ACLARA RESOURCES INC.

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

The following management's discussion and analysis ("MD&A") has been prepared as of May 7, 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 interim consolidated financial condition and results of operations for the three (3) months ended March 31, 2026 ("Q1 2026") and March 31, 2025 ("Q1 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 months ended March 31, 2026, and March 31, 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 ("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 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 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 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) 83,385 hectares of mining rights in Chile, distributed in the regions of Maule, Ñuble and Biobío; and (ii) 71,154 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. 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. Aclara is well-positioned to become the first vertically integrated HREE company outside of Asia.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE HIGHLIGHTS

Mining Projects Development

During Q1 2026, the Company continued to advance the development of the Penco Module and the Carina Project and made consistent investments in respect of evaluation and exploration assets ("E&E") and property, plant and equipment assets ("PP&E").

In Q1 2026, the Company invested $8.57 million in E&E and $0.25 million in PP&E. In comparison, investments in Q1 2025 totaled $5.62 million for E&E and $0.06 million for PP&E. Aggregate expenditures for E&E and PP&E in FY 2025 totaled $36.65 million and $2.50 million, respectively.

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

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:

- *Drilling Campaigns.* The Company has drilled a total of 30,384 meters across 1,990 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 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 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 pre-feasibility technical report, dated effective October 22, 2026 (the "Carina PFS"), and the 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. The Company expects to relocate the pilot plant to Chile during Q3 2026 to evaluate additional optimization campaigns.

- *Technical Development.* In April 2026, the Company completed the Carina FS, reflecting a higher level of engineering maturity and more 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.

- *Environmental Baselines and EIA 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 the resubmission of the EIA in Q3 2025 to address regulatory updates, the Company completed the additional information requested by SEMAD and expects to submit a further response in Q2 2026.

- *Commercial Efforts.* The Company is developing Project Dynamo in the United States to refine the Carina Project's MREC 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 MREC, 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 — Q2 2026
- Commencement of Detailed Engineering — Q3 2026
- Commencement of Early Works Construction — Q3 2026
- 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 funding, provided under DFC’s Project Development Program, was primarily used to support the Carina FS. The Carina FS was completed by Hatch Consultoria em Projetos Ltda. (“Hatch Brazil”) as a continuation of the Carina PFS, 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.

Penco Module and Future Outlook

- *EIA Application.* The Company continues to advance the environmental permitting process for the Penco Module through the evaluation of its first environmental impact assessment (“EIA 1”), submitted on June 10, 2024. During 2025, the Company continued advancing the EIA 1 review process through responses to regulatory and community information requests. An exceptional addendum was submitted on March 31, 2026, in response to the latest information request issued by the Environmental Assessment Service (“SEA”). Under the revised permitting approach, the Company expects to initiate preparation of the second environmental impact assessment during Q2 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.* The Company advanced the preparatory work for the Penco Module feasibility study technical report (“Penco FS”), focusing on refining the engineering design and updating operating and capital cost estimates. These activities aim to enhance operational efficiency and support the 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 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	Q2 2026
○ 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.

Project Dynamo and Future Outlook

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 ~$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 US$40 per kilogram of total rare earth oxides ("TREO") processed, compared to low average OPEX of US$12.6 per kilogram of TREO processed.

On March 19, 2026, the Company commenced operations at its rare earth separation pilot plant at the Virginia Tech Corporate Research Center ("VTCRC"), with three of the five solvent extraction ("SX") circuits currently in operation. All five SX circuits are expected to be fully operational during Q2 2026, representing a key milestone in validating the separation process at pilot scale. The pilot plant is expected to generate operational data to support the validation of the Company's rare earth separation technology, the engineering and development of 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. Samples of NdPr oxide are expected in May 2026, followed by Dy and Tb oxide samples in August 2026.

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. 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.

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").* The Company advanced 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. Submission of the air quality permit application is targeted for Q2 2026, followed by the industrial wastewater discharge permit application in Q3 2026. The Company expects to obtain approvals by October 2026.
- *Project Dynamo Schedule*. As part of the next stage of development of Project Dynamo, the Company is targeting the following key development milestones:

o Air Quality Permit Filing	Q2 2026
o Complete FEL 3	Q3 2026
o Award long-lead equipment and initiate site works and foundations	Q4 2026
o Complete construction	Q1 2028
o Conduct pre-commissioning, commissioning, and ramp-up to stable operations	Q2 2028

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 MREC production and will utilize a sustainable feedstock supplied by Aclara's pilot plant in Aparecida de Goiânia, Goiás, Brazil.

