ACLARA RESOURCES INC.

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

The following management's discussion and analysis ("MD&A") has been prepared as of March 22, 2024, and is intended to assist readers in understanding the operational performance and financial condition of Aclara Resources Inc. (hereinafter, the "Company" or "Aclara"). The Company is, and will remain, a holding company and the only business of the Company is that of the business of its subsidiaries. The Company's material assets consist of interests in: (i) REE Uno SpA ("REE Uno"), a wholly-owned Chilean subsidiary that holds the Penco Module (as defined below); (ii) Prospecciones Greenfield SpA, a wholly-owned indirect Chilean subsidiary that holds other exploration concessions located in Chile; (iii) Aclara Resources Peru S.A.C., a wholly-owned Peruvian subsidiary that provides administrative services to Aclara and performs exploration activities in Peru; (iv) Aclara Resources Mineracao Ltda., a wholly-owned indirect Brazilian subsidiary that holds the Carina Module (as defined below) and performs exploration activities in Brazil; and (v) Fundacion de Beneficencia Publica, Medioambiental, Científica, Cultural y Social Queule, a wholly-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.

This MD&A provides information concerning the Company's financial condition and results of operations for the fiscal years ended December 31, 2023 ("FY 2023") and December 31, 2022 ("FY 2022"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for FY 2023 and FY 2022 (together, the "Financial Statements"). The Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

As used in this MD&A, references to "Q4 2023" and "Q4 2022" are to the three (3) months ended December 31, 2023 and three (3) months ended December 31, 2022, respectively; references to "Q3 2023" and "Q3 2022" are to the three (3) months ended September 30, 2023 and three (3) months ended September 30, 2022, respectively; references to "Q2 2023" and "Q2 2022" are to the three (3) months ended June 30, 2023 and three (3) months ended June 30, 2022, respectively; and references to "Q1 2023" and "Q1 2022" are to the three (3) months ended March 31, 2023 and three (3) months ended March 31, 2022, respectively. 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 development-stage company engaged in the exploration and development of rare earth mineral resources listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "ARA", beneficially holding approximately an aggregate of (i) 82,885 hectares of mining rights in Chile, distributed in the regions of Maule, Ñuble, and Biobío, (ii) 188,808 hectares of mining rights in Brazil, distributed in the states of Goiás, Minas Gerais and Paraná, and (iii) 26,300 hectares of mining rights in Peru. The Company is focused on the development and future construction and operation of the Penco Module project (the "Penco Module"), which covers a surface area of approximately 600 hectares in the Biobío region of Chile and contains ionic clays rich in rare earth elements ("REE"). In addition to developing the Penco Module, during Q4 2023, the Company announced the development of the Carina Module project (the "Carina Module"), a new heavy rare earths ("HREE") ionic clays project, which covers a surface area of approximately 6,011 hectares in Nova Roma, Goiás, Brazil. The results of the preliminary economic assessment ("PEA") conducted by the Company in respect of the Penco Module and the Carina Module are respectively detailed in the technical reports entitled: (i) "Amended and Restated NI 43-101 Technical Report – Preliminary Economic Assessment for Penco Module Project", dated effective September 15, 2021 (the "Penco Module Technical Report"); and (ii) "NI 43-101 Technical Report – Preliminary Economic Assessment for Carina Rare Earths Element Project", dated effective November 3, 2023 (the "Carina Module Technical Report").

The Company aims to identify additional opportunities to enhance potential future HREE production through its greenfield exploration programs in Chile, Brazil and Peru, alongside the development of further project 'modules' within its mining concessions.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE

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

- *EIA Application.* On July 3, 2023 the Company announced receipt of notice from the Environmental Service Assessment ("SEA") of its decision to terminate the review of the Company's previous application for an environmental impact assessment ("EIA") of the Penco Module based on the identification of six (6) previously undisclosed "naranjillo" trees, considered "vulnerable species", within the Penco Module area. Five (5) of these naranjillo trees were found near an existing access road that would require modification and one was found in a local "native forest" within the deposition zone known as Jupiter.

  The Company has revised its permitting strategy with the primary aim of addressing concerns associated with native forests, while expecting to minimize any substantial impact on the Penco Module's development timeline. To effectively implement the revised strategy, the Company is proposing to undertake the preparation and submission of two EIAs, which will collectively cover the full life-of-mine of the Penco Module. The Company expects to file the first EIA ("EIA 1"), which will encompass the first six years of operation, during Q1 2024.

- *Social License.* In Q4 2023, the Company continued its efforts from the preceding year to strengthen its relationship with the local community by maintaining open dialogue and incorporating community feedback into its plans for the Penco Module. The Company advanced these efforts by facilitating visits to the pilot plant and conducting various meetings and activities between the Company and the community, which focused on continuing to build on established relationships and mutual understanding. The Company intends to continue to pursue this strategy with a focus on objectives that aim to foster strong connections with all stakeholders throughout the development of the Penco Module.

- *Technical Development.* In light of the revised permitting strategy, the Company has decided to delay the completion of the feasibility study technical report in respect of the Penco Module pursuant to the requirements of National Instrument 43-101 "*Standard of Disclosure for Mineral Projects*" ("NI 43-101") (the "Penco Module Feasibility Study") and use the additional time to further refine the engineering aspects of the Penco Module by incorporating certain enhancements that are expected to result in reduced capital and operating costs and improved operational efficiency. Such proposed engineering enhancements are as a result of the Company's ongoing piloting work and research and development initiatives.

- *Commercial Efforts.* The Company is in commercial discussions with potential counterparties in respect of offtake agreements for the purchase and sale of HREE concentrates anticipated to be produced from the Penco Module. The Company has shipped high-purity HREE concentrate samples produced in the Company's pilot plant in Chile to more than 15 separation firms located across the United States, Europe and Asia, in order for such separation firms to validate product specifications and assess suitability for their respective separation technologies. Commercial efforts will continue during 2024 with the end-goal of supplying traceable, clean and responsible REE to the market, which is currently monopolized by Chinese suppliers.

- *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:

    - EIA 1 Filing: Q1 2024
    - Anticipated EIA 1 Approval: Q4 2025
    - Feasibility Study Filing: Q3 2025
    - Construction: Q1 2026
    - Production: Q2 2027

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

On October 11, 2023, the Company announced the discovery of the Carina Module, a new deposit of HREE ionic clays in Nova Roma, Goiás, Brazil. On December 12, 2023, the Company announced the Carina Module's maiden ionic clay mineral resource estimate of 168 million tonnes ("Mt") of inferred mineral resources, which complemented the Penco Module's mineral resource estimate of 27.5 Mt of measured and indicated mineral resources and 1.7 Mt of inferred mineral resources. On January 23, 2024, the Company delivered a positive PEA confirming that there were no material differences from the Company's previously disclosed mineral resource estimates, and which reflected a net present value ("NPV") at an eight (8%) percent discount rate of $1.2 billion with an estimated internal return rate ("IRR") of 29%. Following the positive results obtained at the Carina Module, and in an effort to move the project towards an investment decision, the Company will be advancing the following in parallel:

- *Drilling Campaigns.* During Q4 2023, the Company started the execution of a 9,590-meter reverse circulation ("RC") drill campaign (the "Phase 1 Campaign") to convert the mineralized potential at depth of the Carina Module to an inferred resource category. On February 9, 2024 the initial phase was completed, achieving 2,002 meters within 80 RC drill holes. The Company aims to start Phase 2 of the RC drilling campaign (the "Phase 2 Campaign") during April 2024, which comprises 7,590 meters within 303 RC drill holes and is expected to be completed by the end of June 2024. Preliminary results from the Phase 1 Campaign show an increase of the mineralized depth from approximately eight (8) meters to approximately 25 meters below the natural surface.

- *Indicative Pilot Test Campaign.* At the end of December 2023, the Company started the piloting operation with the Carina Module's ionic clays in Concepción, Chile. The piloting campaign's primary objectives are to (i) demonstrate the feasibility of processing the ionic clays extracted from the Carina Module on a semi-industrial scale; (ii) produce commercial samples for offtake negotiations; and (iii) further enhance the Company's value chain development efforts that were initiated with the Penco Module samples. The piloting operation was completed at the end of February 2024 and its results are intended to be utilized as an input for further technical development.

