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 August 6, 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 super pure rare earth carbonate ("SPREC") 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 rare earth oxcides ("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 interim consolidated financial condition and results of operations for the three (3) and six (6) months ended June 30, 2026 ("Q2 2026") and June 30, 2025 ("Q2 2025"). This MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements and the notes thereto for the three (3) and six (6) months ended June 30, 2026, and June 30, 2025 (collectively, the "Interim Unaudited Consolidated Financial Statements"). The Interim Unaudited Consolidated Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board.

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 ("$"). 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 earth 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 within its Circular Mineral Harvesting ("CMH") process, 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 feasibility study technical report ("Carina FS") 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 & Feasibility Study on the Carina Project, Goiás, Brazil", dated effective March 20, 2026 (the "Carina Project FS Technical Report" or "Carina FS"); and
- "Amended and Restated NI 43-101 Technical Report – Preliminary Economic Assessment for Penco Module Project", dated effective September 15, 2021.

The Company holds an aggregate of approximately: (i) 85,585 hectares of mining rights in Chile, distributed in the regions of Maule, Ñuble and Biobío; and (ii) 72,227 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 SPREC from Aclara's mining projects to further refine and separate it into individual REOs. Project Dynamo is advancing through engineering, pilot-scale validation, and permitting in support of its next stage of development.

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 Metals and Alloys Project is intended to convert refined REOs into high-purity metals and alloys required for the manufacturing of permanent magnets, using separated oxides from Project Dynamo as feedstock. The Metals and Alloys Project is advancing through demonstration-scale validation and feasibility study activities in support of its next stage of development. 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.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE HIGHLIGHTS

During Q2 2026, the Company continued to advance the development of the Carina Project, the Penco Module, Project Dynamo and the Metals and Alloys Project, and made consistent investments in respect of evaluation and exploration assets ("E&E") and property, plant and equipment assets ("PP&E").

In Q2 2026, the Company invested $10.32 million in E&E and $0.16 million in PP&E. In comparison, investments in Q2 2025 totaled $9.95 million for E&E and $0.07 million for PP&E. In H1 2026, the cumulative investment in E&E and PP&E totaled $18.89 million and $0.41 million, respectively, compared to $15.62 million and $0.13 million in H1 2025. Aggregate expenditures for E&E and PP&E in FY 2025 totaled $36.65 million and $2.50 million, respectively.

Mining Projects Development

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

On June 29, 2026, the Company announced the successful development of SPREC, an advanced rare earth carbonate product containing approximately 99% rare earth content, compared with conventional mixed rare earth carbonate ("MREC"), where rare earth concentration can be as low as 40%. SPREC was developed at the Company's pilot plant in Santiago, Chile, through the application of solvent extraction ("SX") technology combined within its CMH proprietary process, and the pilot plant produced its first SPREC sample in May 2026.

The Company intends to incorporate this additional processing stage into the Carina Project and the Penco Module. Compared with conventional MREC, SPREC is expected to reduce impurities affecting downstream separation into individual REOs, increase heavy rare earth concentration, facilitate the processing of production from both projects through a common SX circuit and reduce logistics costs through the transportation of a smaller-volume, higher-value product.

During Q2 2026, the Company continued pilot-scale validation and process optimization activities in Santiago, and expects SPREC to become the standard advanced rare earth carbonate product produced by both projects upon commencement of commercial operations. The incremental capital and operating costs associated with the additional processing stage are not expected to be material relative to the CMH process.

On April 13, 2026, the Company successfully delivered the Carina Project FS Technical Report, confirming the project's strong economics including the following: (i) net present value at an 8% discount rate of ~$1.7 billion; (ii) estimated internal return rate of 26.9% over the 18-year life-of-mine and payback period of 2.9 years; (iii) average annual net revenue and EBITDA of $599 million and $460 million, respectively (excluding the first year of ramp-up and last year of ramp-down); and (iv) average net smelter return of $61.8 per tonne processed, compared to an average production cost of $13.1 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:

- *Environmental Baselines and Environmental Impact Assessment Development.* The Company 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. During Q2 2026, the Company submitted additional information requested by SEMAD as a customary EIA development procedure. Additionally, a public hearing is expected to take place between Q3 and Q4 2026, subject to authorization by SEMAD, bringing the Company closer to obtaining the Preliminary License.

- *Technical Development.* In April 2026, the Company successfully completed the Carina FS, reflecting a higher level of engineering maturity and further refined capital cost estimates, supported by basic engineering development and market-based quotations for major equipment and service packages. These developments are expected to support progress toward detailed engineering and construction readiness.

- *Metallurgical Tests.* During Q4 2025, the Company successfully completed metallurgical tests on samples obtained from the Carina Project through a sonic drilling campaign. These tests supported the preparation of the Carina FS. The sonic drilling campaign resulted in a total of 1,257 meters of drilling from 86 drill holes, including 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 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 pre-feasibility technical report (the “Carina PFS”), and the Carina FS; (ii) produce high-purity MREC for separation trials in support of future offtake agreements; and (iii) demonstrate the environmental sustainability of the process design to relevant stakeholders.

- *Commercial Efforts.* The Company is developing Project Dynamo in the United States to refine the Carina Project’s SPREC into individual REOs. 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 SPREC, individual REOs 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:

  - Anticipated EIA Approval — H2 2026
  - Commencement of Detailed Engineering — Q3 2026
  - Commencement of Early Works Construction — Q1 2027
  - Startup — H2 2028
  - Ramp-up to stable operation — 2029

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 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 Project Development Funds, provided under DFC’s Project Development Program, are primarily intended to support the Carina FS and are subject to milestone-based disbursements. 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 also has 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 a 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.

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

On June 23, 2026, the Company announced that the Environmental Qualification Resolution (“RCA”) for the Penco Module had been formally issued and published, successfully concluding the Penco Module’s environmental assessment process covering the first six years of life-of-mine. The Company continues to advance the remaining sectoral permits required for project development while continuing preparatory work for the second environmental impact assessment (“EIA 2”), which is intended to cover the full life-of-mine of the Penco Module.