Metals and Alloys Project and Future Outlook

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) (the "Metals and Alloys PFS") 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).

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.* Following the completion of the pre-feasibility study for the Metals and Alloys Project, the Company expects to initiate the feasibility study ("Metals and Alloys FS") in May 2026.

- *Demonstration Plant*. In parallel with the completion of the Metals and Alloys PFS, the Company has commenced construction of a demonstration plant utilizing molten salt electrolysis technology to produce rare earth metals and alloys. The facility is expected to validate production under stable, continuous operating conditions, support workforce training, and generate data for the Metals and Alloys FS and the development of a 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:

- Complete Metals and Alloys FS — Q4 2026
- Complete construction — Q3 2028
- Conduct pre-commissioning, commissioning, and ramp-up to stable operations — Q4 2028

<u>Greenfield Exploration and Future Outlook</u>

During Q1 2026, 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 $0.25 million in Q1 2026, as compared to $0.19 million incurred in Q1 2025.

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.

<u>Corporate Development</u>

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 US$41.5 million at a price of C$2.83 per common share (the "Private Placement"). As a result of Tranche 1 closing, the total number of issued and outstanding common shares of the Company increased from 222,361,749 to 242,440,446. Additionally, CAP, Hochschild and New Hartsdale respectively hold 30,194,622, 46,802,843 and 88,372,355 common shares, representing approximately 12.45%, 19.30% and 36.45% of the issued and outstanding common shares of the Company. The second tranche ("Tranche 2") of US$ 8.5 million is subject to minority shareholder vote at Aclara's annual general and special meeting to be held on May 7, 2026.

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.

Cash Balance and General Administrative Expenses

<u>Cash Balance</u>

As at Q1 2026, the Company's consolidated cash balance was $7.84 million compared to Q1 2025 consolidated cash and cash equivalents of $44.76 million. On April 2, 2026, the Company announced the closing of the first tranche ("Tranche 1") of the Private Placement for aggregate gross proceeds of $41.5 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.

<u>General Administrative Expenses</u>

In Q1 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 vertical integration projects. In comparison, in Q1 2025, the Company incurred $1.70 million in administrative expenses.

Estimated Budget for 2026

The Company's budget for FY 2026 is approximately $65.9 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, development of its Metals and Alloys Project and exploration activities aimed at identifying potential new modules. Key aspects of the FY 2026 budget include, among others: (i) $16.2 million in expenses related to the development of the Penco Module, which is comprised of permitting and community relations expenses ($3.2 million), purchase of surface land ($1.3 million), engineering activities ($5.1 million), expenses related to the maintenance of concessions ($0.2 million), administrative and personnel expenses ($6.4 million); (ii) $24.8 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 ($10.1 million), permitting and community relations expenses ($2.7 million), maintenance of mining concessions ($0.2 million), administrative and personnel expenses ($7.7 million); (iii) $13.7 million in expenses related to the development of Project Dynamo, which is comprised of engineering and piloting activities ($9.2 million) and administrative and personnel expenses ($4.5 million); (iv) $6.0 million in administrative expenses, personnel and for general corporate and working capital purposes; (v) $4.4 million for the Metals and Alloys Project expenses, which is comprised of engineering and piloting activities ($3.7 million) and administrative and personnel expenses ($0.7 million); and (vi) $0.8 million in mining concession maintenance costs and exploration in new areas.

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

Infill Drilling - Carina Project

Following the review of Phase 2 drilling results and validation of the associated chemical assay data in Q4 2025, activities at the Carina Project during Q1 2026 focused on the preparation of new technical reports for submission to the Brazilian Mining Agency as part of the standard mineral rights process, while routine geology monitoring continued across the Carina Project footprint.

Comparatively, during Q1 2025, the Company restarted Phase 2 of its RC and auger drilling campaign, completing 4,083 meters across 219 RC drill holes and 1,102 meters across 194 auger drill holes.