- *Technical Development.* In Q4 2023 and Q1 2024, the Company completed a bidding process with several local and internationally based engineering companies to develop the pre-feasibility study ("PFS") of the Carina Module. The Company is aiming to begin the PFS-related activities during Q2 2024 and expects to deliver a technical report pursuant to NI 43-101 during the first half of 2025. In parallel, the Company will prepare an updated mineral resource estimate and PEA based on results following completion of the Phase 1 Campaign. The Company expects to complete the updated mineral resource estimate and PEA for the Carina Module in Q3 2024.

- *Environmental Baselines and EIA Development.* In January 2024, the Company initiated the development of environmental baseline studies for the Carina Module. The Company expects to complete the baselines and deliver a corresponding EIA study during the first half of 2025.

- *Commercial Efforts.* The discovery of the Carina Module complements the Company's existing commercial discussions and efforts to develop and build a HREE value chain outside of China. The Company aims to supplement its ongoing commercial activities following the completion of its indicative pilot test campaign in respect of the Carina Module

- *Carina Module Schedule.* The Company previously announced the following short-term milestones and/or targets in respect of the Carina Module:

    - Piloting Works: Q1 2024
    - Drilling Campaign to Increase the Mineral Resource Base: Q2 2024
    - Mineral Resource Estimate and PEA Update: H2 2024
    - Complete Environmental Baseline: H1 2025
    - Complete PFS: H2 2025

<u>Corporate Development</u>

The Company entered into a strategic investment agreement with CAP S.A. (the "CAP Investment Agreement"), a publicly listed company on the Chilean Stock Exchange, providing for, amongst other things: (i) a $29.1 million capital contribution to be made by CAP S.A. in REE Uno in exchange for a 20% equity ownership interest, which will be payable in three tranches upon closing and subsequently in January 2025 and January 2026; (ii) the grant of an option to invest an additional $50 million by CAP S.A. in REE Uno for an additional 20% equity ownership interest upon the Company obtaining the requisite environmental permit in respect of the Penco Module; (iii) the grant of an option exercisable by CAP S.A. to acquire up to 19.9% of the outstanding common shares of the Company in any private placement or public offering of shares made by the Company within the 36 month period following the effective date of the CAP Investment Agreement, including a residual top-up right to maintain pro-rata voting rights; (iv) a demand subscription right for up to an aggregate of 19.9% of the outstanding common shares of the Company exercisable upon the satisfaction of certain conditions and continuing for a maximum period of 18 months beginning on the third anniversary of the CAP Investment Agreement; and (iv) the terms on which CAP S.A. and the Company will form a joint venture to develop metals and alloys for the rare earths permanent magnet industry and contemplates an investment of $3 million in consideration for 50% of the ownership interests in such joint venture entity. Further, the Company and CAP S.A. will enter into an investor rights agreement upon CAP S.A. acquiring 10% of the outstanding common shares of the Company, which will provide for certain customary rights with respect to director nomination, governance matters, and the terms and conditions on which CAP S.A. may be entitled to participate in equity offerings of the Company.

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

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

Estimated Budget for 2024

The Company's forecasted budget for FY 2024 is $20.8 million, which is comprised of estimated costs relating to the development of the Penco Module, the Carina Module and exploration activities to identify potential new modules. Key aspects of the FY 2024 budget include, among others:(i) $4.5 million in expenses related to the development of the Penco Module, which is comprised of permitting and community relations expenses ($2.8 million), purchase of superficial land ($1.3 million) and expenses related to the maintenance of concessions ($0.5 million); (ii) $5.4 million in expenses related to the development of the Carina Module, which is comprised of mineral resource drilling works ($3.0 million), purchase of superficial land ($1.2 million), engineering activities and piloting works ($0.5 million) and acquisition and maintenance of mining concessions ($0.7 million); (iii) $1.1 million allocated to maintenance of mining concessions in connection with potential new modules in Chile, Brazil and Peru; and (iv) $9.8 million in administrative expenses, personnel and for general corporate and working capital purposes.

COMPARATIVE AND FINANCIAL PERFORMANCE HIGHLIGHTS

Project Development

During FY 2023, the Company continued to advance the development of the Penco Module and made consistent investments in respect of evaluation and exploration assets ("E&E") and property, plant and equipment assets

("PP&E"). In Q4 2023, the Company invested $2.078 million and $9.936 million in E&E and PP&E, respectively. Comparatively, in Q4 2022, the Company invested $3.053 million and $0.970 million in E&E and PP&E, respectively. Aggregate expenditure for E&E and PP&E in FY 2023 totaled $15.506 million and $11.464 million, respectively, as compared to $14.145 million and $1.242 million, respectively, in FY 2022. During FY 2023 and FY 2022, the Carina Module's expenses were not capitalized and did not form part of the balance sheet, as they were considered exploration expenses. According to the Company's capitalization policy, the investment allocated to develop the Carina Module will be capitalized beginning on the date on which the Company announced the filing of the Carina Module Technical Report on January 23, 2024, in support of the previously announced mineral resource estimate in accordance with NI 43-101.

Penco Module

Environmental and Social License

On April 28, 2023, the Company filed a revised EIA study with the SEA (the "Revised EIA"). The Revised EIA included, among other things, new seasonal baseline studies related to flora and fauna, a 100% recycled water source for the entire Penco Module operation, and revegetation of over 200 hectares with native species. Despite the efforts made to deliver an improved EIA study, on July 3, 2023, the SEA decided to terminate the Revised EIA following the request for termination from the National Forest Corporation ("CONAF"). This request was based on findings that there are six (6) undisclosed citronella mucronate, popularly known as "naranjillo" trees, located in the area of the Penco Module. Naranjillo trees are considered "vulnerable species". Specifically, the Revised EIA did not include information relating to the naranjillo trees in question, of which five (5) were found near the location of an existing access road that would require modification, and another was found within a local native forest in the area of the Penco Module. Given the presence of such vulnerable species within the native forest, the forest would be considered a "preservation forest", restricting such trees from being cut down and thus requiring a change to the contemplated disposal area of the project.

On September 25, 2023, the Company announced its revised permitting strategy, which aims to address concerns associated with native forests. To effectively implement the revised strategy, the Company is proposing to undertake the preparation and submission of two (2) EIAs, which will collectively cover the full life-of-mine of the Penco Module. The Company is currently preparing EIA 1, which will cover approximately the first six (6) years of life-of-mine of the Penco Module and will encompass three extraction zones (Victoria Norte, Luna and Maite), one deposition zone (Neptuno) and associated production facilities. The production of these three (3) zones will be operationally balanced with the deposition zone and EIA 1 is expected to cover the payback period of the initial capex of the Penco Module. EIA 1 aims to largely reduce the project´s exposure to native forests as well as address the observations received from the evaluation services. The Company expects to file EIA 1 during Q1 2024.

The second EIA ("EIA 2") will be prepared when the Company is ready to expand its production at the Penco Module to zones not covered by EIA 1 (Victoria Sur, Alexandra Oriente, and Alexandra Poniente) based on the availability of new deposition zones. Furthermore, EIA 2 will contemplate an increase to the production plant's throughput capacity, to be further assessed during 2024.

In light of the targeted filing date for EIA 1, the Company has continued its communication activities to further strengthen its existing social license, which include digital communication campaigns and maintaining an open dialogue with the Penco community. The Company's most recently completed communications activities were primarily focused on the sustainability aspects inherent in the Company's Circular Mineral Harvesting process showcased through the operation of its pilot plant in Chile. The Company had the privilege of hosting 400 visitors to the Penco site and pilot plant facilities, with more than half being community leaders, and the remainder comprising investors, authorities, academic institutions, private enterprises, media representatives and business associations.

In addition, during Q4 2023, the Company improved its community relations outreach using the "Aclara House" located in Penco as a hub to host several activities with the community. The Company estimates that the Aclara House receives over 100 people weekly that participate in information meetings regarding the Penco Module as well as other workshops designed to improve community engagement. The Aclara House also hosted technical training on processing plant operators to 20 people from the community, which were taught by INACAP, one of the largest technical institutions in Chile. Finally, the Company has constructed a greenhouse within the Aclara House, where several flora species have been planted using spent clays of the Penco Module. The objective of the greenhouse activities is to demonstrate the cleanliness of the Circular Mineral Harvesting process to the community and the suitability of the spent clays for revegetation as part of the reclamation plan.

Technical Development

During Q3 2023, the Company successfully completed its initial piloting campaign. The piloting campaign's primary objectives were to: (i) validate the process design at a semi-industrial scale; (ii) produce concentrate samples for offtake negotiations; and (iii) demonstrate the innovative features of the Company's flowsheet process to the community, regulatory authorities and other project stakeholders.