Following the positive results obtained with the Penco Module EIA, and in an effort to move the project towards an investment decision, the Company is advancing the following activities in parallel:

- *Social License.* The Company will continue its 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.* The Company continued to advance the Penco Module feasibility study technical report (“Penco FS”), focusing on basic engineering design development and capital and operating cost estimates.

- *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*”.

- *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:

    - Complete Penco FS — Q4 2026
    - Complete Construction — Q2 2028
    - Conduct pre-commissioning, commissioning, and ramp-up to stable operations — Q3 2028

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.

Development of Downstream Projects

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

On July 23, 2026, the Company announced that Aclara Technologies was selected by the U.S. Department of Energy (“DOE”) to receive federal funding, subject to award negotiations, under the DOE’s Genesis Mission initiative. The Phase I project, titled “AI-Enabled Process Optimization for Multi-Feed Rare Earth Separation,” will be conducted in collaboration with Argonne National Laboratory and Virginia Tech and is intended to develop and validate an AI-assisted digital twin to optimize rare earth solvent extraction circuits, improve process stability, recovery and product purity, and support the scale-up of the Company’s U.S. rare earth separation technology. Successful Phase I projects may be eligible to advance to Phase II and receive additional federal funding.

On June 26, 2026, the Company announced that the State of Louisiana granted final approval under the Industrial Tax Exemption Program (“ITEP”) for the Company's planned heavy rare earth separation facility at the Port of Vinton, Louisiana. The approval follows the execution of the Industrial Tax Exemption Contract by Governor Jeff Landry which provides an 80% exemption from ad valorem property taxes for an initial five-year period. Based on the Company's current estimates, the exemption is expected to generate approximately $4.2 million in annual property tax savings (representing approximately $20.8 million during the initial five-year term) with an opportunity to renew the exemption for five additional years. ITEP forms part of an approximately $46.4 million state-level incentive package associated with the project, which also includes benefits under the High Impact Jobs Program, an infrastructure grant and the LED FastStart Workforce Development Program.

On April 13, 2026, the Company successfully completed the Project Dynamo scoping study and disclosed its highlights, confirming the project’s economics including the following: (i) net present value at an 8% discount rate of approximately $470 million; (ii) estimated internal return rate of 25.2% and payback period of 3.3 years; (iii) average annual net revenue and EBITDA of $175 million and $117 million, respectively (excluding the first year of ramp-up and last year of ramp-down); and (iv) average processing fee of $40 per kilogram of total rare earth oxides ("TREO") processed, compared to low average operating expenditures of $12.6 per kilogram of TREO processed.

Following the positive results obtained by Project Dynamo's scoping study, and in an effort to move the project towards an investment decision, the Company is advancing the following activities in parallel:

- *Pilot Plant Operations*. On March 19, 2026, the Company commenced operations at its rare earth separation pilot plant at the Virginia Tech Corporate Research Center ("VTCRC"). During Q2 2026, four of the five planned SX circuits were operational. The NdPr SX circuit has successfully achieved steady-state operation, producing NdPr oxide that meets the target specifications following the completion of an internal certificate of analysis. The remaining SX circuit is expected to become operational during Q3 2026, with Dy and Tb oxide samples targeted for production during the same period. The Company also commenced an expansion of the pilot plant to validate the separation and production of Y, Sm and Gd oxides for potential incorporation into the planned industrial facility in Louisiana. The operational data generated by the pilot plant are expected to support the validation of the Company's rare earth separation technology, the equipment sizing for its planned industrial-scale separation facility in Louisiana and the development of an AI-driven digital twin of the SX process to optimize future ramp-up and operations.

- *Technical Development.* The Company advanced Basic Engineering ("FEL 3"), focusing on refining the design of the planned industrial facility in Louisiana and strengthening the project execution framework. These activities are intended to support Project Dynamo's next stage of development.

- *Environmental and Permitting*. The Company is advancing key permit applications, including air quality, industrial wastewater discharge and stormwater management permits, as well as other standard approvals required for chemical processing facilities. The air quality permit application was submitted in April 2026, and the industrial wastewater discharge permit application is expected to be submitted in Q3 2026. The Company expects to obtain the required approvals for construction by Q4 2026.

- *Project Dynamo Schedule*. As part of the next stage of development of Project Dynamo, the Company is targeting the following key development milestones:

  - Industrial Wastewater Discharge Permit Filing — Q3 2026
  - Complete FEL 3 — Q3 2026
  - Complete construction — Q2 2028
  - Conduct pre-commissioning, commissioning, and ramp-up to stable operations — H2 2028

On January 15, 2026, the Company announced that Aclara Technologies entered into a cooperative research and development agreement with Argonne National Laboratory, a U.S. DOE 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 unique pilot-scale data. The digital twin is also expected to support:

- Simulation of multiple feedstocks beyond the Carina Project, such as the Penco Module MREC, enabling rapid integration into the production schedule.
- Evaluation of additional rare earth separations such as Y, Gd and Sm, without disrupting core circuits.
- Integration of machine learning to complement first-principles models and enhance operational decision-making.

<u>Metals and Alloys Project and Future Outlook</u>

On April 13, 2026, the Company successfully completed the Metals and Alloys Project Front-end Loaded 2 (FEL 2) Technical Report (pre-feasibility study level) and disclosed its highlights, confirming the project's economics including the following: (i) net present value at an 8% discount rate of ~$203 million; (ii) estimated internal return rate of 25.0% and payback period of 3.7 years; and (iii) average annual net revenue and EBITDA of $80 million and $50 million, respectively (excluding the first year of ramp-up and last year of ramp-down).