Greenfield Exploration - Brazil

During Q1 2026, the Company continued its greenfield exploration strategy, focusing on the evaluation of analytical results from samples collected in Q4 2025 and the prioritization of prospective areas. These analyses included total and desorbable REE results and were used to assess the potential for ionic adsorption clay systems. In parallel, the integration of these results with geological reinterpretation, geological mapping, surface sampling, historical datasets and an improved understanding of regolith profiles supported further target refinement and prospectivity assessment across the Company’s greenfield exploration portfolio.

Comparatively, during Q1 2025, the Company focused its activities on preparations for a drilling campaign scheduled for Q2 2025.

Exploration Activities - Penco Module and Chile

During Q1 2026 and Q1 2025, the Company did not report any brownfield exploration activities within the Penco Module, nor any greenfield exploration activities in Chile.

Project Development Activities

Carina Project

General Engineering

During Q1 2026, the Company completed the Carina FS, including the project’s basic design and key engineering deliverables, such as the 3D model, modularization of steel structures and equipment, technical specifications for critical equipment, process flowsheets, piping and instrumentation diagrams, material take-offs (“MTOs”) and the Project Execution Plan. The Company further developed the scope and engineering maturity of early works, particularly for roads, access works and camp infrastructure, which are being evaluated for early execution following the granting of the Preliminary License.

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

Mining Study

During Q1 2026, the Company completed key feasibility-level mine engineering activities in support of the Carina FS. The activities conducted included pit optimization, mine sequencing strategy, pit design, mine scheduling, end-of-period mine and deposition zone designs, fleet sizing, workforce and key consumables estimates, mine infrastructure definition, mining risk analysis, cost estimation, and the preparation of the “Mineral Reserve” and “Mining Methods” chapters of the Carina FS. These activities built on the technical work completed in FY 2025, including updated geological models, the updated mineral resource estimate and the consolidation of hydrogeological data and modelling, and supported the completion of the Carina FS.

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

Process Design

During Q1 2026, feasibility-level metallurgical evaluation work based on 120 samples selected following the 2025 metallurgical drilling campaign was completed and incorporated into the Carina FS. Pilot plant test results and operational learnings from previous campaigns were incorporated into the Carina FS design process, together with vendor testing on solid-liquid separation equipment. These results supported further refinement of process design activities through the incorporation of knowledge generated during the pilot campaign. The refinements were progressively incorporated into the plant layout and process flowsheet, including adjustments to reagent consumption, and expected operating performance, supporting the continued development of the project’s engineering basis. The Company advanced product purity improvements through technical work focused on impurity management and process optimization. In addition, the Company advanced preparations for the planned relocation of the pilot plant from Brazil to Chile during Q3 2026.

Comparatively, during Q1 2025, the Company completed the installation and assembly of its pilot plant in Goiânia, Brazil. Commissioning was subsequently completed, and operations commenced in April 2025. During Q1 2025, the Company also selected a representative set of equipment samples to obtain firm quotations from vendors. These industrial validation tests were scheduled for Q2 2025 in alignment with the Carina PFS and Carina FS execution timelines.

<u>Penco Module</u>

General Engineering

During Q1 2026, the Company continued engineering activities supporting the Penco Module’s transition into the Penco FS stage, including the development of MTOs and updated power demand estimates used to refine CAPEX and OPEX. In addition, the Company further advanced the definition of the updated project layout, including the location of the main processing plant sub-areas, specifically the clay circuit, chemical plant and water plant.

Comparatively, during Q1 2025, the Company responded to technical observations received from the SEA following the submission of the filing requirements for EIA 1. This included optimizing the project’s road network, which resulted in an improved project layout. Memorandums of understanding were signed with the pipeline owner (ENAP) and the sanitary landfill owner (CEMARC), outlining operational strategies. These agreements formed part of the EIA 1 Addendum. In addition, progress was made in the design of the Neptune disposal zone, and potential disposal areas were identified.