In light of the revised permitting strategy, the Company has decided to delay the completion of the Penco Module Feasibility Study and use the additional time to further refine the engineering aspects of the Penco Module by incorporating enhancements that are expected to result in reduced capital and operating costs and improved operational efficiency. These enhancements are the direct result of insights gained from recent piloting work and ongoing research and development initiatives.

Greenfield and Brownfield Exploration Activities

During Q4 2023, the Company continue to advance its greenfield exploration activities i in order to identify REE mineralization and potential new modules for further developments. The Company incurred total expenses of $3.612 million in Q4 2023 as compared to $1.625 million incurred in Q4 2022.

<u>Carina Module</u>

Exploration and Mineral Resource Estimate

During FY 2023, the Company completed its exploration auger drilling campaign for the Carina Module, which involved 1,693 meters within 236 drill holes. Most of the results (1,630 meters within 201 drill holes) derived from the exploration auger drilling campaign were utilized to calculate the initial inferred mineral resource estimate for the Carina Module. The mineral resource estimate highlights are presented below.

The initial inferred mineral resource for the Carina Module is estimated at 168 Mt with a grade of 1,510 ppm total rare earth oxide ("TREO") and 477 ppm desorbable rare earth oxide ("DREO"[1]).

Geological Domain	Mass (t)	Total Grade (ppm) Oxides				Content (t) Oxides				Recoveries (%)				NSR ($/t)
		TREO	NdPr	Dy	Tb	TREO	NdPr	Dy	Tb	TREO - Ce	NdPr	Dy	Tb	
Upper Pedolith	10.8	900	121.5	12.0	1.9	9,693	1,309	129	21	62%	73%	45%	54%	15.7
Lower Pedolith	28.0	1,274	193.1	22.3	3.6	35,683	5,410	624	100	60%	64%	44%	51%	23.8
Upper Saprolite	122.5	1,669	347.0	49.9	8.2	204,462	42,515	6,113	1,011	54%	39%	47%	49%	36.6
Lower Saprolite	6.0	597	89.9	31.3	4.7	3,565	537	187	28	45%	36%	49%	54%	17.1
Sap Rock	0.8	557	76.3	29.5	4.8	450	62	24	4	42%	29%	50%	51%	14.8
Total	**168.1**	**1,510**	**296.5**	**42.1**	**6.9**	**253,853**	**49,832**	**7,077**	**1,163**	**43%**	**43%**	**47%**	**49%**	**32.3**

[1] Desorbable Rare Earth Oxide ("DREO") is the recoverable fraction of the total contained rare earths (TREO) using the Penco Module's ammonium sulfate based metallurgical process.

- The average net smelter return ("NSR"2) value of the resource is $32.3 per tonne when using a cut-off value of $7.4 per tonne.
- Recovery of rare earths from the Carina Module is fully compatible with the technology patented and successfully demonstrated on a pilot scale by Aclara in Chile, designed to minimize both cost and environmental footprint.
- The near-surface location of the deposit results in a very low strip ratio (<0.4) providing a positive backdrop for a low-cost mining operation.
- The average drill depth of the mineral resource estimate was 8.1 meters, which did not consistently reach the bottom limits of the lower Pedolith and Saprolite. Over 70% of the auger drillholes indicated a high anomalous exchangeable fraction in the last interval, which suggested that the deposit remained open at depth.

To unlock the full potential of the Carina Module and potentially increase the mineral resource base at depth, during Q4 2023, the Company commenced a drilling campaign using RC drill rigs at greater depth, which is comprised of 9,690 meters within 383 drill holes. The RC drilling campaign is to be completed in two (2) phases. The Phase 1 Campaign includes 2,000 meters and targets areas where there is no need for suppression permits to remove vegetation. The Phase 2 Campaign includes 7,690 meters and is projected to start in April 2024, when the suppression permits are expected to be obtained. During Q4 2023, the Company initiated the Phase 1 Campaign and executed 1,305 meters of drilling within 49 reverse circulation holes. During Q1 2024, the Company completed the remaining 697 meters within 31 drill holes from the Phase 1 Campaign, totaling 2,002 meters within 80 drill holes. The Company is currently waiting for the chemical assays and expects to report the drilling results of the Phase 1 Campaign in April 2024.

On February 25, 2024, the Company announced the execution of the second tranche of the earn-in agreement, thus securing 100% ownership of the 8,490 hectares of mining rights comprising the Carina Module. On November 6, 2023, the Company had previously executed the first tranche of the earn-in agreement securing an initial 51% ownership interest.

Technical Development

On January 23, 2024, the Company announced the filing of the Carina Module Technical Report, which supported strong economic results and supported the mineral resource estimate reported by the Company on December 12, 2023, setting a strong foundation for the Company to proceed with the project development phase. Highlights of the Carina Module PEA include:

- *Robust economics*
  - After-tax NPV of approximately $1.2 billion using an eight (8%) percent discount rate.
  - 29% internal rate of return over the 17-year life-of-mine.
  - Low initial capital costs of $576 million with a payback period of 3.6 years.
  - Average annual[3] net revenue and EBITDA of $474 million and $340 million, respectively.
  - Low average production cost of $13.1 per tonne.
  - Long-term rare earth price forecasts provided by Argus Media and Adamas Intelligence, underpinned by compelling supply/demand fundamentals.
- *Significant production of magnetic REEs*

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[2] The NSR cut-off used is based on the marginal costs of the Carina Module. Using a marginal cut-off to discriminate between waste and plant feed (ore) ensures that the net revenue value of the rare earth concentrate produced is equal to the cost of producing it. Since this strategy is applied only to material contained by the "optimal" pit, which contains material that must be mined out, it will maximize cash flow over the life of the operation.
[3] Annual average does not consider the first year of ramp-up and the last year of ramp-down.

- Average annual[3] production of 208 tonnes DyTb, representing approximately 13.7% of China's 2023 official production.[4]
- Average annual[3] production of 1,190 tonnes NdPr, contributing to a balanced mix of light and heavy REEs in the final product.

- *High product quality*
  - Concentration of REEs in the mixed carbonate of 91.9%[5].
  - Very high content of DyTb and NdPr at 4.7% and 26.4%, respectively.
  - High-purity product facilitates further separation and recovery.
- *Low environmental impact*
  - Process designed to minimize environmental impact: it does not use explosives; there is no crushing nor milling; approximately 95% of the water used is recirculated; the main reagent is a common fertilizer; no liquid residue is produced, negating the need for a tailings dam.
  - Minimal CO_2 footprint is supported by a combination of low energy consumption and a high percentage of renewable energy within the Goiás power grid.
- *Expedited path to early production*
  - The pilot plant which is currently in operation de-risks metallurgical recoveries.
  - The State of Goiás has fully approved another ionic clay REE producer (Serra Verde), thereby establishing a significant precedent that provides a positive permitting background for new projects in the State of Goiás.
  - Commissioning is estimated to commence in 2029.
- *Upside potential*
  - Drilling campaign underway to increase mineral resources.
  - Metallurgical optimizations have been identified.

In parallel to the development of the Carina Module PEA, at the end of December 2023, the Company initiated a piloting program with clays produced from the Carina Module in its pilot plant located in Concepción, Chile. The piloting program involves processing 25 tonnes of ionic clays from the Carina Module and is expected to produce between 10 and 15 kilograms of mixed heavy rare earth carbonates. The piloting program was completed at the end of February 2024.

In light of the positive results yielded by the Carina Module PEA, during Q1 2024, the Company progressed towards the project development phase and began environmental and social baseline studies and engaged several engineering companies to initiate work on a pre-feasibility study.

Potential New Modules

Greenfield Exploration – Brazil

The Company's commitment to greenfield exploration continued in the State of Minas Gerais, Brazil, focusing on additional high-priority areas. This effort included the collection of superficial samples to identify REE indications and detailed mapping, combined with regional geological interpretations. These activities successfully targeted two (2) specific areas with high REE prospectivity suitable for scouting drilling. During Q4 2023, the Company completed

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[4] The Chinese Ministry of Industry and Information Technology published their 2023 quotas for mining production of rare earth oxides in China at 255,000 tonnes (235,857 tonnes for light REEs and 19,143 tonnes for heavy REEs). The resulting production of DyTb is approximately 1,520 tonnes.
[5] Purity is expressed as REO equivalent.

a scouting auger drilling campaign in the two identified targets, including 705 meters within 64 drilling holes. During this campaign, metagranite of medium to coarse grain was intercepted, with the development of regolith profiles and indications of anomalous REE values. The Company expects to receive the analytical results of the drilling campaign during Q1 2024, and will work on the estimation of a preliminary potential mineral resource base.