Following this milestone, the Company is advancing the next stage of development, including the following activities:

- *Technical Development*. Following the completion of the FEL 2 study for the Metals and Alloys Project, the Company plans to complete the FEL 3 (the "Metals and Alloys FS") in Q4 2026.

- *Demonstration Plant*. The Company intends to complete construction and assembly of the demonstration plant, which utilizes molten salt electrolysis technology to produce rare earth metals and alloys, and commence commissioning activities in Q3 2026. In addition, the Company plans to initiate the first operational campaign later in Q3 2026 to validate production under stable, continuous operating conditions, support workforce training and generate data for the Metals and Alloys FS and the continued development of the AI-driven digital twin aimed at optimizing process performance.

- *Metals and Alloys Project Schedule*. Based on the current development plan, the Company is targeting the following key development milestones for the Metals and Alloys Project:

    - Inauguration and startup of the metallization demonstration plant Q3 2026
    - Complete Metals and Alloys FS Q4 2026
    - Complete construction Q3 2028
    - Conduct pre-commissioning, commissioning, and ramp-up to stable operations Q4 2028

On March 11, 2026, the Company announced the completion of the technological development and metallurgical process design for its Metals and Alloys Project.

Greenfield Exploration and Future Outlook

During Q2 2026, the Company continued to advance its greenfield exploration activities and incurred total greenfield exploration expenses of $0.31 million, as compared to $0.79 million incurred in Q2 2025.

The Company intends to continue advancing its greenfield exploration strategy in Brazil and Chile to identify additional rare earth element ("REE") mineralization and potential new modules. In Brazil, activities will focus on obtaining the environmental authorizations and land access agreements required to advance reverse circulation ("RC") drilling campaigns in targeted areas. In Chile, activities will focus on securing land access agreements and conducting field verification of the priority exploration targets identified during Q2 2026.

In addition, the Company intends to continue its collaboration with Stanford University's Mineral-X initiative, a research program focused on applying artificial intelligence to critical minerals, to develop predictive AI models supporting the exploration of ionic clay-hosted REE and to promote academic and technical exchange.

Corporate Development

On April 2, 2026, the Company announced the closing of the first tranche ("Tranche 1") of its previously announced non-brokered private placement financing for aggregate gross proceeds of $41.5 million at a price of C$2.83 per common share (the "Private Placement"). On May 13, 2026, the Company announced the closing of the second tranche ("Tranche 2") for aggregate gross proceeds of $8.5 million at the same price per common share. Following completion of the Private Placement, the total number of issued and outstanding common shares of the Company increased from 222,361,749 to 246,577,297. Additionally, CAP, Hochschild Mining Holdings Limited and New Hartsdale Capital Inc. hold 31,849,363, 47,630,213 and 90,027,095 common shares, respectively, representing approximately 12.92%, 19.32% and 36.52% of the Company's issued and outstanding common shares.

Cash Balance and General Administrative Expenses

<u>Cash Balance</u>

As at the end of Q2 2026, the Company's consolidated cash balance was $42.60 million, consisting of $28.81 million from the Company, $9.68 million from its wholly-owned subsidiaries (Aclara Brazil, Aclara Technologies, Polaris and Aclara Peru) and $4.11 million from its majority-owned Chilean subsidiaries (REE Uno, Prospecciones and Fundación). Comparatively, as at the end of Q2 2025, the Company's consolidated cash and cash equivalents were $39.81 million. In addition, as at the end of Q2 2026, the cash balance of the Company's joint venture Aclara Metals was $0.20 million.

During Q2 2026, the Company completed the Private Placement, raising aggregate gross proceeds of $50.0 million. On January 20, 2026, the Company received the final tranche of $6.9 million in its subsidiary REE Uno pursuant to the investment agreement with CAP (the "CAP Investment Agreement") to continue advancing the development of the Penco Module.

<u>General Administrative Expenses</u>

In Q2 2026, the Company incurred $2.39 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 the Company's vertical integration projects. In comparison, in Q2 2025, the Company incurred $2.26 million in administrative expenses.

Estimated Budget for 2026

The Company's budget for FY 2026 is approximately $69.6 million, which is comprised of estimated costs relating to the development of the Carina Project, the Penco Module, Project Dynamo, the Metals and Alloys Project and exploration activities aimed at identifying potential new modules. Key aspects of the FY 2026 budget include, among others: (i) $24.6 million in expenses related to the development of the Carina Project, which is comprised of engineering activities and piloting works ($9.9 million), purchase of surface land ($4.3 million), permitting and community relations expenses ($2.9 million), maintenance of mining concessions ($0.8 million) and administrative and personnel expenses ($7.5 million); (ii) $16.2 million in expenses related to the development of the Penco Module, which is comprised of engineering activities ($5.1 million), permitting and community relations expenses ($3.2 million), purchase of surface land ($1.3 million), expenses related to the maintenance of concessions ($0.2 million) and administrative and personnel expenses ($6.4 million); (iii) $15.7 million in expenses related to the development of Project Dynamo, which is comprised of engineering and piloting activities ($11.2 million) and administrative and personnel expenses ($4.5 million); (iv) $6.1 million for the Metals and Alloys Project expenses, which is comprised of engineering and piloting activities ($5.4 million) and administrative and personnel expenses ($0.7 million); (v) $6.0 million in administrative expenses, personnel and for general corporate and working capital purposes; and (vi) $0.8 million in mining concession maintenance costs and exploration in new areas.

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

<u>Greenfield Exploration - Brazil</u>

During Q2 2026, the Company advanced two priority greenfield exploration targets in Brazil by completing environmental, social and community assessments. Based on the results, the Company selected one target for a Phase 2 RC drilling program designed to assess the lateral and vertical continuity of the mineralized regolith. In parallel, the Company continued its regional exploration activities and identified additional prospective areas using geological mapping, geochemical data, remote sensing and regional datasets. Comparatively, during Q2 2025, the Company continued to execute its greenfield exploration strategy, focusing on community screening and environmental assessments to evaluate baseline conditions for future drilling campaigns. In addition, the Company conducted initial scout drilling within its mineral rights concessions to gather geological and environmental data to support the planning of subsequent exploration stages. A total of 550 meters of drilling was completed across 55 auger drill holes.