Mining Study

During Q1 2026, the Company advanced trade-off evaluations and scoping-level studies for the mining and deposition zone components of the Penco Module. These activities included an analysis of historical precipitation records and related stockpiling requirements and further refinement of the construction methodology for the Neptuno Deposition Zone, together with the definition of test work and field trials required to validate key design assumptions. In addition, the Company completed a detailed cost estimate based on updated quotations for major equipment and components. The Company advanced preparations for additional field campaigns to improve material characterization, with a focus on particle size distribution and in situ moisture content, as well as hydrogeological campaigns to refine project parameters and geotechnical stability assessments.

Comparatively, during Q1 2025, the Company advanced its efforts in integrating geospatial data and conducting preliminary mine planning studies. In parallel, the development of the site-specific hydrogeological model progressed to improve the understanding of groundwater behavior within the designated extraction zones. In addition, the conceptual excavation design for drying trials was completed, including 2D plans, volume estimates and 3D visualizations. Furthermore, a preliminary OPEX model was developed to establish a solid basis for cost modeling and support the next phase of the project. The scope for the Penco FS was defined, laying the groundwork for technical deliverables and the scheduling of subsequent phases.

Process Design

During Q1 2026, the Company updated the Penco Module process package by incorporating key learnings and optimizations derived from the Carina Project. These updates supported greater technical consistency across the Company's portfolio and positioned the Penco Module to resume development of the Penco FS.

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

Project Dynamo - Separation

General Engineering

During Q1 2026, the Company continued advancing engineering activities for Project Dynamo, including civil and stormwater management design, in support of the targeted completion of the FEL 3 in Q3 2026.

Comparatively, during Q1 2025, the Company progressed in optimizing the rare earth separation process, focusing on cost reductions identified in the initial economic analysis of the PEA conducted by Hatch Canada. Laboratory-scale testing was conducted at the supplier facility in Canada, to validate design parameters and extraction efficiencies.

Process Design

During Q1 2026, the Company advanced process design activities through the ongoing commissioning and ramp-up of its pilot plant. All SX units were installed, with three of the five units operating during the quarter. In addition, the precipitating, drying and calcining equipment required to support the pilot plant at its current stage had been delivered, with final installation expected in Q2 2026.

Comparatively, during Q1 2025 the Company executed bench scale and mini-pilot testing at supplier facilities in Canada.

Metals and Alloys Project

General Engineering

During Q1 2026, the Company completed the pre-feasibility study and the detailed engineering of the electrolysis cell for its Metals and Alloys Project. In addition, site adaptation works for the demonstration plant commenced on April 20, 2026, in preparation for installation of the electrolysis cell components, supporting the next stage of project execution.

Process Design

During Q1 2026, the Company advanced construction of the demonstration plant for its Metals and Alloys Project. The facility incorporates an industrial-scale electrolysis cell designed in-house and is intended to produce approximately 175 kg/day of NdPr alloy at greater than 99.5% purity, reflecting the full industrial-scale units planned for the commercial plant.

Environmental, Social and Governance

Carina Project

Environment and Permits

During Q1 2026, the Company completed the additional information requested by SEMAD as part of the environmental review process and expects to submit a further response in Q2 2026.

Comparatively, during Q1 2025, the Company completed the archaeological assessment and EIA baseline studies for the Carina Project.

Social License

During Q1 2026, the Company continued local engagement and capacity-building initiatives, including a professional training program delivered to 71 participants from Nova Roma and the surrounding region, focused on heavy machinery mechanics and bricklaying. In addition, the second round of the Supplier Development Program was concluded, benefiting 56 local suppliers.

Comparatively, during Q1 2025, the Company continued local engagement through the Municipal Support and Strengthening Program, which focused on education, workforce development and supplier capacity-building in Nova Roma and surrounding areas.

Penco Module

Environment and Permits

During Q1 2026, the Company submitted the third and final addendum for the environmental evaluation process addressing the January 2026 wildfire affecting the project area and incorporated field study results along with proposed adaptive environmental measures related to flora, fauna and biodiversity, including a Mitigation, Reparation and Compensation Measures Plan, an Environmental Monitoring Plan and Environmental Voluntary Commitments. Following the submission, the SEA initiated the final review stage, and the Company expects to receive approval during Q2 2026.

