Future Outlook

During Q4 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 $0.33 million in Q4 2025, as compared to $0.30 million incurred in Q4 2024. In FY 2025, total greenfield exploration expenses amounted to $1.99 million, as compared to $0.59 million in FY 2024.

In July 2025, the Company entered into a long-term Letter of Intent ("LOI") with Stanford University's Mineral-X initiative, a leading research program focused on applying artificial intelligence to critical minerals. Pursuant to the LOI, the parties aim to develop predictive AI models to enhance the exploration of ionic clay-hosted REE and to promote academic and technical exchange. This collaboration supports the Company's strategy to build a resilient and sustainable HREE supply chain and provides the framework for future joint research and pilot initiatives.

Commercial Update

During Q4 2025, the Company continued hosting a series of visits to its pilot plant facility in Aparecida de Goiânia, Brazil, as part of the commercial engagement strategy. Attendees included representatives from magnet manufacturers, government-related development agencies and other industry stakeholders. The visits provided an opportunity to demonstrate the Company's proprietary CMH technology under operational conditions and to highlight the environmental and technical attributes of the Carina Project.

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 June 16, 2025, the Company appointed Hugh Broadhurst as Chief Operating Officer. Based in the United States, Mr. Broadhurst assumed technical leadership over the Company's upstream projects, including the Carina Project and the Penco Module, as well as its U.S. downstream initiatives in rare earth separation, metals and alloys.

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") which closed on February 20, 2025. 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 10.07%, 19.45% and 36.52% of the issued and outstanding common shares of the Company.

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, which 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. As at January 20, 2026, the Company had received all three tranches under the CAP Investment Agreement.

Cash Balance and General Administrative Expenses

Cash Balance

As at FY 2025, the Company's consolidated cash balance was $14.01 million, consisting of $7.16 million from the Company, $1.19 million from its wholly-owned subsidiaries (Aclara Brazil, Aclara Technologies, Polaris Creek and Aclara Peru) and $5.66 million from its majority-owned Chilean subsidiaries (REE Uno, Prospecciones and Fundación). Comparatively, as at FY 2024, the Company's consolidated cash and cash equivalents were $15.38 million. In addition, as at FY 2025, the cash balance of the Company's joint venture Aclara Metals was $0.21 million, while as at FY 2024, the cash balance of Aclara Metals was $0.20 million.

In June 2025, the Company, through its subsidiary REE Uno, received a cash value-added tax ("VAT") refund of $6.92 million under Chile's export VAT regime. On January 20, 2026, the Company received the final tranche of $6.9 million under the CAP investment agreement in its subsidiary REE Uno to continue advancing the development of the Penco Module.

General Administrative Expenses

In Q4 2025, the Company incurred $2.05 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 Q4 2024, the Company incurred $1.78 million in administrative expenses.

Estimated Budget for 2026

The Company's budget for FY 2026 is approximately $50.5 million, which is comprised of estimated costs relating to the development of the Penco Module, development of the Carina Project, development of its Project Dynamo and development of its Metals and Alloys Project. Key aspects of the FY 2026 budget include, among others: (i) $8.1 million in expenses related to the development of the Penco Module, which is comprised of permitting and community relations expenses ($1.1 million), purchase of surface land ($1.3 million), engineering activities ($1.0 million), expenses related to the maintenance of concessions ($0.2 million), administrative and personnel expenses ($4.5 million); (ii) $18.9 million in expenses related to the development of the Carina Project, which is comprised of purchase of surface land ($4.1 million), engineering activities and piloting works ($4.5 million), permitting and community relations expenses ($3.2 million), maintenance of mining concessions ($0.2 million), administrative and personnel expenses ($6.9 million); (iii) $0.3 million in mining concession maintenance costs and exploration in new areas; (iv) $12.9 million in expenses related to the development of Project Dynamo, which is comprised of engineering and piloting activities ($7.9 million) and administrative and personnel expenses ($5.0 million); (v) $5.8 million in administrative expenses, personnel and for general corporate and working capital purposes; and (vi) $4.5 million for the Metals and Alloys Project expenses, which is comprised of engineering and piloting activities ($3.7 million) and administrative and personnel expenses ($0.8 million).

SELECTED ANNUAL INFORMATION

Financial Performance

Aclara is a company focused on the development of a vertically integrated supply chain for rare earths from the mine to the alloys used in permanent magnets and, as such, has not earned any revenues to date. The majority of activities undertaken in FY 2025 were related to, among other things, engineering studies and exploration activities in connection with the Penco Module and the Carina Project, permit-related studies, community outreach, and mine and process engineering and design. The following table sets out selected aspects of the Company's income statement as at FY 2025, FY 2024 and FY 2023:

	Fiscal Year ended December 31		
(in thousands of US$)	**2025**	**2024**	**2023**
Income statement			
Loss for the year from continuing operations	**(8,949)**	**(7,414)**	**(11,383)**
Attributable to equity shareholders of the Parent	**(8,449)**	**(7,223)**	**(11,383)**
Basic loss per share	(0.04)	(0.04)	(0.07)
Diluted loss per share	(0.04)	(0.04)	(0.07)

In FY 2025, loss from continuing operations totaled $8.95 million, which was primarily comprised of administrative expenses of $7.64 million, greenfield exploration expenses of $1.99 million, financial income in the form of cash account and term deposit interest of $1.31 million, financial cost in the form of banking commissions of $0.31 million, share of loss of a joint venture of $0.43 million and an exchange rate income of $0.11 million.

Comparatively, in FY 2024, loss from continuing operations totaled $7.41 million, which was primarily comprised of administrative expenses of $8.24 million, greenfield exploration expenses of $0.59 million, financial income in the form of cash account and term deposit interest of $1.66 million, financial cost in the form of banking commissions of $0.07 million, other (expenses) income of $0.14 million, share of loss of a joint venture of $0.12 and an exchange rate expense of $0.19 million.

During FY 2025, the Company incurred lower administrative expenses as compared to FY 2024, primarily attributable to the capitalization of investments related to Project Dynamo following the completion of its conceptual engineering study. In addition, during FY 2025, the Company incurred higher exploration expenses as compared to FY 2024, primarily attributable to increased exploration activities in Brazil and other regions.