Exploration Activities - Carina Project

During Q2 2026, the Company advanced the standard mineral rights process for the Carina Project. In May 2026, the Company submitted the final Plano de Aproveitamento Econômico to the Brazilian Mining Agency ("ANM") as part of the process to obtain a mining concession following completion of the exploration phase. Following this submission, the Company met with the ANM to provide clarifications in support of the regulatory review process.

Comparatively, during Q2 2025, the Company completed Phase 2 of its RC and auger drilling campaign, with 11,152 meters drilled across 708 RC drill holes and 1,770 meters drilled across 266 auger drill holes. In addition, the Company drilled 317 meters across 27 sonic drill holes as part of its geometallurgical drilling activities. The cumulative Phase 2 RC and auger drilling campaign totaled 25,990 meters across 1,823 drill holes, representing a substantial increase compared with the 4,134 meters drilled during Phase 1, which formed the basis for the initial PEA.

Exploration Activities - Penco Module and Chile

During Q2 2026, the Company conducted technical exploration studies, including the reinterpretation of geophysical datasets and the review of historical geochemical information, geological mapping and satellite spectrometry analyses. These studies resulted in the identification of several new priority exploration targets, for which the Company initiated permitting activities. No brownfield exploration activities were conducted at the Penco Module during the period.

Comparatively, during Q2 2025, the Company did not report any brownfield exploration activities within the Penco Module or any greenfield exploration activities in Chile.

Project Development Activities

Carina Project

General Engineering

During Q2 2026, the Company delivered the Carina Project FS Technical Report and completed refinements to certain basic engineering deliverables, including piping and instrumentation diagrams, material take-offs and the 3D model. In addition, the Company completed the technical documentation required to tender major service packages for the 230 kV electrical system and detailed road design. In parallel, the Company advanced the procurement documentation for critical long-lead equipment and continued to develop the engineering and contracting packages for early works.

Comparatively, during Q2 2025, the Company advanced the consolidation of operating and capital cost estimates for the Carina Project PFS, in collaboration with Hatch do Brasil Ltda, the Brazilian branch of Hatch Canada. These efforts focused on incorporating process improvements validated through the ongoing semi-industrial pilot campaign in Goiás, Brazil.

Mining Study

During Q2 2026, the Company continued advancing mine engineering activities for the Carina Project, focusing on the integration of mining, infrastructure, water management and environmental licensing considerations. Activities included optimizing in-pit ramp designs to improve haulage performance and operational resilience during rainy periods, developing preliminary ex-pit road designs and preparing an independent mine cost-estimating template calibrated against the Carina FS mine cost estimate. The Company also continued to develop its mine engineering work program, including site material characterization.

Comparatively, during Q2 2025, the Company advanced several technical workstreams in support of the Carina PFS. Key activities included integrating recent drilling data into the updated geological model, supported by preliminary quality assurance and quality control reviews, and performing comprehensive data validation procedures and compositing analyses. In parallel, the Company conducted a benchmarking analysis of operating cost assumptions set forth in the Carina Project PEA, which confirmed their continued relevance and also identified potential areas for optimization.

Process Design

During Q2 2026, the Company advanced the development of a primary separation stage for incorporation into the Carina Project process flowsheet to improve product quality, produce SPREC, strengthen process control and reduce operational risk. In addition, the Company completed the design and commissioning of a new SX pilot plant.

In parallel, the Company commenced the relocation of the semi-industrial pilot plant from Brazil to Chile and scheduled additional test programs to validate operating conditions for sieving, filtration and thickening processes under anticipated extreme operating scenarios.

Comparatively, during Q2 2025, following the successful commissioning and startup of its pilot plant in Goiânia, the Company advanced into steady-state operations, processing approximately 50 tonnes of clay and producing 30 kilograms of MREC in the period. The pilot campaign generated critical operational data to support the Carina FS. In addition, the Company achieved significant progress in estimating metallurgical recoveries using representative samples obtained from prior sonic drilling campaigns. These samples yielded reliable particle size distribution data and enabled improved definition of geometallurgical units. The same materials supported industrial-scale material handling tests conducted by selected vendors, contributing to the design of efficient logistics and storage systems.

<u>Penco Module</u>

General Engineering

During Q2 2026, the Company continued engineering activities to advance the Penco FS, including further development of the project layout through the definition of the location of major equipment and process facilities. In addition, the Company engaged an engineering firm to develop the project's basic engineering and capital cost estimate.

Comparatively, during Q2 2025, the Company completed a pre-feasibility study for the Neptune deposition zone design, leading to the identification and prioritization of potential deposition areas.

Mining Study

During Q2 2026, the Company advanced engineering studies for the mining and deposition zone components of the Penco Module, including preliminary designs for additional deposition zone alternatives and further engineering for the Neptune deposition zone. The Company also refined the discrete-event simulation model, optimized the Alexandra extraction zone and assessed mine sequencing alternatives, stockpile locations and sizing, and ex-pit and in-pit road and ramp configurations to improve haulage performance and operational resilience during rainy periods. In parallel, the Company reviewed the mineral resource categories and advanced the preparation of a technical report supporting the mineral resource estimate. Additional activities included reviewing the mine drainage strategy, conducting a meteorological study, initiating a request for information process for potential mining contractors and advancing a multidisciplinary material characterization campaign focused on mine planning, deposition zone design and water management.