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

Social License

During Q1 2026, the Company adjusted its engagement plan with authorities, communities and communications stakeholders in response to the wildfires that affected the project region. In addition, the Company maintained dialogue with newly appointed authorities following the change in government in March 2026. These initiatives included education support benefiting more than 300 students, psychosocial support for affected families, and the launch of a support program for entrepreneurs impacted by the wildfires.

Comparatively, during Q1 2025, the Company held 10 meetings with 12 evaluation services and 39 technical evaluators to collaboratively prepare the EIA 1 Addendum, which was formally submitted on March 28, 2025.

Project Dynamo - Separation

Environment and Permits

During Q1 2026, the Company advanced environmental permitting activities for Project Dynamo through technical analysis and the consolidation of documentation required for the permitting process. In parallel, the Company completed a review of applicable environmental regulations and identified the relevant federal, state and local requirements, including air quality, industrial wastewater discharge and stormwater management permits. The process continued in coordination with local and state regulatory authorities to support efficient permitting, proactive issue resolution and alignment with the development timeline. The Company progressed the preparation of the air quality permit application and continued technical work related to the industrial wastewater discharge permit application, including preliminary evaluations to support the definition of potential water quality limits.

Occupational Health and Safety

During Q1 2026, the Company continued strengthening the Carina Project's health and safety framework in preparation for the future construction phase. As part of the feasibility study phase work, the main risk items associated with project implementation were consolidated and a routine was established to review and monitor the defined control actions.

During the same period, the Company updated its hazard identification, risk assessment and control measures matrix and reinforced field safety inspections in the Penco Module area following the wildfires. These actions supported communication of site conditions and safety recommendations to personnel, consultants and contractors accessing the area, together with site safety improvements at Casa Aclara in Penco.

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

OPERATIONAL PERFORMANCE

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

As at Q1 2026, the Company's expenditures in respect of exploration, technical development, environmental, social and governance and administration activities were $14.83 million, which were partially offset by a capital contribution of $6.94 million and funds received from the DFC of $1.73 million, totaling a net cash outflow of $6.17 million and a total cash balance of $7.84 million. Comparatively, as at the end of Q1 2025, the Company's net cash inflow was $29.38 million, and the total cash balance was $44.76 million.

Overview of Operating Expenditure and Costs

The Company incurred an aggregate of $2.89 million in losses from continuing operations before income tax during Q1 2026, as compared to an aggregate of $1.80 million in losses during Q1 2025.

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Exploration expenses	252	191
Administration expenses	2,394	1,704
Share of loss of a joint venture	151	58
Financial costs	121	57
Financial income	(104)	(192)
Exchange differences	72	(19)
Loss from continuing operations before income tax	**2,886**	**1,799**
Attributable to:		
Equity shareholders of the Parent	**2,874**	**1,762**
Non-controlling interests	**12**	**37**

Exploration Expenses

The breakdown of exploration expenses incurred by the Company for the periods Q1 2026 and Q1 2025 are as follows:

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Personnel expenses	99	46
Professional fees	13	38
Rentals	7	13
Analysis & technical	25	-
Studies	-	2
Technology and system	33	11
Contractors and services	20	2
Travel expenses	16	56
Laboratory supplies and materials	1	3
Other	38	20
Total	**252**	**191**

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

During Q1 2026, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of $99 and costs related to renting of geology equipment of $7. In addition, the Company incurred costs of $38 for legal, technical and analytical advisory services. Comparatively, during Q1 2025, the Company incurred in professional fees of $38, personnel expenses of $46 and costs related to renting geology equipment of $13. In addition, in Q1 the Company incurred travel expenses of $16, laboratory supplies and other related expenses of $39, as compared to $79 in Q1 2025.

In Q1 2026, the Company incurred technology and system expenses of $33, and contractors and services expenses of $20, primarily related to software expenses, as compared to $13 in Q1 2025.

Administration Expenses

The breakdown of administration expenses incurred by the Company for the periods Q1 2026 and Q1 2025 are as follows:

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Personnel expenses	1,103	738
Professional fees	581	330
Depreciation and amortization	176	176
Contractors and services	200	187
Travel expenses	157	129
Marketing expenses	120	96
Other expenses	57	48
Total	**2,394**	**1,704**

In Q1 2026, the Company incurred personnel expenses of $1,103 to support its management and administration team, as compared to $738 in Q1 2025.