During FY 2024, the Company incurred lower exploration expenses as compared to FY 2023, primarily attributable to the capitalization of investments related to the Carina Project, which began following the filing of the PEA in January 2024. In addition, during FY 2024, the Company incurred higher administrative expenses as compared to FY 2023, due to the appointment of its Executive Vice President as part of the corporate strategy to strengthen relationships with public and private stakeholders as well as business partners, overseeing the permitting strategy, managing complex strategic issues and guiding the development of corporate strategy and governance.

During FY 2023, loss from continuing operations totaled $11.38 million, which was primarily comprised of administrative expenses of $6.82 million, greenfield exploration expenses of $6.99 million, financial income in the form of a cash account and term deposit interest of $2.34 million, financial cost in the form of banking commissions of $0.06 million, other income of $0.06 million and an exchange rate income of $0.09 million.

Financial Position

The following table sets out selected aspects of the Company's consolidated statement of financial position as at FY 2025, FY 2024 and FY 2023:

	Fiscal Year ended December 31		
(in thousands of US$)	**2025**	**2024**	**2023**
Statement of financial position			
Total assets	**184,989**	**153,893**	**147,009**
Cash and cash equivalents	14,011	15,375	33,246
Property, plant and equipment	13,148	9,920	11,290
Evaluation and exploration assets	146,901	100,512	94,041
Account receivable current assets	3,960	1,928	1,699
Accounts receivable from related entities, current	6,937	12,518	-
Account receivable non-current assets	32	6,723	6,733
Accounts receivable from related entities, non-current	-	6,917	-
Total liabilities	**10,942**	**7,645**	**8,648**
Trade accounts payable and other accounts payable, current	7,131	5,118	4,435
Accounts payable to related entities, current	2	25	14
Other provisions, current	2,438	1,088	1,599
Investment in a joint venture	546	114	-
Trade accounts payable and other accounts payable, non-current	-	1,300	2,600
Other non-financial liabilities, non-current	825	-	-
Non-controlling interests	19,367	18,603	-
Total equity	**174,047**	**146,248**	**138,361**

The Company's financial position in respect of its E&E assets includes capitalized expenses related to the development of the Penco Module, development of the Carina Project and development of Project Dynamo. Capitalized expenses were mainly comprised of expenses incurred in relation to the Company's brownfield exploration, engineering and separation pilot plant activities, together with permitting and management expenses.

During FY 2025 and FY 2024, the Company increased the expenses capitalized as E&E assets due to the increase in development and exploration activities related to the Penco Module and Carina Project. In addition, during FY 2025 the non-current portion of the Company's accounts receivable decreased mainly due to the receipt of the second instalment under the capital increase agreement with CAP and a VAT refund related to project expenditures. The remaining instalment under the capital increase agreement with CAP was subsequently reclassified to current assets.

During FY 2025, the Company reduced its non-current liabilities primarily due to the payment related to the land acquisition in Chile, amounting to $1.3 million.

Additional details with respect to the Company's financial position and expenses can be found under the section of this MD&A entitled "*Discussion of Results and Operations Update*".

As at FY 2025, the Company had $14.01 million in cash and cash equivalents. Comparatively, as at FY 2024, the Company had $15.38 million in cash and cash equivalents. As at FY 2023, the Company had $33.25 million in cash and cash equivalents.

Cash Flows

The following table sets out selected aspects of the Company's statement of cash flows as at FY 2025, FY 2024 and FY 2023:

	Fiscal Year ended December 31		
(in thousands of US$)	**2025**	**2024**	**2023**
Statement of cash flows			
Cash flows from/ (used in) operating activities	320	(7,792)	(11,140)
Cash flows from/ (used in) investing activities	(39,153)	(19,688)	(22,500)
Cash flows from/ (used in) financing activities	37,469	9,610	-

As at FY 2025, cash flows used in operating activities totaled $0.32 million and were comprised of a profit (loss) of $8.95 million, a negative change in working capital of $1.08 million, an inflow of interest received of $1.31 million, a VAT refund received of $6.92 million and a positive adjustment of non-cash flow concepts (i.e., depreciation and others) of $2.12 million. The Company's improvement in operating cash flows was primarily attributable to the VAT refund received during the period.

Comparatively, as at FY 2024, cash flows used in operating activities totaled $7.87 million and were comprised of a profit (loss) of $7.41 million, a negative change in working capital of $2.80 million, an inflow of interest received of $1.66 million and a positive adjustment of non-cash flow concepts (i.e., depreciation and others) of $0.69 million. The Company's decrease in cash flows used was primarily related to the lack of greenfield exploration in Chile.

As at FY 2023, cash flows used in operating activities totaled $11.14 million and were comprised of a profit (loss) of $11.38 million, a negative change in working capital of $4.59 million, an inflow of interest received of $2.34 million and a positive adjustment of non-cash flow concepts (i.e., depreciation and others) of $2.56 million. The Company's increase in cash flows used was primarily in relation to greenfield exploration and activities related to the development of the Carina Project. In addition, the Company increased cash used due to the formation of the Brazilian management team to support its activities in Brazil.

As at FY 2025, cash flows from investing activities totaled $39.15 million and were comprised of investments in E&E assets of $36.65 million and in PP&E assets of $2.50 million. The Company's increase in cash flows used in investments was primarily due to the capitalization of investments related to the technical development of Project Dynamo, the acquisition of concessions in Brazil, costs associated with the construction of the Company's pilot plant in the United States, and the ongoing development of the Carina Project and the Penco Module.

Comparatively, as at FY 2024, cash flows from investing activities totaled $19.61 million and were comprised of investments in E&E assets of $19.29 million and in PP&E assets of $0.32 million. The Company's increase in cash flows used in investments is primarily due to the capitalization of the investment in the technical development of the Carina Project, which began following the issuance of the PEA in January 2024, and the ongoing development of the Penco Module.

As at FY 2023, cash flows from investing activities totaled $22.50 million and were comprised of investments in E&E assets of $14.51 million and in PP&E assets of $11.46 million. The Company's increase in cash flows used in investments is primarily due to the technical development of the Penco Module, acquisition of land in Chile and the costs associated with the construction of the Company's pilot plant in Chile.