Comparatively, during Q2 2025, the Company resumed mining studies for the Penco Module, with a focus on advancing technical workstreams to support the development of a base case scenario for the Penco FS. As part of this initiative, the Company convened a multidisciplinary technical workshop where it gathered specialists with experience in high-precipitation environments to evaluate operational strategies for clay extraction under rainy conditions. In parallel, the Company advanced key technical activities during Q2 2025, including the development of preliminary mine drainage and closure concepts, updates to operating cost estimates, productivity modeling through discrete-event simulation, geotechnical assessments and mine planning initiatives. In addition, the Company conducted a hydrogeological field campaign in June 2025 to evaluate groundwater dynamics during the rainy season.

Process Design

During Q2 2026, the Company advanced the Penco FS using the updated process package and continued refining key process engineering and operational design criteria.

Comparatively, during Q2 2025, the Company developed an updated mass balance for the Penco Module, integrating process enhancements demonstrated during the Carina Project's pilot campaign. This initiative aimed to optimize plant throughput in alignment with the revised mine plan and projected operational requirements.

<u>Project Dynamo - Separation</u>

General Engineering

During Q2 2026, the Company continued FEL 3 engineering activities for Project Dynamo, including site civil, stormwater management and building design for the planned facility. To advance these workstreams, the Company retained Louisiana-based engineering and construction firms, including a construction firm to support the development of the FEL 3 cost estimate.

Comparatively, during Q2 2025, the Company advanced pre-feasibility engineering activities for the rare earth separation project, reaching approximately 50% completion. In parallel, the Company evaluated potential locations for the future industrial separation facility and assessed opportunities to secure direct reagent supply through pipeline infrastructure to reduce logistics requirements and the associated environmental footprint.

Process Design

During Q2 2026, the Company completed the installation and commissioning of the pilot plant equipment and implemented an automation system incorporating a supervisory control and data acquisition platform to provide real-time process monitoring, data collection and supervisory control. Four of the five planned SX circuits were operational during the quarter. The NdPr SX circuit achieved steady-state operation and produced NdPr oxide, while quality and recovery analyses remained in progress to confirm circuit performance. In addition, the Company increased pilot plant staffing to support the planned transition to continuous operations.

During the same period, the Company advanced the expansion of the pilot plant at the VTCRC to support the separation and production of Y, Sm and Gd oxides. During the quarter, additional space was secured and additional SX circuits were procured to support the expansion.

Comparatively, during Q2 2025, the Company advanced the design of its rare earth separation pilot plant and auxiliary facilities, leased a laboratory facility at the Corporate Research Center located on the Virginia Tech University campus and commenced the procurement of critical equipment. The Company also incorporated process design optimizations identified through bench-scale testing to improve the efficiency and cost-effectiveness of the solvent extraction process.

<u>Metals and Alloys Project</u>

General Engineering

During Q2 2026, the Company advanced the Metals and Alloys FS by reviewing and aligning the basic engineering scope and required deliverables and further defining the execution model for coordinating integrated deliverables across the different work packages. In parallel, the Company advanced the tender process for engineering services, including the preparation of request for quotation documentation and the qualification of potential engineering firms.

Process Design

During Q2 2026, the Company continued construction of the demonstration plant and advanced preparations for commissioning. In addition, most of the critical equipment was delivered to the facility, site adaptation works neared completion and assembly of the electrolysis cell progressed.

In parallel, the Company advanced the demonstration plant's AI-driven digital twins. The data platform became operational and work continued on dashboards and predictive models intended to support process stability and emissions management.

Environmental, Social and Governance

<u>Carina Project</u>

Environment and Permits

During Q2 2026, the Company continued the Carina Project's environmental review process by addressing SEMAD's requests for clarification and submitting the corresponding response on May 11, 2026. The submission included the technical and supporting documentation required for SEMAD's continued assessment and advanced the licensing process toward the public hearing stage.

Comparatively, during Q2 2025, the Company submitted the EIA to SEMAD and initiated baseline and permitting studies for the Carina Project's associated transmission line. In addition, the Company advanced environmental, social, permitting, land acquisition and resettlement studies to support future licensing and implementation phases.

Social License

During Q2 2026, the Company expanded its local capacity-building initiatives, bringing the cumulative number of residents trained in Nova Roma and the surrounding region to 83. In addition, the Company conducted 33 engagement activities with local authorities, communities and public institutions, reaching approximately 1,400 combined participants in the Carina Project area.

Comparatively, during Q2 2025, the Company advanced workforce development, supplier capacity-building and community engagement initiatives in Nova Roma and neighbouring municipalities. The Company held four meetings with rural communities, hosted stakeholder visits to its pilot plant facility in Goiânia and implemented a vocational training initiative offering 100 places across two technical courses. In addition, the Company presented the results of a supplier diagnostic assessment and related development plan during sessions attended by over 250 participants in Nova Roma and Posse.

<u>Penco Module</u>

Environment and Permits

During Q2 2026, the Company obtained the favourable RCA for the Penco Module, formally concluding the environmental assessment process and authorizing the project's construction, operation and closure phases, subject to applicable sectoral permits and environmental conditions.

The RCA was issued by the Environmental Assessment Service ("SEA") on June 22, 2026, following the unanimous approval of the Penco Module by the Regional Environmental Assessment Commission ("COEVA") on June 8, 2026 and the SEA's issuance of a favourable Consolidated Environmental Assessment Report on May 29, 2026. With the RCA in place, the Company is focused on obtaining the sectoral permits required for site preparation and construction activities and implementing the environmental monitoring, wildlife rescue and relocation programs established under the RCA.

During the same period, the Company advanced terrestrial fauna and flora baseline studies in preparation for the EIA 2.

Comparatively, during Q2 2025, the SEA issued the Complementary ICSARA for EIA 1, incorporating 205 additional technical observations, including a formal instruction to review the responses to the 1,400 citizen comments previously addressed in the addendum filed in March of 2025. The Company continued preparing its responses to the Complementary ICSARA in support of filing a second addendum during H2 2025.

Social License

During Q2 2026, the Company continued its community initiatives in response to the wildfires that affected the Biobío Region during Q1 2026. These initiatives assisted 114 small businesses in their recovery and provided psychosocial support to approximately 400 female heads of household. In addition, the Company carried out education and innovation initiatives involving eight schools and approximately 600 students in Penco and Concepción.