Greenfield Exploration – Chile

During Q1 2023, the Company announced drilling results following its recent drilling activities in the Verónica district (125 holes and 2,905 meters completed), which evidenced the following attributes: (i) the presence of REE mineralization, occurring mainly in the first 15 meters below surface, with an economic horizon of approximately seven (7) meters; (ii) the REEs sampled are highly adsorbed into ionic clays, which indicates a comparatively higher percentage of REE exchangeable fraction recovery; and (iii) attractive recovery rates of dysprosium and terbium (HREEs) and neodymium and praseodymium (light rare earth elements ("LREE")). The results from Verónica Norte indicate that mineralization remains open on its lateral extents at different topographic levels, providing new target zones for drilling. Following the early termination of the Original EIA on July 3, 2023, the Company decided to put on hold the exploration activities in Chile and focus its exploration efforts on Brazil.

General Administrative Expenses and Cash Balance

In Q4 2023, the Company incurred $2.760 million in administrative expenses, which was primarily comprised of: (i) management compensation; (ii) continuous public disclosure and marketing activities; and (iii) ancillary activities undertaken to further the development of the Penco Module, the Carina Module and greenfield exploration. In comparison, in Q4 2022, the Company incurred $1.939 million in administrative expenses.

As at FY 2023, the Company's cash balance totaled $33.246 million. Comparatively, as at FY 2022, the Company's cash and cash equivalents were $66.886 million. The Company is fully funded with regards to contemplated capital and operating expenditures, including, among other things, permitting and environmental activities, piloting and the development of a Feasibility Study in respect of the Penco Module, the Carina Module and preliminary exploration activities in connection with defining potential new modules.

SELECTED ANNUAL INFORMATION

Financial Performance

Aclara is a mining company engaged in the exploration and development of rare earth mineral resources and, as such, has not earned any revenues to date. The majority of activities undertaken in FY 2023 were related to, among other things, engineering studies and exploration activities in connection with the Penco Module and the Carina Module, permit-related studies, community outreach, and mine and process engineering and design. The following table sets out selected aspects of the Company's income statement as at FY 2023, FY 2022 and the fiscal year ended December 31, 2021 ("FY 2021"):

		Fiscal year ended December 31	
(in thousands of US $)	**2023**	**2022**	**2021**
Income statement			
Loss for the year from continuing operations	**(11,383)**	**(8,355)**	**(1,508)**
Basic loss per share	(0.07)	(0.05)	(0.02)
Diluted loss per share	(0.07)	(0.05)	(0.02)

In FY 2023, loss from continuing operations totaled $11.383 million, which was primarily comprised of administrative expenses of $6.815 million, greenfield exploration expenses of $6.991 million, financial income in the form of cash account and term deposit interest of $2.338 million, financial cost in the form of banking commissions of $0.059 million, other income of $59 million and an exchange rate income of $0.085 million.

Comparatively, in FY 2022, loss from continuing operations totaled $8.355 million, which was primarily comprised of administrative expenses of $5.386 million, greenfield exploration expenses of $3.488 million, financial income in the form of cash account and term deposit interest of $0.648 million, financial cost in the form of banking commissions of $0.018 million and an exchange rate loss of $0.111 million.

During FY 2023, the Company incurred higher exploration expenses compared to FY 2022, due to an increase in the Company's exploration activities in Brazil and the development of the Carina Module. In addition, during FY 2023 the Company established a management team led by its General Manager with respect to the Company's operations in Brazil, which increased the administrative expenses in the same period.

During FY 2022, the Company incurred higher administrative expenses, compared to FY 2021, due to the Company's engagement of its CEO and COO, as part of the demerger from Hochschild Mining and the listing of the Company on the TSX. In addition, during FY 2022 the Company incurred higher exploration expenses due to an increase in greenfield exploration activities in Chile.

In FY 2021, losses from continuing operations totaled $1.508 million, which was primarily comprised of administrative expenses of $0.498 million, greenfield exploration expenses of $0.514 million, financial costs of $0.017 million and an exchange rate loss of $0.479 million.

Financial Position

The following table sets out selected aspects of the Company's consolidated statement of financial position as at FY 2023, FY 2022 and FY 2021:

		Fiscal year ended December 31	
(in thousands of US $)	**2023**	**2022**	**2021**
Statement of financial position			
Total assets	**147,009**	**156,817**	**164,817**
Cash and cash equivalents	33,246	66,886	64,185
Short term investment	-	-	27,000
Property, plant and equipment	11,290	1,887	704
Evaluation and exploration assets	94,041	82,985	70,125
Account receivable current assets	1,699	367	136
Account receivable non-current assets	6,733	4,692	2,667
Total liabilities	**8,648**	**3,630**	**3,050**
Current liabilities	6,048	3,630	3,050
Non-current liabilities	2,600	-	-
Total equity	**138,361**	**153,187**	**161,767**

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

During FY 2023 and FY 2022, the Company increased the expenses capitalized as E&E assets due to the increase in exploration and development activities related to the Penco Module. In addition, the non-current portion of the Company's accounts receivable increased mainly due to the value-added tax credit incurred relating to exploration and administrative expenses.

During FY 2023, the Company increased its investment in PP&E assets mainly due to the land acquisition in Chile comprised of current liabilities in the amount of $1.3 million and non-current liabilities in the amount of $2.6 million, payable between 2025 and 2026.

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

As at FY 2023, the Company had $33.246 million in cash and cash equivalents. Comparatively, as at FY 2022, the Company had $66.886 million in cash and cash equivalents. As at FY 2021, the Company had $64.185 million in cash and cash equivalents and $27.000 million in term deposits denominated as short-term investments.

Cash Flows

The following table sets out selected aspects of the Company’s statement of cash flows as at FY 2023, FY 2022 and FY 2021:

			Fiscal year ended December 31
(in thousands of US $)	2023	2022	2021
Statement of cash flows			
Cash flows from/ (used in) operating activities	(11,140)	(8,441)	(4,024)
Cash flows used in investing activities	(22,500)	11,613	(39,004)
Cash flows generated from financing activities	-	(471)	105,948

As at FY 2023, cash flows used in operating activities totaled $11.140 million and were comprised of a profit loss of $11.383 million, a negative change in working capital of $4.593 million, an inflow of interests received of $2.338 million and a positive adjustment of non-cash flow concepts (i.e., depreciation and others) of $2.556 million. The Company’s increase in cash flows used was primary in relation to greenfield exploration and activities related to the development of the Carina Module. In addition, the Company increased the cash used due to the formation of the Brazilian management team to support its activities in Brazil.

Comparatively, as at FY 2022, cash flows used in operating activities totaled $8.441 million and were comprised of a profit loss of $8.355 million, a negative change in working capital of $2.325 million, an inflow of interests received of $0.648 million and a positive adjustment of non-cash flow concepts (i.e., depreciation and others) of $1.591 million. During FY 2022, the increase of cash flows used was primarily associated with greenfield exploration activities in Chile and the addition of the Company’s CEO and COO to its executive management team.

As at FY 2021, cash flows used in operating activities totaled $4.024 million and were comprised of a profit loss of $1.508 million, a negative change in working capital of $0.834 million, outflow due to interests paid of $0.011 million and a negative adjustment of non-cash flow concepts of $1.671 million.

As at FY 2023, cash flows from investing activities totaled $22.500 million and were comprised of investments in E&E assets of $14.506 million and in PP&E assets of $11.464 million. The Company increased cash used in investments, due to the technical development of the Penco Module, acquisition of land in Chile and the costs associated with the construction of the Company’s pilot plant.

Comparatively, as at FY 2022, cash flows from investing activities totaled $11.613 million and were comprised of investments in E&E assets of $14.145 million and in PP&E assets of $1.242 million, and a positive inflow of $27.000 million to cash and cash equivalents coming from a change in the length of a six (6) month term deposit to monthly term deposit. During FY 2022, the decrease of the cash used was due to the settlement of a term deposit.
As at FY 2021, cash flows used in investing activities totaled $39.004 million and were comprised of short-term investments in a six (6) month term deposit of $27.000 million, investments in E&E assets of $11.661 million and in PP&E assets of $0.343 million.

As at FY 2023, cash flow used in financing activities was nil. Comparatively, as at FY 2022, cash flows used in financing activities totaled $0.471 million from the initial public offering of shares of the Company completed in December 2021 (the “Going Public Transaction”).