As at FY 2025, cash flows generated from financing activities totaled $37.47 million, mainly due to the capital raise at the Company level of $25.00 million and the second tranche of the capital contribution made by CAP to REE Uno in exchange for a 20% equity ownership interest of $12.48 million.

Comparatively, as at FY 2024, cash flows used in financing activities totaled $9.61 million, mainly due to the first tranche of the capital contribution made by CAP to REE Uno in exchange for a 20% equity ownership interest. Comparatively, as at FY 2023, cash flow used in financing activities was nil.

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 Reverse Circulation (RC) drilling campaign at greater depths, aimed at increasing the inferred mineral resources and then converting them into a measured and indicated category.

During Q4 2025, the Company completed its review of Phase 2 drilling results and validated the associated chemical assay data, including through inter-laboratory analyses, supporting the consolidation of the geological database and the preparation of the resource model for the Carina FS. These activities were underpinned by the receipt of all chemical assay results from the Phase 2 drilling campaign during Q3 2025, which enabled the consolidation of the geological database and the preparation of the resource model in support of the Carina Project PFS Technical Report.

The cumulative Phase 2 drilling activities concluded in Q2 2025 totaled 25,990 meters across 1,823 drill holes, comprising of 15,281 meters from 928 RC drill holes and 2,892 meters from 460 auger drill holes completed during 2025, and 7,817 meters from 435 RC drill holes completed during 2024. Phase 2 drilling activities represent a substantial increase in exploration efforts compared to Phase 1, which comprised 4,134 meters of drilling and served as the basis for the initial Carina Project PEA.

Comparatively, during Q2, Q3 and Q4 2024, the Company advanced its Phase 2 drilling efforts, completing a total of 7,817 meters across 435 drill holes.

Greenfield Exploration - Brazil

During FY 2025, the Company continued its greenfield exploration activities in Brazil, focusing on geological mapping and systematic surface sampling across the Company's granted mineral licenses. These activities included sample collection for both desorbable and total rare earth element (REE) analyses, as well as geomorphological studies aimed at improving the understanding of regolith development and the factors controlling REE enrichment, in support of exploration target refinement. In parallel, the Company evaluated additional prospective areas and progressed planning for subsequent exploration phases.

In addition, the Company further advanced community screening and environmental baseline assessments and completed follow-up scout drilling within its mineral rights concessions to support planned exploration activities, drilling a total of 807 meters across 144 auger holes, exceeding the original plan of 85 holes.

Comparatively, during FY 2024, the Company focused on delineating potential areas with REE prospectivity through comprehensive surface mapping and sample collection. The objective was to identify regions of similar size and quality to the Carina Project, thereby providing a foundation for the Company's proposed exploration drilling campaigns in 2025.

Exploration Activities - Penco Module and Chile

During FY 2025 and FY 2024, the Company did not report any brownfield exploration activities within the Penco Module, nor any greenfield exploration activities in Chile.

Project Development Activities

<u>Carina Project</u>

General Engineering

During FY 2025, the Company advanced general engineering activities related to the Carina Project PFS Technical Report, which was completed and filed on November 6, 2025. In addition, the Carina Project FS design phase was initiated in July 2025, with Hatch Brazil serving as the lead engineering firm. The Company also progressed with detailed design and construction planning for early works, which are expected to transition to execution in the second half of 2026, following the anticipated approval of the EIA by SEMAD in Goiás.

During Q4 2025, the Company achieved further progress on the Carina process design, including updates to the mine plan and the process plant configuration, supporting the continued advancement of the project toward the Carina FS.

Comparatively, during FY 2024, the Company delivered an updated PEA for the Carina Project, and focused its efforts on continuing the Carina PFS, which included site visits by Hatch Brazil to review potential locations for the processing plant and disposition zones, as well as potential water and power supply intakes and the completion of a trade-off analysis for the dry stacking facility.

Mining Study

During FY 2025, the Company advanced and concluded key technical and mining workstreams in support of the Carina PFS and progression towards the Carina FS. Activities included the development of a strategic mine engineering plan and hydrogeological work program, the integration and validation of recent drilling data into updated geological and grade block models and the completion of an updated mineral resource estimate. In addition, the Company performed benchmarking analyses of operating cost assumptions and implemented a cloud-based geospatial data platform to centralize technical datasets and support ongoing exploration and development activities.

During Q4 2025, the Company advanced key mining workstreams including the development of the life-of-mine, supporting the delivery of the Carina FS.

Comparatively, during FY 2024, the Company advanced mine engineering and supporting technical studies for the Carina Project, including the evaluation of mining design options and the integration of field campaign results into hydrogeological modeling and geotechnical stability assessments. In addition, the first stage of the Carina PFS was completed, encompassing gap analyses of available mine engineering inputs, mine fleet trade-off studies and geotechnical assessments to define subsequent fieldwork requirements.

Process Design

During FY 2025, the Company advanced process design activities for the Carina Project through the operation of its pilot plant in Aparecida de Goiânia, Brazil. The pilot campaign produced over 150 kg of MREC, validating the robustness of the Company's extraction and purification process and confirming high product purity. Data generated from the pilot campaign supported process design optimization and strengthened the technical basis of the Carina PFS and the transition to the Carina FS.

During Q4 2025, the Company continued progressing the development of the 3D model and plant layout, strengthening the technical baseline required to support subsequent engineering stages. In addition, the pilot plant facility remained available for technical validation activities and stakeholder engagement.

Comparatively, during FY 2024, the Company conducted an indicative testing campaign with the Carina Project clays at its pilot plant in Concepción, Chile, metallurgical work and supporting engineering studies, which provided technical inputs for the Carina PFS and the subsequent feasibility-stage evaluation. In addition, the Company relocated its pilot plant from San Pedro de la Paz, Chile, to Aparecida de Goiânia, Goiás, Brazil, to support continued pilot-scale process validation.