Following the COEVA's unanimous approval of the Penco Module, the Company initiated meetings with national, regional and local authorities to present the project and its expected contribution to investment, employment and regional development.

Comparatively, during Q2 2025, the Company strengthened its institutional and community engagement efforts by holding 25 meetings with representatives of government agencies, public officials and technical experts to provide updates on the Penco Module's progress and ongoing technical evaluations.

<u>Project Dynamo - Separation</u>

Environment and Permits

During Q2 2026, the Company submitted the air quality permit application for Project Dynamo to the Louisiana Department of Environmental Quality. In addition, permitting activities related to industrial wastewater discharge and stormwater management continued to progress in accordance with the project schedule. The Company anticipates receiving a regulatory decision on the air quality permit application during H2 2026.

Occupational Health and Safety

During Q2 2026, the Company continued strengthening the Carina Project's health and safety framework in preparation for the construction phase by advancing the development of related procedures, policies and programs. The Company also began implementing its project governance and management system and established an integrated risk management committee to assess identified project risks and update their risk ratings.

During the same period, the Company maintained the occupational health and safety measures in place at the Penco Module and Casa Aclara and continued to monitor site conditions.

Comparatively, during Q2 2025, the Company continued enhancing safety protocols and strengthening its occupational health and safety culture through the ongoing use of its performance indicator management system and expansion of benchmarking efforts. In parallel, the Company established a dedicated asset protection department at the Carina Project and implemented site security and access control systems aligned with industry best practices. In addition, the Company recorded one lost-time injury and, following the incident, conducted an internal investigation and implemented preventive measures to mitigate similar risks and reduce the risk of recurrence.

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 Q2 2026, the Company's expenditures in respect of exploration, technical development, environmental, social and governance and administration activities were $29.92 million, which were partially offset by a capital contribution of $56.77 million and funds received from the DFC of $1.73 million, totaling a net cash inflow of $28.58 million and a total cash balance of $42.60 million. Comparatively, as at the end of Q2 2025, the Company's net cash inflow including capital contributions received during the period was $24.44 million, resulting in a total cash balance of $39.81 million.

Overview of Operating Expenditure and Costs

The Company incurred an aggregate of $2.65 million in losses from continuing operations before income tax during Q2 2026, as compared to an aggregate of $2.84 million in losses during Q2 2025.

	Three months ended June 30		Six months ended June 30	
(in thousands of US $)	**2026**	**2025**	**2026**	**2025**
Exploration expenses	307	789	559	980
Administration expenses	2,391	2,259	4,785	3,963
Share of loss of a joint venture	69	132	220	190
Financial costs	142	33	263	90
Financial income	(319)	(283)	(423)	(475)
Exchange differences	59	(92)	131	(111)
Loss from continuing operations before income tax	**2,649**	**2,838**	**5,535**	**4,637**
Attributable to:				
Equity shareholders of the Parent	**2,627**	**2,797**	**5,501**	**4,559**
Non-controlling interests	**22**	**41**	**34**	**78**

<u>Exploration Expenses</u>

The breakdown of exploration expenses incurred by the Company for the three (3) and six (6) months ended June 30, 2026 and 2025 are as follows:

	Three months ended June 30		Six months ended June 30	
(in thousands of US $)	**2026**	**2025**	**2026**	**2025**
Personnel expenses	141	37	240	83
Professional fees	-	537	13	575
Mining rights	-	90	-	90
Rental	19	9	26	22
Analysis & technical	-	-	25	-
Studies	14	54	14	56
Technology and system	19	-	52	11
Contractors and services	10	-	30	2
Travel expenses	24	41	40	97
Laboratory supplies and materials	-	3	1	6
Other	80	18	118	38
Total	**307**	**789**	**559**	**980**

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 Q2 2026, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of $141, costs related to renting geological equipment of $19 and other study-related expenses of $14. Comparatively, during Q2 2025, the Company incurred professional fees of $537, personnel expenses of $37, costs related to renting geological equipment of $9 and other study-related expenses of $54. In addition, in Q2 2026 the Company incurred travel expenses of $24 and other expenses of $80, as compared to travel expenses of $41, laboratory supplies and materials of $3 and other expenses of $18 in Q2 2025.

In Q2 2026, the Company incurred technology and system expenses of $19, and contractors and services expenses of $10, primarily related to software expenses, as compared to nil in Q2 2025.

Administration Expenses

The breakdown of administration expenses incurred by the Company for the three (3) and six (6) months ended June 30, 2026 and 2025 are as follows:

	Three months ended June 30		Six months ended June 30	
(in thousands of US $)	**2026**	**2025**	**2026**	**2025**
Personnel expenses	914	869	2,017	1,607
Professional fees	444	410	1,025	740
Depreciation and amortization	206	187	382	363
Contractors and services	396	548	596	734
Travel expenses	271	110	428	239
Marketing expenses	40	99	160	195
Other expenses	118	36	175	85
Total	**2,391**	**2,259**	**4,785**	**3,963**

In Q2 2026, the Company incurred personnel expenses of $914 to support its management and administration team, as compared to $869 in Q2 2025.

Professional fees of $444 incurred during Q2 2026 comprised accounting, tax and legal expenses for the Company's annual tax and legal processes, as compared to $410 incurred for a similar purpose in Q2 2025. In addition, during Q2 2026, the Company incurred travel expenses of $271, marketing expenses of $40 and other expenses of $118, as compared to $110 in travel expenses, $99 in marketing expenses and $36 in other expenses incurred in Q2 2025. The increase in other expenses is primarily related to license and software expenses.

In Q2 2026, the Company incurred depreciation and amortization expenses of $206, as compared to $187 in Q2 2025. In addition, during Q2 2026, the Company incurred contractor and services expenses of $396, primarily driven by Board-related expenses, as compared to $548 in Q2 2025.