As at FY 2021, cash flows generated from financing activities totaled $105.948 million and were comprised of capital contributions of $11.250 million from Hochschild Mining Holdings Limited, and a capital raise of $94.698 million from the Going Public Transaction (IPO expenses of $1.544 million were still pending payment as at December 31, 2021).

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

Carina Module

During Q1 2023, the Company explored 723 meters across 127 auger drillholes in a high-priority target within the concessions contemplated in the Company's earn-in agreement with the Brazilian mining company. The Phase 1 Campaign will serve to: (i) trace the high-grade domain of the ionic clays by providing information with respect to the lithological, analytical and topographic controls of the orebody; (ii) provide additional information to define the drilling spacing for the Phase 2 Campaign reverse circulation drilling campaign; and (iii) provide additional geological information to support the development of 3-D geological models for resource estimations and geostatistical variograms.

During Q2 2023, assay results from the drilling campaign were received and analyzed, with the bulk geochemistry integrated with geological mapping. This comprehensive dataset facilitated the redefinition of geological domains, which were subsequently modeled using 3-D geological software. This preliminary exercise identified a regolith mineralized with REE adsorbed in ionic clays. The auger drilling campaign was insufficient in depth to intercept the entire mineralized body, suggesting that the mineralization remains open to depth and extends laterally. The entire regolith profile was recognized in a relevant part of the area, indicating that the mineralized body, rich in REE-adsorbed ionic clay, is preserved.

During Q3 2023, the Company continued the Phase 1 Campaign and executed 1,013 meters within 109 auger drill holes, completing a total of 1,693 meters of drilling within 236 auger drill holes through to the beginning of Q4 2023. On October 11, 2023, the Company announced the Phase 1 Campaign results and emphasized the discovery of the Carina Module. The highlights of the Carina Module drilling results include: (i) size potential of the mineralized area covering approximately 1,400 hectares, which is ten (10) times larger than the size of the Penco Module mineralized area; (ii) prospective REE desorbable grades at 449 ppm, which is slightly lower than the Penco Module at 496 ppm; (iii) interesting HREE and LREE contents, which include 4.8% for Dysprosium and Terbium content and 27.5% for Neodymium and Praseodymium content within the REE basket distribution, compared to 6.3% for Dysprosium and Terbium content and 14.9% Neodymium and Praseodymium content within the Penco Module´s REE basket distribution; (iv) metallurgical compatibility with the Penco Module process flowsheet; and (v) depth potential, as over 70% of drillholes indicate a high anomalous exchangeable fraction in the last interval, suggesting that the deposit remains open at depth. The extensive geological information collected now supports the creation of 3-D geological models for resource estimations and geostatistical variograms.

During Q4 2023, the auger drilling campaign results were aimed at supporting an initial maiden resource statement report for the Carina Module, which was the basis for the preparation of the Carina Module Technical Report. The Company announced the results of the Carina Module PEA on January 23, 2024.

Based on the initial auger drilling campaign results, the Company has planned a deeper drilling campaign with RC drill rigs, which will include 9,950 meters within 303 drill holes. The RC drilling campaign will have two (2) phases. The Phase 1 Campaign includes an initial campaign of approximately 2,000 meters, of which 1,305 meters within 49 drill holes were completed during Q4 2023. During Q1 2024, the Company will complete the Phase 1 Campaign, totaling 2,002 meters within 80 drill holes. The chemical assays of the Phase 1 Campaign will be available in April 2024. The Phase 2 Campaign will include the remaining 7,950 meters within 303 drill holes and is expected to start in April 2024. The RC drilling campaign is aimed at converting the full potential of the deposit at depth to an inferred mineral resource category.

The Company completed its acquisition of a 100% ownership interest in the mining rights comprising the Carina Module during the Q1 2024, following satisfaction of required conditions including those related to completion of exploration activities, meeting certain exploration expenditure thresholds and payment of cash consideration in the amount of $0.5 million.

For comparison, during FY 2022, the Company made significant progress in Brazil from the start of its exploration activities, including: (i) superficial mapping and sampling in different regions of Brazil; (ii) staking an aggregate of

369,410 hectares of mining concessions; (iii) entering into an earn-in agreement with a Brazilian mining company to acquire additional concessions; and (iv) identifying seven (7) high-priority exploration drilling targets. The Company developed drilling campaigns for two (2) high-priority targets in respect of the concessions subject to the Company's earn-in agreement entered into with the Brazilian mining company. The first target considered became the Carina Module and the second target was discarded due to low geological prospectivity.

Greenfield Exploration - Brazil

During FY 2023, the Company continued advancing its greenfield exploration activities in other high-priority areas in the States of Minas Gerais and Paraná, which involved the collection of superficial samples for HREE indications and mapping, intertwined with regional geology interpretations. This information served to target two (2) additional areas for scouting drilling. The Company completed the scouting auger drilling campaign within the two (2) targeted areas, executing 705 meters within 64 drill holes. During Q1 2024, the Company expects to receive the analytical results of the drilling campaign and estimate a preliminary potential mineral resource base. For comparison, during FY 2022, the Company focused on the collection of superficial samples for HREE indications and mapping. The main objective was to generate high priority targets to develop drilling campaigns that would be executed during 2023.

Penco Module

During FY 2023, the Company did not report any brownfield exploration activities within the Penco Module.

For comparison, during Q1 2022, the Company completed its drilling campaign in Alexandra Poniente, which totaled 100 drill holes and 3,011.5 meters. In addition, the Company completed an infill drilling campaign of 75 drill holes and 2,286 meters, aiming to convert the approximately 2Mt of inferred mineral resources from Luna, Victoria Norte, Alexandra Oriente, Victoria Sur, and Maite into measured and indicated mineral resources. During Q4 2022, the Company announced an updated mineral resource estimate for the Penco Module, which will support the eventual development of the Penco Module Feasibility Study.

Greenfield Exploration - Chile

During Q1 2023, the Company announced drilling results following its recent drilling activities in the Verónica district (125 holes and 2,905 meters completed), which evidenced the following attributes: (i) the presence of REE mineralization, occurring mainly in the first 15 meters below surface, with an economic horizon of approximately 7 meters; (ii) that the REEs sampled are highly adsorbed into ionic clays, which indicates a comparatively higher percentage of REE exchangeable fraction recovery; and (iii) attractive recovery rates of dysprosium and terbium (HREE) and neodymium and praseodymium (LREE). The results from Verónica Norte indicate that mineralization remains open on its lateral extents at different topographic levels, providing new target zones for drilling.

During Q2 2023, the Company initiated auger drilling operations in the Verónica and Petronila districts, completing a total of three (3) and five (5) holes in these districts, respectively. The auger drilling reached depths of up to 14 meters, validating the prospectivity of areas that had been previously identified through exploration activities.

During Q3 2023, the Company decided to put on hold the greenfield exploration activities in Chile due to the early termination of the Revised EIA on July 3, 2023. The Company refocused its exploration efforts in Brazil.

For comparison, during FY 2022, further mapping and sampling was carried out in the Petronila and Verónica districts and resulted in 28 new proposed targets for sonic drilling. The first target drilled was Verónica Norte, with a total of 125 holes and 2,905 meters completed. Notably, the mapping and sampling in the Verónica district led the Company to identify a preferred mineralization corridor extending from the southwest to the northeast, reaching the Josefa district, in which new areas with evidence of ionic clays enriched with REEs were recognized. The Company also identified new targets in the Petronila and Amparito districts, to the North of the Penco Module.

During FY 2022 and FY 2023, based on mapping and sampling results, the Company discarded 261,300 hectares from its portfolio of mineral concessions due to evidence of low potential for the presence of ionic clays or REEs. As a result, the Company's current portfolio of concessions in Chile totals 82,885 hectares.

Project Development Activities

Penco Module

General Engineering

During Q1 2023, the Company awarded a contract for the development of a Feasibility Study in respect of the Penco Module to Pares & Alvarez ("P&A"). The scope of the Penco Module Feasibility Study contract included matters related to process plant, mine infrastructure and mine services. Pursuant to the contract, P&A was also responsible for preparing the associated technical report in accordance with NI 43-101. In the same period, the Company secured a recycled water supply for the operation, which is expected to fulfill 100% of the water requirements of the Penco Module. The recycled water will be provided by Essbio S.A., which will collect and treat urban industrial wastewater before discharging into the environment. The achievement of this sustainability milestone is a result of collaborative efforts between the Company and Essbio S.A. to preserve the area's water resources, and to develop the first fully-recycled water supply project in the Biobío region.