Penco Module

General Engineering

During FY 2025, the Company advanced technical, regulatory and strategic activities to support the progression of the Penco Module toward the Penco FS phase. In addition, the Company responded to technical observations from the SEA related to EIA 1, resulting in an optimized project layout, and executed memorandums of understanding with the oil pipeline owner (ENAP) and the sanitary landfill owner to define key operational strategies incorporated into the EIA 1 Addendum. In parallel, the Company progressed the design of the Neptune disposal zone, completing a pre-feasibility assessment that identified and prioritized potential deposition areas.

During Q4 2025, the Company advanced its assessment of capital and operating cost optimization opportunities related to the processing plant and off-site infrastructure. In addition, the Company developed an optimized site plan for the processing plant to improve truck hauling and clay feeding costs, while key technical engineering deliverables were finalized to support the transition into the Penco FS phase.

Comparatively, during FY 2024, the Company advanced permitting and engineering activities for EIA 1 at the Penco Module. Key milestones included the update of the project description, agreement with ENAP on the oil pipeline technical scope, and continued coordination with Essbio S.A. to progress permitting and detailed engineering studies for the recycled water intake source. In addition, the Company managed evolving technical requirements, engaged with regulatory authorities and local communities through the SEA process and responded to technical observations received. The Company refined its strategy to support the reactivation of the Penco FS phase in 2025, incorporating operational enhancements expected to reduce capital and operating costs and improve overall efficiency.

Mining Study

During FY 2025, the Company advanced mining studies for the Penco Module to support the development of the Penco FS, focusing on integrating geospatial data, advancing preliminary mine planning and refining key technical and economic assumptions underlying the Penco FS. The Company resumed and progressed mine planning workstreams to define a robust base case scenario, including the iterative optimization of pit designs, mine sequencing and production scheduling. In addition, the Company developed preliminary mine drainage and closure concepts, updated operating cost estimates, performed productivity modeling through discrete-event simulation, conducted geotechnical assessments and carried out hydrogeological field campaigns to assess groundwater dynamics during the rainy season, with results expected to inform permitting efforts and long-term water management strategies.

During Q4 2025, the Company advanced the development of a mine plan aligned with the filed EIA 1, together with the design of a technically viable disposal facility, aimed at maximizing operational continuity and supporting the overall economic viability of the Penco Module project.

Comparatively, during FY 2024, the Company focused on advancing geological, hydrogeological, and mine planning activities within the Penco Module, including the completion of an Electrical Resistivity Tomography ("ERT") study in the Victoria Norte deposit zone indicating that the rock basement occurs at a greater depth than previously estimated and initiating geostatistical analyses to assess potential updates to the 3D geological model. In addition, field campaigns were conducted to evaluate moisture levels across existing drill holes in the Victoria Norte, Maite and Luna areas, and hydrogeological models were updated using data obtained from the ERT study and dry-season measurements. The Company also progressed conceptual design work for the Neptuno deposition zone, established a medium-term mining schedule and carried out hydrogeological fieldwork and granulometric geostatistical analyses.

Process Design

During FY 2025, the Company conducted a technical review of the Penco Module and developed an updated mass balance incorporating process improvements implemented during the Carina Project pilot campaign. In addition, these initiatives resulted in the preparation of a consolidated technical information package, the optimization of projected plant throughput in line with the revised mine plan and operational requirements and the elimination of the need for drying of processed material.

During Q4 2025, the Company focused on reinforcing the technical basis of the process and ensuring consistency between the current Penco Module flowsheet with the previously validated metallurgical test results, while maintaining ongoing process engineering discussions in alignment with the approved process flow diagrams.

Comparatively, during FY 2024, the Company validated key process design parameters for the Penco Module, including screening performance and spent clay filtration, confirming mass balance assumptions and achieving improved moisture reduction relative to prior results.

Project Dynamo - Separation

During FY 2025, the Company advanced Project Dynamo through the completion of an updated conceptual engineering, incorporating process optimizations derived from bench- and laboratory-scale testing to improve the efficiency and cost-effectiveness of the solvent extraction process. The Company selected the site for its separation industrial facility at the Port of Vinton in the State of Louisiana and entered into a partnership with the Louisiana Economic Division of the State of Louisiana. The Company also progressed the preparation of its separation pilot plant and signed an MoU with Virginia Tech to collaborate on the operation of the pilot plant. The pilot plant is expected to demonstrate the Company’s solvent extraction technology developed during the conceptual engineering phase.

During Q4 2025, the Company selected Hatch to lead the basic engineering of Project Dynamo, which commenced in Q4 2025 and is expected to be completed in Q3 2026. In addition, the Company initiated the implementation of its separation pilot plant at the VTCRC in Blacksburg, Virginia. Commissioning activities commenced in February 2026, and the formal inauguration is expected to occur on or around March 18, 2026. The pilot plant is expected to operate for approximately two (2) years, supporting the development and validation of the process ahead of the start-up of the industrial facility. In parallel, the Company advanced environmental, permitting and site evaluation activities at the Port of Vinton, aiming to obtain all necessary approvals from the State of Louisiana to begin construction in the second half of 2026.

Comparatively, during FY 2024, the Company initiated its rare earth separation initiative through the incorporation of its U.S-based subsidiary Aclara Technologies, with the objective of converting high-purity MREC produced from the Company’s extraction projects in Chile and Brazil into individual high purity REOs. The Company engaged with specialized consultants to develop a production flowsheet tailored to the product and feed characteristics and completed an initial conceptual engineering study for the separation project, based on a solvent extraction flowsheet and supported by a Class 5 AACE capital and operating cost estimate. In addition, the Company engaged a U.S.-based specialized firm to further optimize the separation flowsheet.

Metals and Alloys Project

During Q4 2025, the Company advanced the technological development and metallurgical process design for its Metals and Alloys Project, which included the design of the electrolysis technology and the identification of key equipment and consumables required for the next stage of development.

Environmental, Social and Governance

Carina Project

Environment and Permits

During FY 2025, the Company completed the archaeological assessment and environmental baseline studies supporting the submission of the Carina Project EIA to the State of Goiás SEMAD. Subsequently, the EIA was resubmitted following regulatory, normative and systemic updates introduced by the environmental authority, incorporating the necessary adjustments to ensure compliance with the updated requirements.