Financial Income and Costs

In Q2 2026, the Company's net financial income amounted to $177 and was associated with the Company's investments in short-term deposits, interest-bearing bank accounts and bank commissions, as compared to net financial income of $250 in Q2 2025.

	Three months ended June 30		Six months ended June 30	
(in thousands of US $)	**2026**	**2025**	**2026**	**2025**
Financial costs	142	33	263	90
Total	**142**	**33**	**263**	**90**

	Three months ended June 30		Six months ended June 30	
(in thousands of US $)	**2026**	**2025**	**2026**	**2025**
Financial income	319	283	423	475
Total	**319**	**283**	**423**	**475**

During Q2 2026, the Company incurred an increase in interest and bank commission expenses related to the administration of its bank accounts, resulting in such expenses of $142 as compared to $33 during Q2 2025. In addition, in Q2 2026, financial income increased to $319 as compared to $283 in Q2 2025, primarily due to an increase in interest earned on investments in short-term deposits.

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 the end of Q2 2026, 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 as at January 1, 2025	**102,224**
Additions	15,621
Disposals	(90)
Foreign exchange effect	8,331
Balance as at June 30, 2025	**126,086**
Additions	21,030
Foreign exchange effect	2,578
Balance as at December 31, 2025	**149,694**
Additions	18,885
Foreign exchange effect	92
Balance as at June 30, 2026	**168,671**
Accumulated amortization and impairment	
Balance as at January 1, 2025	**1,712**
Additions	214
Foreign exchange effect	97
Balance as at June 30, 2025	**2,023**
Additions	715
Foreign exchange effect	55
Balance as at December 31, 2025	**2,793**
Additions	105
Foreign exchange effect	(218)
Balance as at June 30, 2026	**2,680**
Net book value as at June 30, 2025	**124,063**
Net book value as at December 31, 2025	**146,901**
Net book value as at June 30, 2026	**165,991**

The total investments in the Carina Project, the Penco Module and Project Dynamo capitalized as E&E as at Q2 2026, Q2 2025 and FY 2025 are as follows:

		Six months ended June 30	**Year ended December 31**
(in thousands of US $)	**2026**	**2025**	**2025**
Personnel expenses	5,638	3,059	8,240
Professional fees	4,863	3,754	7,043
Environmental impact study	945	1,388	2,736
Geochemical study	5	-	18
Drilling services	-	2,152	2,532
Engineering services	63	40	585
Mining rights	479	364	439
Feasibility studies	1,690	-	2,947
Rent building, vehicles, others	603	1,281	2,129
Analysis & technical	447	1,276	1,918
Contractors and Services	2,713	1,343	5,608
Travel expenses	460	336	1,033
Other	979	628	1,420
Total	**18,885**	**15,621**	**36,651**

In H1 2026, the Company incurred personnel expenses of $5,638, as compared to the same period in 2025, in which the Company incurred personnel expenses of $3,059. 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 Q2 2026 was 119 as compared to 81 as at the end of Q2 2025.

Each category of the Company's costs in relation to its investment in the Penco Module, the Carina Project and Project Dynamo in Q2 2026 has been discussed elsewhere in this MD&A. During the three (3) and six (6) months ended June 30, 2026 and 2025, 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*" and "*Exploration Activities*" above.

In H1 2026, 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 $945 as at the end of Q2 2026 as compared to the same period in 2025, in which the Company incurred environmental impact study expenses of $1,388. Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totaled $479 as at the end of Q2 2026 as compared to $364 incurred as at the end of Q2 2025.

As at the end of Q2 2026, the Company's concessions were comprised of 85,585 hectares in respect of the Penco Module and 72,227 hectares in respect of the Carina Project, as compared to the end of Q2 2025 in which the Company's concessions were comprised of 83,185 hectares in respect of the Penco Module and 48,564 hectares in respect of the Carina Project.

Properties, Plants and Equipment

The breakdown of PP&E capitalized by the Company as at the end of Q2 2026 and FY 2025 are as follows:

(in thousands of US $)	Land	Plant and equipment	Total
Balance as at January 1, 2025	**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**
Additions	-	413	413
Foreign exchange effect	(146)	(7)	(153)
Balance as at June 30, 2026	**8,782**	**6,243**	**15,025**
Accumulated amortization and impairment			
Balance as at January 1, 2025	**-**	**1,394**	**1,394**
Additions	-	195	195
Foreign exchange effect	-	28	28
Balance as at December 31, 2025	**-**	**1,617**	**1,617**
Additions	-	271	271
Foreign exchange effect	-	(96)	(96)
Balance as at June 30, 2026	**-**	**1,792**	**1,792**
Net book value as at December 31, 2025	**8,928**	**4,220**	**13,148**
Net book value as at June 30, 2026	**8,782**	**4,451**	**13,233**

During H1 2026, the Company incurred expenses of $413 due to equipment purchases primarily associated with the separation pilot plant compared to $2,502 during FY 2025.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US $)	**June 30 2026**	**March 31 2026**	**December 31 2025**	**September 30 2025**
Revenues	-	-	-	-
Net income (loss) from continuing operations	(2,649)	(2,886)	(2,177)	(2,136)
Net income (loss) and comprehensive income (loss)	**(2,649)**	**(2,886)**	**(2,177)**	**(2,136)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

(in thousands of US $)	**June 30 2025**	**March 31 2025**	**December 31 2024**	**September 30 2024**
Revenues	-	-	-	-

(in thousands of US $)	June 30 2026	March 31 2026	December 31 2025	September 30 2025
Net income (loss) from continuing operations	(2,838)	(1,799)	(2,003)	(1,947)
Net income (loss) and comprehensive income (loss)	**(2,838)**	**(1,799)**	**(2,003)**	**(1,947)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

During Q2 2026, the Company incurred lower net losses from continuing operations as compared to Q1 2026, primarily due to an increase in financial income of $215, a decrease in administrative expenses of $4, a decrease in its share of loss of a joint venture of $82 and a decrease in exchange rate expenses of $13. These impacts were partially offset by an increase in exploration expenses of $55 and an increase in financial costs of $21.