During Q2 2023, the Company, in collaboration with P&A, made significant strides in the development of the Penco Module Feasibility Study. The focus was primarily on the creation of process and mechanical discipline-related documents and drawings, including process flow diagrams, equipment dimensions, layouts, and piping and instrumentation diagrams. Simultaneously, the engineering team dedicated their efforts to the design of operational roads for mining and the exploration of potential access points to the Itata Route highway. The Company also completed the conceptual engineering for the mine infrastructure and oil pipeline, laying a solid foundation for the upcoming feasibility design.

On September 25, 2023, in light of the revised permitting strategy, the Company decided to delay the completion of the Penco Feasibility Study and use the additional time to further refine the engineering aspects of the Penco Module by incorporating certain enhancements that are expected to result in reduced capital and operating costs and improved operational efficiency. Such proposed engineering enhancements are as a result of the Company's ongoing piloting work and ongoing research and development initiatives.

During Q4 2023, the Company focused its efforts on developing the necessary technical requirements for EIA 1 which included, among other things, incorporating updated information in respect of mechanical and architectural drawings, feasibility process design and the bifurcated project description and related annexes. The Company also completed an update of technical drawings and information in preparation for discussions with the oil pipeline owner ENAP, in order to modify a portion of the pipeline route that is currently located within the Penco Module and to avoid any impact on the Penco Module's extraction process. The Company will include this information in EIA 1. Currently, the Company is also carrying out studies to identify potential new disposition zones and develop geotechnical work for stability analysis and drying methodologies for the spent clays.

Comparatively, during FY 2022, Ausenco was previously engaged to develop the Penco Module pre-feasibility study, which was intended to assist in defining the layout and engineering of the contemplated processing plant. During Q1 2022, Ausenco carried out engineering activities, including selecting process plant equipment, developing the civil, mechanical, structural, electrical and control engineering, and reducing the layout surface area. Studies and geotechnical test work were also conducted to determine fresh water and power supply alternatives, and to confirm the structural stability of spent clay deposition zones. During Q2 2022 and Q3 2022, the Company advanced engineering works in connection with water and electrical supply and infrastructure design associated with the Penco Module mine and processing plant for the purposes of the Revised EIA. These activities were carried out by Ausenco, CDM Smith and Reich, and included studies associated with the operation, construction and closure phases of the Penco Module. During the same period, the Company initiated a geotechnical drilling campaign. The results of this campaign revealed additional information which assisted the Company in characterizing extraction zones and updating certain mine design criteria, including slope and bench considerations. Finally, during Q4 2022, the Company continued to assess new and viable water sources for the Penco Module's process plant in efforts to improve the current design of the plant. In addition, the Company initiated a request for proposal process for the commissioning of the Penco Module Feasibility Study, which was subsequently awarded to P&A in Q1 2023.

Mining Study

During Q1 and Q2 2023, two (2) hydrogeology holes were planned and executed in Victoria Sur and Victoria Norte to enhance the geotechnical study. The results of the field campaign to measure phreatic levels led to the development of hydrogeological models for Victoria Sur, Victoria Norte, Luna and Maite and served as inputs for geotechnical stability analysis, in conjunction with the current detailed pit designs.

During Q2 2023, the Company initiated mining studies for the Penco Module Feasibility Study and completed key activities, including:

- the estimation of economic pit shells for all six (6) extraction zones (EZ), incorporating surface constraints such as the "Native Preservation Forest";
- the selection of mining pushbacks;
- the execution of detailed pit design;
- the definition of the mining sequence; and
- the formulation of the mine schedule.

During the same period, as part of the pilot plant program, the Company developed geostatistical estimation of grade block models, for both total and desorbable grades, for each of the 15 REE. Based on these models, an operative excavation was designed and executed for Victoria Sur and Victoria Norte.

During Q3 2023, the Company continued the development of the Penco Module Feasibility Study, which included an improved design of the drainage infrastructure of the extraction zones and resulted in detailed drawings comprising pushback designs with access, main ramps, benches, berms and seepage channels for Victoria Norte, Luna and Maite extraction zones, with the rest of the study delayed to further refine the engineering aspects of the Penco Module.

Comparatively, during FY 2022, the Company prepared a plan for further development of the geotechnical aspects of the Penco Module and drafted preliminary pit designs and a refined mine cost model. The Company also completed a conceptual design for the backfilling of the Victoria Norte pit, with a focus on reducing haulage cost and environmental impact. Further, the Company developed a discrete event simulation model, which is supposed to represent some of the distinctive operational characteristics of the Penco Module. The model was used to provide a probabilistic characterization of expected weather events and their intensity and frequency by analyzing local historic rainfall data and has also been used to develop a ranking of the different road segments based on their predicted impact on mine productivity.

Process Design

During Q1 2023, the Company made significant progress with respect to the construction and future operation of the pilot plant located in Concepcion, Chile. All equipment was successfully installed, and the electrical implementation and piping connection process began. Furthermore, the employees responsible for the operation of the plant were hired and trained for the process operation.

During Q2 2023, the Company marked a significant milestone with the completion of the pilot plant construction, after successfully commissioning the process with water and clays from the Penco Module. At the beginning of June 2023, the operation officially began with material from the Victoria Sur pit. The plant garnered positive feedback from a diverse range of visitors, including potential customers, investors, academics, Penco residents, students and authorities. The main commentaries were centered around the plant's clean performance, the absence of disruptive noise, the lack of high-temperature processes, and the production of high-purity water by osmosis, which is recirculated back to the process.

During Q3 2023, the piloting works were successfully completed after finalizing the processing of Victoria Norte clays. A total of 120 tonnes of wet clay from Victoria Norte and Victoria Sur were processed, yielding 107 kilograms of mixed REE carbonates. Samples of this material have been dispatched to over 15 separation firms located across North America, Europe and Asia. This initiative aimed to validate product specifications and assess its suitability for their respective separation technologies.

During FY 2023, the Company continued to advance the process design of the Penco Module in connection with the Penco Module Feasibility Study, including process flow diagrams, mass balances, design criteria and P&ID, among others. The focus of the process design area will be to further refine the engineering aspects of the Penco Module by incorporating enhancements that are expected to result in reduced capital and operating costs and to improve operational efficiency. These enhancements are a result of the Company's ongoing piloting work and research and development initiatives.

Comparatively, during FY 2022, metallurgical recoveries validation was carried out through an extensive and comprehensive testing program at SGS Lakefield, Canada. This program began during Q4 2021 and was completed at the end of Q2 2022. The testing program design was based on a series of geo-metallurgical criteria which assessed 119 representative samples from different extraction zones within the Penco Module. Through mineralogical and chemical analyses, the behavior of clays was assessed against various leaching solutions. The results validated the Company's current recovery metrics and provided support for the economic indicators of the Penco Module. Furthermore, metallurgical testing and management of impurities were assessed by AGS Laboratories in La Serena, Chile with the support of BQE Water in Vancouver, Canada, where a closed-circuit flowsheet was proven to be successful. The flowsheet design demonstrated the chemical stability of residues, with no liquid or solid discharge in respect of the flowsheet process, recirculating up to 95% of water and 99% of the main process reagent (ammonium sulphate). The remaining water lost in the process is returned to the field in the form of filtered and washed clays. In addition, the flowsheet process incorporates ion-exchange resin technologies, purification with greensand filters, the use of nanofiltration membranes and reverse osmosis, among other technologies. In light of the sustainable parameters achieved, the process was named "Circular Mineral Harvesting". On September 6, 2022, the Company received the Sustainable Initiative of the Year award by the Business Intelligence Group in recognition of the Penco Module's environmentally friendly design.

During Q4 2022, the Company continued to advance engineering design, equipment procurement and fabrication in connection with the Penco Module's pilot plant, with the objective of demonstrating the flowsheet at an up-sized scale. The design and operation of the pilot plant was supported by Promet101, BQE Water, the University of Concepción, the University of Toronto and SGS, as well as other companies associated with the Penco Module. The Company started the construction of the pilot plant, which aimed to operate all process units continuously in an effort to demonstrate that the proposed recovery method is metallurgically robust, environmentally robust and viable at scale.

Carina Module

Process Design

During Q3 and Q4 2023, the Company initiated the development of the Carina Module Technical Report. This report has enabled the conceptualization of the process through the creation of block diagrams, mass and energy balances and the generation of a sized equipment list. The Carina Module Technical Report was released on January 23, 2024 and its results have established a strong basis to move the project toward the project development phase.