Professional fees of $581 incurred during Q1 2026 comprised accounting, tax and legal expenses for the Company's annual tax and legal processes, as compared to $330 incurred for a similar purpose in Q1 2025. In addition, during Q1 2026, the Company incurred travel expenses of $157, marketing expenses of $120 and other expenses of $57, as compared to $129 in travel expenses, $96 in marketing expenses and $48 in other expenses incurred in Q1 2025. The increase in professional fees expenses is primarily in relation to legal advisory and consulting expenses.

In Q1 2026, the Company incurred depreciation and amortization expenses of $176, as compared to $176 in Q1 2025. In addition, during Q1 2026, the Company incurred contractor and services expenses of $200, primarily driven by Board-related expenses, as compared to $187 in Q1 2025.

Financial Income and Costs

In Q1 2026, the Company's net financial costs amounted to $16 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 of $135 in Q1 2025.

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Financial costs	121	57
Loss from continuing operations before income tax	**121**	**57**

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Financial income	(104)	(192)
Loss from continuing operations before income tax	**(104)**	**(192)**

During Q1 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 $121 as compared to $57 during Q1 2025. In addition, in Q1 2026, financial income decreased to $104 as compared to $192 in Q1 2025, primarily due to a decrease in interest earned on investments in short-term deposits and a reduced cash and cash equivalents.

Evaluation and Exploration Assets

In accordance with IFRS accounting principles regarding capitalization of E&E assets, costs of mineral properties are capitalized on a project-by-project basis. As at Q1 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	5,616
Foreign exchange effect	6,011
Balance as at March 31, 2025	**113,851**
Additions	31,035
Disposals	(90)
Foreign exchange effect	4,898
Balance as at December 31, 2025	**149,694**
Additions	8,570
Foreign exchange effect	(624)
Balance as at March 31, 2026	**157,640**
Accumulated amortization and impairment	
Balance as at January 1, 2025	**1,712**
Additions	546
Foreign exchange effect	528
Balance as at March 31, 2025	**2,786**
Additions	383
Foreign exchange effect	(376)
Balance as at December 31, 2025	**2,793**
Additions	88
Foreign exchange effect	(285)
Balance as at March 31, 2026	**2,596**
Net book value as at March 31, 2025	**111,065**
Net book value as at December 31, 2025	**146,901**
Net book value as at March 31, 2026	**155,044**

The total investments in the Carina Project, the Penco Module and Project Dynamo capitalized as E&E as at Q1 2026 and Q1 2025 are as follows:

		Three months ended March 31	**Year ended December 31**
(in thousands of US$)	**2026**	**2025**	**2025**
Personnel expenses	2,526	1,506	8,240
Professional fees	2,431	1,724	7,043
Environmental impact study	550	506	2,736
Geochemical study	5	-	18
Drilling services	-	-	2,532
Engineering services	33	-	585
Mining rights	445	247	439
Feasibility studies	-	-	2,947
Rent building, vehicles, others	291	224	2,129
Analysis & technical	234	565	1,918
Contractors and Services	1,272	391	5,608
Travel expenses	230	142	1,033
Other	553	311	1,420
Total	**8,570**	**5,616**	**36,651**

In Q1 2026, the Company incurred personnel expenses of $2,526, as compared to the same period in 2025, in which the Company incurred personnel expenses of $1,506. 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 Q1 2026 was 107 as compared to 81 as at Q1 2025.

Each category of the Company's costs in relation to its investment in the Penco Module, the Carina Project and Project Dynamo in Q1 2026 has been discussed elsewhere in this MD&A. In Q1 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*", "*Exploration Activities*" and "*Aclara Technologies - Separation*" above.

As at Q1 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 $550 as at Q1 2026 as compared to the same period in 2025, in which the Company incurred environmental impact study expenses of $506. Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totaled $445 as at Q1 2026 as compared to $247 incurred as at Q1 2025.