During Q1 2026, the Company incurred higher net losses from continuing operations as compared to Q4 2025, primarily due to an increase in administrative expenses of $346, a decrease in financial income of $312, an increase in exchange rate expenses of $85 and an increase in its share of loss of a joint venture of $48. These impacts were partially offset by a decrease in financial costs of $11 and a decrease in exploration expenses of $71, primarily due to lower exploration activity. The increase in administrative expenses was primarily related to personnel costs associated with annual bonuses.

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. These impacts were partially offset by a decrease in exploration expenses of $359, primarily due to lower exploration activity.

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.

The Company is in the development phase of each of the Penco Module, the Carina Project, Project Dynamo and the Metals and Alloys Project, 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*" and "*Exploration Activities*" above. The Company has not generated any operating income as at Q2 2026.

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 Q2 2026, Q2 2025 and FY 2025 are as follows:

	Six months ended June 30		**Year ended December 31**
(in thousands of US $)	**2026**	**2025**	**2025**
Current demand deposit accounts	42,595	39,813	14,011
Total Cash and cash equivalents	**42,595**	**39,813**	**14,011**

Financial Instrument Risks

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

<u>Foreign Currency Risk</u>

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

<u>Credit Risk</u>

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

<u>Liquidity Risk</u>

Liquidity risks relate to the Company's inability to obtain funds required to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value. Management regularly monitors the Company's level of short- and medium-term liquidity and access to credit lines, in order to ensure appropriate financing is available for its operations.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Requirements

The Company has working capital requirements of $0.12 million as at the end of Q2 2026, and the Company's cash and cash equivalents position as at the end of Q2 2026 was $42.60 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 $)	Q3 & Q4 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	After 2032
Operating Leases (1)	262	20	18	-	-	-	-
Other Obligations (2)	584	584	-	-	-	-	-
Total Contractual Obligations	846	604	18	**-**	**-**	**-**	**-**

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

Cash and Liquidity

As at the end of Q2 2026, the Company had no commercial debt and held cash and cash equivalents of $42.60 million.

On April 2, 2026, the Company announced the closing of Tranche 1 of the Private Placement for gross proceeds of $41.5 million, followed by the closing of Tranche 2 on May 13, 2026 for gross proceeds of $8.5 million, resulting in total gross proceeds of $50.0 million.

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.

On February 19, 2025, the Company received $25 million from the Private Placement. These funds, along with the cash balance from its wholly-owned subsidiaries, financed 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.

Capital Resources

The Company's focus in FY 2026 is the continued advancement and development of the Penco Module, the Carina Project, Project Dynamo, the Metals and Alloys Project 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	**16,178**
Permitting and community engagement expenditures	3,170
Engineering activities	5,104
Surface land purchase and mining concessions	1,494
Administrative and personnel expenses	6,410
Activities in connection with the Carina Project	**24,593**
Engineering and piloting	9,863
Permitting and community engagement expenditures	2,965
Surface land purchase and mining concessions	4,279
Administrative and personnel expenses	7,486
Activities in connection with Project Dynamo	**15,695**
Engineering and piloting	11,184
Administrative and personnel expenses	4,511
Metals & Alloys Project	**6,051**
Engineering and piloting	5,360
Administrative and personnel expenses	691
Maintenance of mining concessions and exploration activities in connection with potential new modules	**811**
Administrative expenses and general corporate purposes	**6,231**
Total	**69,559**

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, the Metals and Alloys Project and any potential future modules, to the extent necessary.

RELATED PARTY TRANSACTIONS

Key Management Compensation

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

In H1 2026, the remuneration of the Company's key management totaled $5.37 million, as compared to the same period in 2025 in which remuneration of the Company's key management totaled $3.19 million. The increase in the Company's key management remuneration is a result of the annual bonus payment made in H1 2026.

		Six months ended June 30
(in thousands of US $)	**2026**	**2025**
Share-based payments (1)	88	190
Short-term employee benefits	5,286	3,000
Total compensation paid to key management personnel	**5,374**	**3,190**

(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 Q2 2026, Q2 2025 and FY 2025:

Accounts payable		**Six months ended June 30**	**Year ended December 31**
(in thousands of US $)	**2026**	**2025**	**2025**
Compañía Minera Ares S.A.C.	-	-	2
Total	**-**	**-**	**2**

Accounts receivable (in thousands of US $)	**2026**	**Six months ended June 30** **2025**	**Year ended December 31** **2025**
Aclara Metals - Joint venture	304	-	-
CAP	-	6,937	6,937
Total	**304**	**6,937**	**6,937**

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 at December 31, 2025, 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 nil as at Q2 2026 and Q2 2025, compared with accounts payable of $2 as at FY 2025.

Accounts receivable with CAP amounted to nil as at Q2 2026, compared with accounts receivable of $6.94 million as at Q2 2025. This decrease was primarily due to payment by CAP of the third and final installment in relation to its capital contribution. In addition, as at Q2 2026, accounts receivable with Aclara Metals amounted to $0.30 million, compared with nil as at Q2 2025.

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 248,043,600 common shares and 2,053,245 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, Project Dynamo, and the Metals and Alloys Project, including in relation to geology, metallurgy, engineering, title, and environmental matters; expected costs and timing of development of the Penco Module, the Carina Project, Project Dynamo and the Metals and Alloys Project; costs, location and timing of potential future exploration and drilling and the uncertain nature of such exploration and drilling activities; the impact of competition and applicable laws and regulations on the Company's operations and results; environmental risks and hazards; future objectives of the Company and growth and other strategies to achieve those objectives; future financial or operating performance of the Company; global markets for the demand and supply of 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.