During Q1 2024, the Company conducted an indicative testing campaign with the Carina Module clays at its pilot plant in Concepción, Chile. The piloting campaign considers processing 25 tonnes of clays and was completed at the end of February 2024. The piloting campaign is expected to result in the production of ten (10) to fifteen (15) kilograms of mixed heavy rare earth carbonates, which will serve as commercial samples as well as advancing vertical integration efforts across the rare earths value chain.

During FY 2022, the Company had no engineering activities in relation to the Carina Module.

Environmental, Social and Governance

Penco Module

Environment and Permits

During Q1 2023, the Company completed the environmental baseline studies for the Revised EIA. The Company also focused on addressing other critical issues, including chemical stability, indigenous baseline studies and new guidelines in the Revised EIA, such as climate change, biodiversity and noise and vibrations in relation to fauna. The Revised EIA was submitted on April 28, 2023. The Revised EIA included a 100% recycled water source for the entire Penco Module operation, revegetation of over 200 hectares with native species, a recreational park for the Penco community, and a reproduction center for the Pudu (a local deer), among other features. At the end of Q1 2023, the Company held town-hall expositions to finalize the anticipated citizen participation process ("PACA"). These events were held in Penco, Lirquén and Concepción, where the Company presented to the community on the Penco Module and key topics forming the Company's submissions to the SEA. The presentations received positive responses and addressed questions related to the process and crucial issues of the project, including those related to flora, fauna and water supply.

On April 28, 2023, the Company submitted the Revised EIA and the SEA declared it admissible, officially initiating the evaluation process on May 8, 2023. On June 1, 2023, a comprehensive technical visit to the project field was conducted, involving multiple evaluation services and stakeholders. The main discussions were centered around the water supply, management of spent clays, and physical and chemical stability. By the end of June 2023, 19 evaluation services submitted their observations to the Revised EIA.

On July 3, 2023, the SEA elected to terminate the Revised EIA. The termination resulted from a request submitted by CONAF based on its findings that there are six (6) undisclosed citronella mucronate, popularly known as "naranjillo" trees, located in the area of the Penco Module. Naranjillo trees are considered "vulnerable species". Specifically, the Revised EIA did not include information relating to the naranjillo trees in question, of which five (5) were found near the location of an existing access road that would require modification, and one (1) was found in a local native forest within the deposition zone known as Jupiter. Given the presence of such vulnerable species within the native forest, the forest would be considered a "preservation forest", restricting such trees from being cut down and thus requiring a change to the contemplated disposal area of the project.

On September 25, 2023, the Company announced an updated permitting strategy with the primary aim of addressing concerns associated with native forests, whilst expecting to minimize any substantial impact on the Penco Module's development timeline. To effectively implement the revised strategy, the Company has proposed to undertake the preparation and submission of two (2) EIAs, which will collectively cover the full life-of-mine of the project. The Company is currently preparing EIA 1 which will cover approximately the first five (5) years of life-of-mine of the project and will encompass three (3) extraction zones (Victoria Norte, Luna and Maite), one (1) deposition zone (Neptuno) and the production facilities. The production of these three (3) zones will be operationally balanced with the deposition zone and EIA 1 is expected to cover the payback period of the initial capex of the Penco Module. EIA 1 aims to substantially reduce the Penco Module's exposure to native forests, as well as address the observations received from the evaluation services. The Company expects to file EIA 1 during Q1 2024.

During Q4 2023, the technical team completed the necessary technical requirements for the new bifurcated project description, including mine and road design, mine sequence, mineral waste management and emissions inventory. Moreover, the sustainability team advanced the baseline studies in various fields, such as flora, fauna, archaeology, limnology, hydrology, hydrogeology and enhanced human factors during the winter and spring seasons. The Company expects to file EIA 1 for the Penco Module by the end of Q1 2024.

Comparatively, during FY 2022, the Company undertook new baseline studies in the field, starting in April 2022, to address the flora and fauna issues raised by the SEA. The field studies were led by consultants specializing in flora identification, using "plots" methodology and direct observation, fauna observation using "trap cameras", and water flow rate estimation by whirligig. In relation to the habitat of Queule and Pitao native preservation trees, the University of Chile also conducted a study which confirmed that the Penco Module will not generate any impact on the Queule and Pitao species which are native to the surrounding habitat.

Social License

During Q1 2023, the Company's community relations team progressed with the third stage of the early citizen participation process, which focused on the collection and incorporation of community opinions. Throughout this period, nine (9) events were held in early February 2023 to promote open dialogue with the Penco community. These engagements improved communication and assisted the Company in gaining a deeper understanding of the concerns and aspirations of the local community.

During Q2 2023, the Company's communication efforts aimed to highlight the positive attributes of the Revised EIA application, with an emphasis on recycled water use and community co-design and a focus on explaining major changes from the Original EIA. The Company partnered with INACAP for technical training of local residents and hired 60 employees from Penco and Concepcion to operate the pilot plant. During this quarter, the Company's Corporate Affairs & Social Value team showcased the pilot plant's "Circular Mineral Harvesting" process to various stakeholders, strengthened collaborations with local universities, and drove innovation challenges for repurposing spent clays.

During Q3 2023, the Company continued to engage the community by conducting visits to the Penco Module pilot plant. These efforts successfully attracted over 220 visitors, including community leaders, local universities, media, authorities, business leaders and residents. Various community meetings culminated in a joint celebration on September 18, 2023, with more than 60 neighborhood leaders from Penco attending. During this quarter, the national media coverage of the significance of REE minerals as strategic resources for Chile increased significantly.

During Q4 2023, the Company led a new project perception survey, which revealed important results such as an increase in the favorability of the project and that more than 85% of the citizens of Penco are open to dialogue with the Company. Additionally, 65% of the citizens believe that the Company's rare earths project will generate job opportunities in Penco, contributing to development of the community. In parallel, more than 90% of those surveyed believed that the fight against climate change is urgent and that the transition towards renewable energies is a priority.

During the same period, the Company continued to receive visits to the Penco Module pilot plant, increasing the number of visitors to almost 400 people. A space for community dialogue was set up at the Aclara House in Penco, which recorded seven (7) meetings with 84 neighborhood leaders during November and December 2023. The Company estimates that the Aclara House receives over 100 people weekly, who participate in information meetings about the Penco Module and workshops such as robotics for children, agriculture and pottery. The Aclara House has also been used to build a Greenhouse, where several flora species have been planted using the spent clays of the Penco Module (after processing from the pilot plant operation during June and August 2023). The objective is to demonstrate the cleanness of the Circular Mineral Harvesting process to the community and the amenability of the spent clays for revegetation as part of the reclamation plan. In addition, new meetings were registered with priority authorities such as CONAF, the Ministry of Energy, and with the executive director of SEA, among others.

Comparatively, during FY 2022, the Company executed a robust local community outreach program. The Company appointed a Public Affairs Manager and formed a social value management team with the following mandates: (i) to expand and strengthen relationships with stakeholders in the Biobío region; (ii) to educate the communities on the sustainability aspects of the Penco Module; and (iii) to manage social contribution initiatives developed for the community. In addition, the Company conducted a perception study to gain a deeper understanding of their stakeholders, and such stakeholders' level of knowledge of the Penco Module, main interests and necessities. The perception study primarily indicated that negative opinions primarily stemmed from a lack of awareness of the attributes of the Penco Module as compared to traditional mining. In response, during the second half of 2022, the Company initiated a thorough digital communication campaign which highlighted the aspects of the Penco Module that contributed to, and aligned with, the Chilean government's shift towards sustainable projects. The campaign emphasized not only the efforts undertaken by the Company, but also the technical advantages of the Penco Module over traditional mining and the resulting added value to nearby communities.

During Q4 2022, the Company's community relations team visited 7,750 households in the Penco community to share in-person information about the Penco Module and to address potential concerns. The Company actively participated in and sponsored several local conferences and seminars, including IRADE, UdeC REE workshop, EREDE, MIT Sustainability, Mining & Energy, and "Congreso Futuro", as part of its educational campaign. The

Company has maintained constant communication with regional and local stakeholders, including business guilds, universities, and other organizations. The Company's education campaign succeeded in capturing the interest of the central government, and the Company was invited to present about the Penco Module, the REE market, and the potential benefits to Chile, to the Mining and Energy Commission of the Senate.