As at Q1 2026, the Company's concessions were comprised of 83,385 hectares in respect of the Penco Module and 71,154 hectares in respect of the Carina Project, as compared to Q1 2025 in which the Company's concessions were comprised of 83,185 hectares in respect of the Penco Module, 48,564 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 Q1 2026 and Q1 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	-	254	254
Foreign exchange effect	(196)	12	(184)
Balance as at March 31, 2026	**8,733**	**6,102**	**14,835**
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	-	85	85
Foreign exchange effect	-	6	6
Balance as at March 31, 2026	**-**	**1,708**	**1,708**
Net book value as at December 31, 2025	**8,928**	**4,220**	**13,148**
Net book value as at March 31, 2026	**8,733**	**4,394**	**13,127**

During Q1 2026, the Company incurred expenses of $254 due to equipment purchases, primarily associated with the construction of Project Dynamo, compared to $2,502 during FY 2025.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US$)	March 31 2026	December 31 2025	September 30 2025	June 30 2025
Revenues	-	-	-	-
Net income (loss) from continuing operations	(2,886)	(2,177)	(2,136)	(2,838)
Net income (loss) and comprehensive income (loss)	**(2,886)**	**(2,177)**	**(2,136)**	**(2,838)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

(in thousands of US$)	March 31 2025	December 31 2024	September 30 2024	June 30 2024
Revenues	-	-	-	-
Net income (loss) from continuing operations	(1,799)	(2,003)	(1,947)	(2,101)
Net income (loss) and comprehensive income (loss)	**(1,799)**	**(2,003)**	**(1,947)**	**(2,101)**
Basic and diluted net income (loss) (per share)	**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**

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.

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.

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 Q1 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 Q1 2026 and Q1 2025 are as follows:

		Three months ended March 31	**Year ended December 31**
	2026	**2025**	**2025**
Cash and cash equivalents			
Current demand deposit accounts	7,840	44,759	14,011
Total Cash and cash equivalents	**7,840**	**44,759**	**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.

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 requirements of $2.14 million as at the end of Q1 2026, and the Company’s cash and cash equivalent position as at the end of Q1 2026 was $7.84 million.

Off-Balance Sheet Commitments

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

(in thousands of US$)	Q2, Q3 & Q4 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	After 2032
Operating Leases (1)	440	6	6	-	-	-	-
Other Obligations (2)	579	579	-	-	-	-	-
Total Contractual Obligations	**1,019**	**585**	**6**	**-**	**-**	**-**	**-**

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

Cash and Liquidity

The Company did not have any commercial debt as at the end of Q1 2026. As at Q1 2026, the Company had a cash and cash equivalent balance of $7.84 million.

On April 2, 2026, the Company announced the closing of the first tranche (“Tranche 1”) of the Private Placement for aggregate gross proceeds of $41.5 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, 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.

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	**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	**24,828**
Engineering and piloting	10,081
Permitting and community engagement expenditures	2,747
Surface land purchase and mining concessions	4,279
Administrative and personnel expenses	7,721
Activities in connection with the Separation Project	**13,668**
Engineering and piloting	9,157
Administrative and personnel expenses	4,511
Metals & Alloys Project	**4,459**
Engineering and piloting	3,767
Administrative and personnel expenses	692
Maintenance of mining concessions and exploration activities in connection with potential new modules	**811**
Administrative expenses and general corporate purposes	**5,996**
Total	**65,940**

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 Q1 2026, the remuneration of the Company's key management totaled $4.28 million, as compared to the same period in 2025 in which remuneration of the Company's key management totaled $0.68 million.

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Shared-based payments (1)	46	65
Short-term employee benefits (2)	4,236	610
Total compensation paid to key management personnel	**4,283**	**675**

(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 Q1 2026 and Q1 2025:

Accounts payable

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
Compañia Minera Ares S.A.C.	3	15
Total	**3**	**15**

Accounts receivable

	Three months ended March 31	
(in thousands of US$)	**2026**	**2025**
CAP	-	6,937
Total	**-**	**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 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 $3 as at Q1 2026, compared to accounts payable of $15 as at Q1 2025.

Accounts receivable with CAP amounted to nil as at Q1 2026, compared to accounts receivable of $6.94 million as at Q1 2025. This decrease was primarily due to payment by CAP of the third and final installment in relation to its capital contribution.

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 242,440,446 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.