During Q4 2025, SEMAD completed its initial review of the submitted studies, and the Company advanced on consolidating the additional information requested as part of the ongoing environmental evaluation. The Company expects to receive SEMAD's authorization to conduct the public hearing, followed by approval of the preliminary license during Q2 2026.

Comparatively, during FY 2024, the Company advanced the early stages of the environmental permitting process for the Carina Project and developed the environmental baseline studies required for the application of the EIA. These activities included geochemical and hydrogeological characterization, acid drainage potential studies, archaeological surveys and social baseline studies with engagement of the traditional community. In addition, the Company obtained the authorization required to proceed with its Phase 2 drilling campaign and initiated permitting processes for the pilot plant and the transmission line.

Social License

During FY 2025, the Company completed the first cycle of its local professional training program in partnership with the National Service for Industrial Training (SENAI), delivering courses in residential electricity and heavy machinery mechanics in Nova Roma and neighboring municipalities. In addition, the Company continued its workforce development and supplier capacity-building initiatives, launching the second phase of its local supplier development program, and executed a technical cooperation agreement with the municipality of Nova Roma to support the orderly implementation of the Carina Project through technical studies related to basic sanitation and urban planning. Furthermore, the Company advanced its Social Communication Plan through meetings with rural and urban communities to provide project updates and information on local employment and business opportunities and hosted multiple stakeholder visits to its pilot plant facility in Goiânia.

During Q4 2025, the Company commenced the second training cycle of its professional training program in partnership with SENAI. As of the end of the quarter, a total of 87 individuals had participated in the program, including 50 who completed the first training cycle and 37 enrolled in the second. In addition, the Company supported community infrastructure initiatives, including the renovation of the municipal sports gymnasium, the donation of an ambulance and support for the establishment of a military police base.

Comparatively, during FY 2024, the Company advanced social license activities for the Carina Project through engagement with the traditional community, environmental and socioeconomic studies and the execution of training agreements aimed at supporting local employment. In addition, the Company strengthened institutional relationships with federal and local authorities, executed a MoU with the State of Goiás and the municipality of Nova Roma which recognized the strategic relevance of the project, implemented the first stage of its social communication plan reaching local residents and initiated its local supplier development program in Nova Roma and region.

<u>Penco Module</u>

Environment and Permits

During FY 2025, the Company submitted the EIA 1 Addendum on March 28, 2025, addressing technical and citizen observations and incorporating updates to optimize the project layout, safety and operational efficiency. On May 14, 2025, the SEA issued a Complementary ICSARA for EIA 1, incorporating additional technical observations and instructing the revision of previously addressed citizen comments. In response, the Company advanced additional field studies related to flora, fauna, soils and human and indigenous environments, developed updated environmental models and mitigation measures, and conducted further consultations with indigenous and non-indigenous community organizations, culminating in the formal submission of the Complementary Addendum to the SEA on October 14, 2025.

On November 25, 2025, the SEA issued the third ICSARA for EIA 1, which included observations related to fauna, air quality, flora and the indigenous environment. The observations primarily related to the assessment of potential environmental impacts and the adequacy of proposed mitigation measures, including matters associated with noise, air quality receptors, protected native vegetation and aspects arising from the Indigenous Consultation Process. The Company endeavours to submit the corresponding Exceptional Addendum by the end of Q1 2026.

Comparatively, during FY 2024, the Company completed the submission and admissibility of EIA 1 for the Penco Module and progressed through the formal review process. In addition, the Citizen Participation Process was conducted and complete, the Indigenous Consultation Process was initiated, and the Company received technical and citizen observations from the SEA, for which the Company was preparing responses scheduled to be submitted by the end of Q1 2025.

Social License

During FY 2025, the Company held multiple meetings with government agencies, public officials and technical representatives to provide updates on the Penco Module and support ongoing regulatory and technical evaluations. In addition, the Company implemented community initiatives addressing identified local needs, including programs related to dental health, local tourism development and public safety. The Company hosted its first supplier event in the Biobío Region, bringing together more than 150 existing and potential suppliers to present its local procurement strategy and reinforce its commitment to regional development. In addition, the Company hosted a visit from Chile’s main industrial trade association, which convened national and international business representatives and highlighted the relevance of the Penco Module to the broader industrial community.

During Q4 2025, the Company’s engagement with authorities focused on meetings with technical evaluating agencies to address their observations and advance dialogue in preparation for the third addendum to the EIA 1. In addition, the Company officially announced and informed the SEA of its voluntary renunciation of all water use and extraction rights associated with the Penco, El Cabrito, Bellavista and Popen streams, located in the Province of Concepción, Biobío Region.

Comparatively, during FY 2024, the Company concluded the early citizen participation process for the Penco Module, incorporating community feedback related to environmental management, recreational areas and local employment. The Company strengthened engagement with national, regional and local authorities to align the project with Chile’s decarbonization and regional development priorities and implemented social investment programs in the Penco community focused on education, technical training, reforestation and sports. In addition, the Penco Module was included in the Government of Chile’s Industrial Strengthening Plan for the Biobío Region, and the Company continued territorial engagement with government and community stakeholders.

Occupational Health and Safety

During H1 2025, the Company recorded one lost-time injury incident at the Carina Project, following which an internal investigation was conducted, and preventive measures were implemented to mitigate the risk of recurrence. In addition, the Company implemented and expanded the use of a performance indicator management system and benchmarking initiatives to strengthen safety processes and enhance occupational health and safety protocols. A dedicated asset protection department was established, implementing 24/7 site security and access control systems aligned with industry best practices. No lost-time incidents were recorded during H2 2025.

During Q4 2025, the Company conducted emergency response training, strengthened vehicle inspection routines and delivered refresher onboarding training for contractors. In addition, vaccination campaigns were implemented for employees and third-party contractors and contractor management activities continued through regular coordination meetings and monitoring of preventive actions.

Comparatively, during FY 2024, the Company reported one lost-time injury involving an employee in Brazil and implemented corrective measures, including enhanced training requirements, stricter equipment use protocols and improved in-field communication systems. The Company also advanced occupational health and safety initiatives focused on emergency readiness, defensive driving, workplace health programs and regulatory integration, and established a health and safety communication procedure to strengthen internal coordination and risk management.

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 Q4 2025, the Company's expenditures in respect of exploration, technical development, environmental, social and governance and administration activities were $38.83 million, which were partially offset by a capital contribution of $36.64 million, a VAT recovery of $6.92 million and funds received from the DFC of $0.83 million, totaling a net cash outflow of $1.36 million and a total cash balance of $14.01 million. Comparatively, as at the end of Q4 2024, the Company's net cash outflow was $13.07 million, and the total cash balance was $15.38 million.

Overview of Operating Expenditure and Costs

The Company incurred an aggregate of $8.95 million in losses from continuing operations before income tax during FY 2025, as compared to an aggregate of $7.41 million in losses during FY 2024. During Q4 2025, the Company incurred $2.18 million in losses in connection with exploration expenses, administration expenses, other income, finance costs, finance income and loss/gain resulting from exchange rate fluctuations, as compared to Q4 2024, in which the Company incurred losses of $2.00 million.

	Three months ended December 31		**Year ended December 31**	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Exploration expenses	323	299	1,985	594
Administration expenses	2,048	1,779	7,644	8,239
Other (expenses) income	-	-	-	(135)
Share of loss of a joint venture	103	84	432	115
Financial costs	132	25	303	65
Financial income	(416)	(326)	(1,308)	(1,657)
Exchange differences	(13)	142	(107)	193
Loss from continuing operations before income tax	**2,177**	**2,003**	**8,949**	**7,414**
Attributable to:				
Equity shareholders of the Parent	**1,773**	**1,915**	**8,449**	**7,223**
Non-controlling interests	**404**	**88**	**500**	**191**

<u>Exploration Expenses</u>

The breakdown of exploration expenses incurred by the Company for the periods Q4 2025, Q4 2024, FY 2025 and FY 2024 are as follows:

	Three months ended December 31		**Year ended December 31**	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Personnel expenses	42	51	180	133
Professional fees	41	54	856	57
Mining rights	-	-	90	-
Rental	16	60	46	167
Repair and maintenance	-	-	-	4
Analysis & technical	25	9	44	9
Studies	-	28	61	32
Technology and system	-	-	12	-
Contractors and services	33	8	341	24
Travel expenses	49	84	161	119
Freight	2	-	2	14
Laboratory supplies and materials	3	2	10	9
Other	113	3	182	26
Total	**323**	**299**	**1,985**	**594**

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 Q4 2025, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of $42 and costs related to renting of geology equipment of $16. Additionally, the Company incurred costs of $41 for legal, technical and analytical advisory services. Comparatively, during Q4 2024, the Company incurred in professional fees of $54, personnel expenses of $51 and costs related to renting geology equipment of $60. In addition, the Company incurred travel expenses of $49, laboratory supplies and other related expenses of $118, as compared to $89 in Q4 2024.

In Q4 2025, the Company incurred contractors and services expenses of $33, comprised of drilling expenses, as compared to $8 in Q4 2024.

During FY 2025, the Company incurred personnel expenses of $180, professional fees of $856, costs related to mining rights of $90, costs related to renting of geology equipment of $46, analysis and technical costs of $44 and drilling expenses and other study related expenses of $61. These expenses were primarily associated with soil sampling, chemical assays and superficial mapping activities carried out for greenfield exploration. Comparatively, during FY 2024, the Company conducted greenfield exploration activities in Brazil and the development of the Carina Project resulting in personnel expenses of $133, professional fees of $57, costs related to renting of geology equipment of $167, costs related to repair and maintenance of $4, analysis and technical costs of $9 and drilling expenses and other study related expenses of $32.

In FY 2025, the Company also incurred travel expenses of $161, freight expenses of $2, laboratory supplies and other related expenses of $204, as compared to $168 in FY 2024. In addition, the Company incurred contractors and services expenses of $341, as compared to $24 in FY 2024, which was comprised of $267 in drilling and related services and $74 in other related expenses.

Other Income

The breakdown of other income incurred by the Company for the periods Q4 2025, Q4 2024, FY 2025 and FY 2024 are as follows:

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

As at FY 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 Q4 2025, Q4 2024, FY 2025 and FY 2024 are as follows:

	Three months ended December 31		Year ended December 31	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Personnel expenses	666	671	2,745	3,316
Professional fees	285	382	1,182	1,265
Depreciation and amortization	483	416	1,029	1,388
Contractors and services	193	107	1,298	1,305
Travel expenses	96	30	420	421
Marketing expenses	119	35	583	236
Other expenses	206	138	387	308
Total	**2,048**	**1,779**	**7,644**	**8,239**

In Q4 2025, the Company incurred personnel expenses of $666 to support its management and administration team, as compared to $671 in Q4 2024.

Professional fees of $285 incurred during Q4 2025 comprised accounting, tax and legal expenses for the Company's annual tax and legal processes, as compared to $382 incurred for a similar purpose in Q4 2024. In addition, during Q4 2025, the Company incurred travel expenses of $96, marketing expenses of $119 and other expenses of $206, as compared to $30 in travel expenses, $35 in marketing expenses and $138 in other expenses incurred in Q4 2024. The increase in marketing expenses is primarily in relation to lobbying-related activities.

In Q4 2025, the Company incurred depreciation and amortization expenses of $483, as compared to $416 in Q4 2024. In addition, during Q4 2025, the Company incurred contractor and services expenses of $193, primarily driven by Board-related expenses, as compared to $107 in Q4 2024.

During FY 2025, the Company incurred professional fees of $1,182, as compared to professional fees of $1,265 during FY 2024. In addition, during FY 2025, the Company maintained mining concessions in Chile and Brazil, which were amortized, resulting in depreciation and amortization expenses of $1,029, as compared to $1,388 in FY 2024.

During FY 2025, the Company incurred contractors and services expenses of $1,298 compared to $1,305 in FY 2024. These expenses were primarily related to the Company's disclosure and compliance obligations as a Canadian reporting issuer listed on the TSX, including costs associated with the issuance of restricted share units to the board of directors, along with related expenses such as consulting fees, digital campaigns and market surveillance.

In FY 2025, the Company increased the expenses related to licenses, office, travel and related administrative expenses mainly due to marketing activities and related visits. This resulted in travel expenses of $420, marketing expenses of $583 and other related administrative expenses of $387, as compared to travel expenses of $421, marketing expenses of $236 and other expenses of $308 in FY 2024.

Financial Income and Costs

In Q4 2025, the Company's net financial income and costs amounted to $284 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 $301 in Q4 2024.

	Three months ended December 31		**Year ended December 31**	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Bank commissions	132	25	303	65
Total financial costs	**132**	**25**	**303**	**65**

	Three months ended December 31		**Year ended December 31**	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Interests	(416)	(326)	(1,308)	(1,657)
Total financial income	**(416)**	**(326)**	**(1,308)**	**(1,657)**

During FY 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 $303 as compared to $65 during FY 2024. In addition, in FY 2025, financial income decreased to $1,308 as compared to $1,657 in Q4 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 Q4 2025, the Company's principal business included the development of the Penco Module, Carina Project and Project Dynamo. 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	19,294
Foreign exchange effect	(12,222)
Balance at December 31, 2024	**102,224**
Additions	36,651
Disposals	(90)
Foreign exchange effect	10,909
Balance as at December 31, 2025	**149,694**
Accumulated amortization and impairment	
Balance at January 1, 2024	**1,111**
Additions	769
Foreign exchange effect	(168)
Balance at December 31, 2024	**1,712**
Additions	929
Foreign exchange effect	152
Balance as at December 31, 2025	**2,793**
Net book value as at December 31, 2024	**100,512**
Net book value as at December 31, 2025	**146,901**

The total investments in the Carina Project, the Penco Module and Project Dynamo capitalized as E&E as at Q4 2025, Q4 2024, FY 2025 and FY 2024 are as follows:

	Three months ended December 31		**Year ended December 31**	
(in thousands of US$)	**2025**	**2024**	**2025**	**2024**
Personnel expenses	2,917	1,381	8,240	4,593
Professional fees	1,776	578	7,043	3,059
Environmental impact study	929	427	2,736	1,367
Geochemical study	18	-	18	-
Drilling services	99	-	2,532	-
Engineering services	42	-	585	-
Mining rights	56	2,397	439	2,858
Feasibility studies	2,947	-	2,947	-
Rent building, vehicles, others	448	228	2,129	1,086
Analysis & technical	413	627	1,918	1,590
Contractors and Services	3,120	2,165	5,608	3,256
Travel expenses	278	207	1,033	583
Other	513	285	1,420	902
Total	**13,556**	**8,295**	**36,651**	**19,294**

In FY 2025, the Company incurred personnel expenses of $8,240, as compared to the same period in 2024, in which the Company incurred personnel expenses of $4,593. The increase in personnel expenses is primarily due to the growth in headcount in Brazil and the U.S. to support the development of the Carina Project and Project Dynamo, respectively. For purposes of calculating the Company's personnel expenses under its E&E asset balance sheet, the Company's employee headcount as at Q4 2025 was 87 as compared to 67 as at Q4 2024.

Each category of the Company's costs in relation to its investment in the Penco Module, the Carina Project and Project Dynamo in Q4 2025 has been discussed elsewhere in this MD&A. In FY 2025 and 2024, expenses related to the technical development of the Penco Module, the Carina Project and Project Dynamo 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*", "*Exploration Activities*" and "*Aclara Technologies - Separation*" above.

As at Q4 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 $929 as at Q4 2025 as compared to the same period in 2024, in which the Company incurred environmental impact study expenses of $427.

Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totaled $56 as at Q4 2025 as compared to $2,397 incurred as at Q4 2024. This decrease was primarily due to the acquisition of mining concessions in Brazil during Q4 2024.

As at FY 2025, the Company's concessions were comprised of 83,685 hectares in respect of the Penco Module and 48,278 hectares in respect of the Carina Project, as compared to FY 2024 in which the Company's concessions were comprised of 83,285 hectares in respect of the Penco Module, 54,014 hectares in the Carina Project and 30,100 hectares related to other concessions.

Properties, Plants and Equipment

The breakdown of PP&E capitalized by the Company as at the end of FY 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	-	2,502	2,502
Foreign exchange effect	800	149	949
Balance as at December 31, 2025	**8,928**	**5,837**	**14,765**
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	-	195	195
Foreign exchange effect	-	28	28
Balance as at December 31, 2025	**-**	**1,617**	**1,617**
Net book value as at December 31, 2024	**8,128**	**1,792**	**9,920**
Net book value as at December 31, 2025	**8,928**	**4,220**	**13,148**

During FY 2025, the Company incurred expenses of $2,502 due to equipment purchases, primarily associated with the construction of Project Dynamo, compared to $394 during FY 2024. This increase was primarily due to the equipment purchases and the construction of the separation pilot plant in the United States.

SUMMARY OF QUARTERLY RESULTS

	December 31	**September 30**	**June 30**	**March 31**
(in thousands of US$)	**2025**	**2025**	**2025**	**2025**
Revenues	-	-	-	-
Net income (loss) from continuing operations	(2,177)	(2,136)	(2,838)	(1,799)
Net income (loss) and comprehensive income (loss)	**(2,177)**	**(2,136)**	**(2,838)**	**(1,799)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

	December 31	**September 30**	**June 30**	**March 31**
(in thousands of US$)	**2024**	**2024**	**2024**	**2024**
Revenues	-	-	-	-
Net income (loss) from continuing operations	(2,003)	(1,947)	(2,101)	(1,363)

(in thousands of US$)	December 31 2025	September 30 2025	June 30 2025	March 31 2025
Net income (loss) and comprehensive income (loss)	**(2,003)**	**(1,947)**	**(2,101)**	**(1,363)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

During Q4 2025, the Company incurred higher net losses from continuing operations as compared to Q3 2025, primarily due to an increase in administrative expenses of $415, an increase in financial costs of $51, a decrease in exchange rate expenses of $30 and a decrease in its share of loss of a joint venture of $36. The impacts were partially offset by a decrease in exploration expenses of $359, primarily due to lower explorations activities.

During Q3 2025, the Company incurred lower net losses from continuing operations as compared to Q2 2025, primarily due to a decrease in administrative expenses of $626, a decrease in exploration expenses of $107, an increase in exchange rate expenses of $109, an increase in financial income of $134, an increase in its share of loss of a joint venture of $7, and an increase in financial costs of $49. The decrease in administrative expenses was primarily in relation to personnel costs of $268 related to the departure of the Chief Operating Officer, and legal expenses of $212 incurred for continuous disclosure filings, as compared to nil in Q2 2025. The decrease in exploration expenses was primarily explained by the absence of the write-off of acquisition costs related to mining concessions recorded in the previous quarter.

During Q2 2025, the Company incurred higher net losses from continuing operations as compared to Q1 2025, primarily due to an increase in administrative expenses of $555, an increase in exploration expenses of $598, a decrease in exchange rate expenses of $73, an increase in financial income of $91, an increase in share of loss of a joint venture of $74 and a decrease in financial costs of $24. The increase in administrative expenses was mainly explained by higher personnel expenses of $410, resulting from performance bonuses and severance payments made to the former Chief Operating Officer, along with increased consulting and professional expenses of $80, and contractor-related services of $82. These increases were partially offset by lower travel and other expenses of $17. The increase in exploration expenses was primarily due to technical and fieldwork activities conducted in Brazil and the United States, including geological mapping, environmental assessments, drill site preparation and technical reviews of mineral titles, which led to higher technical and analysis services of $573 and other related expenses of $25.

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 Q2 2024, 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 Q1 2024, 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 Q4 2023, 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.

The Company is in the development phase of each of the Penco Module, the Carina Project and Project Dynamo, which includes technical and feasibility studies and conducting exploration, as discussed in greater detail under the sections of this MD&A entitled "*Project Development Activities*", "*Exploration Activities*" and "*Aclara Technologies - Separation*" above. The Company has not generated any operating income as at FY 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 FY 2025 and FY 2024 are as follows:

	Year ended December 31	
	2025	**2024**
Cash and cash equivalents		
Current demand deposit accounts	14,011	15,375
Total Cash and cash equivalents	**14,011**	**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.

Foreign Currency Risk

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.

Credit Risk

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.

Liquidity Risk

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, Aclara Brazil has access to project development funding of up to $5 million under the DFC commitment, as described in the "*Carina Project and Future Outlook*" section of this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Requirements

The Company has working capital of $1.33 million as at the end of FY 2025, and the Company's cash and cash equivalent position as at the end of FY 2025 was $14.01 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$)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	After 2032
Operating Leases (1)	448	6	3	-	-	-	-
Other Obligations (2)	1,098	734	-	-	-	-	-
Total Contractual Obligations	**1,546**	**740**	**3**	**-**	**-**	**-**	**-**

(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 Q4 2025. As at FY 2025, the Company had a cash and cash equivalent balance of $14.01 million.

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. Additionally, the Company received a VAT refund of $6.92 million in cash during Q2 2025, related to a VAT tax benefit for the Penco Module project expenses.

On January 20, 2026, the Company received the third tranche payment of $6.9 million from CAP's strategic investment in REE Uno. To date, CAP has deposited all three (3) tranches owed pursuant to the CAP Investment Agreement, totaling $29.1 million. 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 2026 is the continued advancement and development of the Penco Module, the Carina Project, Project Dynamo and any potential future modules located in the concessions beneficially held by the Company.

The primary uses of capital resources in 2026 are expected to include:

(in thousands of US$)	2026
Activities in connection with the Penco Module	**8,120**
Permitting and community engagement expenditures	1,143
Engineering activities	984
Surface land purchase and mining concessions	1,484
Administrative and personnel expenses	4,509
Activities in connection with the Carina Project	**18,899**
Engineering and piloting	4,452
Permitting and community engagement expenditures	3,236

(in thousands of US$)	2026
Surface land purchase and mining concessions	4,279
Administrative and personnel expenses	6,932
Activities in connection with the Project Dynamo	**12,942**
Engineering and piloting	7,865
Administrative and personnel expenses	5,077
Aclara Metals and Alloys Project	**4,459**
Engineering and piloting	3,746
Administrative and personnel expenses	713
Maintenance of mining concessions and exploration activities in connection with potential new modules	**311**
Administrative expenses and general corporate purposes	**5,806**
TOTAL	**50,537**

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, Project Dynamo, 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.

As at FY 2025, the remuneration of the Company's key management totaled $5.11 million, as compared to the same period in 2024 in which remuneration of the Company's key management totaled $4.29 million.

	Year ended December 31	
(in thousands of US $)	**2025**	**2024**
Shared-based payments (1)	702	1,198
Short-term employee benefits	4,410	3,092
Total compensation paid to key management personnel	**5,112**	**4,290**

(1) Amortized share-based payment expenses due to restricted share units granted.

Related Party Transactions

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

Accounts payable

	Year ended December 31	
(in thousands of US$)	**2025**	**2024**
Compañia Minera Ares S.A.C.	2	19
CAP	-	6
Total	**2**	**25**

Accounts receivable

	Year ended December 31	
(in thousands of US$)	**2025**	**2024**
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 one (1) of the three (3) installments of this contribution.

Accounts payable with Compañia Minera Ares S.A.C. amounted to $2 as at FY 2025, compared to accounts payable of $19 as at FY 2024.

Accounts receivable with CAP amounted to $6.93 million as at FY 2025, compared to accounts receivable of $19.42 million as at FY 2024. This decrease was primarily due to paying the second installment in relation to the capital contribution made by CAP.

Accounts receivable with Aclara Metals amounted to nil as at FY 2025, compared to accounts receivable of $17 during FY 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 222,361,749 common shares and 1,611,893 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 Consolidated 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 REE; statements regarding anticipated exploration, drilling, development, construction, permitting and other activities or achievements of Aclara; expectations, strategies and plans for the Penco Module, the Carina Project and Project Dynamo, including in relation to geology, metallurgy, engineering, title, and environmental matters; expected costs and timing of development of the Penco Module, the Carina Project and Project Dynamo; 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 REE; 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 MD&A 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.