Occupational Health and Safety

Throughout FY 2023 and FY 2022, the Company maintained a strong focus on occupational health and safety, resulting in no events with lost workdays. Consequently, key performance indicators relating to safety, such as frequency and severity indices, reported nil values across both fiscal periods.

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.

During FY 2023, the expenditures related to exploration, technical development, environmental, social and governance and administration activities amounted to $30.228 million, resulting in a total cash balance of $33.246 million as at FY 2023.

Comparatively, in FY 2022, the expenditures related to exploration, technical development, environmental, social and governance and administration activities amounted to $24.261 million, resulting in a total cash balance of $66.886 million as at FY 2022.

Source of Funds: On December 10, 2021, the Company raised net proceeds of $93.154 million (approximately C$117.696 million) through its Going Public Transaction, resulting in a total cash balance of $91.185 million as at FY 2021.

Overview of Operating Expenditure and Costs

The Company incurred an aggregate of $11,383 million in losses from continuing operations before income tax during FY 2023, as compared to an aggregate of $8,355 in losses during FY 2022. In particular, during Q4 2023, the Company incurred $6.015 million in losses in connection with exploration expenses, administration expenses, other income, finance costs, finance income and loss/gain resulting from exchange rate fluctuations, as compared to Q4 2022, in which the Company incurred losses of $3.164 million.

	Three months ended December 31		**Fiscal year ended December 31**	
(in thousands of US $)	**2023**	**2022**	**2023**	**2022**
Exploration expenses	3,612	1,625	6,991	3,488
Administration expenses	2,760	1,939	6,815	5,386
Other income	(24)	-	(59)	-
Financial costs	36	5	59	18
Financial income	(308)	(261)	(2,338)	(648)
Exchange differences	(61)	(143)	(85)	111
Loss from continuing operations before income tax	**6,015**	**3,165**	**11,383**	**8,355**

<u>Exploration Expenses</u>

The breakdown of exploration expenses incurred by the Company for the periods Q4 2023, Q4 2022, FY 2023 and FY 2022 are as follows:

(in thousands of US $)	Three months ended December 31 2023	2022	Year ended December 31 2023	2022
Personnel expenses	529	198	1,651	367
Professional fees	370	126	691	149
Mining rights	-	-	-	50
Subscriptions	-	-	5	-
Rental	390	-	692	6
Repair and maintenance	-	5	12	5
Analysis & technical	347	273	627	642
Studies	1,144	6	1,328	145
Technology and system	(36)	(20)	-	-
Exploration supplies	4	1	4	1
Contractors and services	477	961	1,141	2,011
Travel expenses	131	-	391	-
Freight	154	-	154	-
Laboratory supplies and materials	129	-	129	-
Other	(25)	74	166	112
Total	**3,613**	**1,624**	**6,991**	**3,488**

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 superficial mapping works, geophysics, and topographic studies, among others.

During Q4 2023, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of $529, professional fees of $370, nil in mining rights, costs related to renting of geology equipment of $390, nil in costs related to repair and maintenance, chemical assays resulting in analysis and technical costs of $347, drilling expenses of the Carina Module, and other study related expenses of $1,144. Comparatively, during Q4 2022, the Company incurred personnel expenses of $198, professional fees of $126, nil in mining rights and rentals, repair and maintenance costs of $5, chemical assays resulting in analysis and technical costs of $273, and other study related expenses of $6. In addition, the Company incurred travel expenses of $130, laboratory supplies and other related expenses of $129, as compared to nil in Q4 2022.

In Q4 2023, the Company incurred contractors and services expenses of $477, which comprised $208 in drilling and related services, $197 in chemical analysis and $72 in other related expenses, as compared to $961 in Q4 2022.

During FY 2023, the Company incurred personnel expenses of $1,651, professional fees of $691, nil in mining rights, subscription expenses of $5, costs related to renting of geology equipment of $692, costs related to repair and maintenance of $12, analysis and technical costs of $627 and drilling expenses and other study related expenses of $1,328. These expenses are primarily associated with soil sampling, chemical assays, and superficial mapping activities carried out for greenfield exploration and the development of the Carina Module. Comparatively, during FY 2022, the Company conducted greenfield exploration activities in Chile resulting in personnel expenses of $367, professional fees of $149, mining rights of $50, rentals of $6, repair and maintenance costs of $5, analysis and technical costs of $642, and other study related expenses of $145.

In FY 2023, the Company also incurred travel expenses of $391, freight expenses of $154, laboratory supplies and other related expenses of $129, as compared to nil in Q4 2022. In addition, the Company incurred contractors and services expenses of $1,141, which was comprised of $309 in drilling and related services, $197 in chemical analysis, $313 in exploration licenses, $75 in study related expenses, $41 warehouse and office related expenses, $134 in sample expenses, and $72 in other related expenses, as compared to $2,011 in FY 2022.

Administration Expenses

The breakdown of administration expenses incurred by the Company for the periods Q4 2023, Q4 2022, FY 2023 and FY 2022 are as follows:

(in thousands of US $)	Three months ended December 31 2023	2022	Fiscal year ended December 31 2023	2022
Personnel expenses	1,200	802	3,033	2,644
Professional fees	303	194	890	389
Depreciation and amortization	615	363	1,291	570
Contractors and services	88	458	729	1,488
Permit	369	52	266	152
Travel expenses	38	-	265	-
Marketing expenses	139	-	139	-
Other expenses	8	70	201	143
Total	**2,760**	**1,939**	**6,815**	**5,386**

In Q4 2023, the Company incurred personnel expenses of $1,200, as compared to $802 in Q4 2022. These expenses were incurred by the Company to support its management and administration team. The increase is due to the introduction and development of the Brazilian management and administration team during FY 2023.

Professional fees of $303 incurred during Q4 2023 comprised accounting, tax, legal and auditing services hired for the Company's annual auditing process, as compared to professional fees rendered for a similar purpose of $194 incurred by the Company in Q4 2022. The increase in professional fees expense is as a result of the incorporation and administration of the Company's Brazilian subsidiary, Aclara Resources Mineracao Ltda.

In Q4 2023, the Company incurred depreciation and amortization expenses of $615, as compared to 363 in Q4 2022. This increase is largely driven by the amortization of exploration mining concessions from the Brazilian subsidiary, which were acquired during 2023.

In Q4 2023, the Company incurred contractor and services expenses of $88. These expenses were in relation to expenses incurred with regards to the Company's board of directors, as compared to $458 in contractor and services expenses incurred in Q4 2022, which comprised legal expenses to comply with continued disclosure obligations as a Canadian reporting issuer and TSX-listed company, D&O insurance and other related expenses.

In Q4 2023, the Company incurred travel expenses of $38, marketing expenses of $139 and other expenses of $8, as compared to $70 in other expenses incurred in Q4 2022.

During FY 2023, the Company increased operating expenses due to the management team formed to support its activities in Brazil, resulting in $3,033 personnel expenses and professional fees of $890, as compared to $2,644 personnel expenses and $389 professional fees during FY 2022.

In FY 2023, the Company maintained mining concessions in Chile and acquired mining concessions in Brazil, which were amortized and depreciated, resulting in depreciation and amortization expenses of $1,291, as compared to $570 in FY 2022.

During FY 2023, the Company incurred lower contractors and services expenses compared to FY 2022. These expenses are necessary to comply with disclosure obligations of the Company as a Canadian reporting issuer and TSX listed company, resulting in $729 expenses related to the Company's board of directors, consulting fees, digital campaigns, market surveillance and other related expenses.

In FY 2023, the Company increased the expenses related to concessions, office, travel and related administrative expenses mainly due to the acquisition of concessions and the opening of an office in Brazil, marketing activities and related visits. This resulted in $266 in permit related costs, travel expenses of $265, marketing expenses of $139 and other related administrative expenses of $201, as compared to $152 in permit related costs and $143 other expenses in FY 2022.

Financial Income and Costs

In Q4 2023, the Company's net financial income and costs amounted to $272 and were associated with the Company's investments in short-term deposits, interest-bearing bank accounts and bank commissions, as compared to net financial income and costs of $256 in Q4 2022.

	Three months ended December 31		Fiscal year ended December 31	
(in thousands of US $)	2023	2022	2023	2022
Financial costs	36	5	59	18
Loss from continuing operations before income tax	**36**	**5**	**59**	**18**

	Three months ended December 31		Fiscal year ended December 31	
(in thousands of US $)	2023	2022	2023	2022
Financial income	(308)	(261)	(2,338)	(648)
Loss from continuing operations before income tax	**(308)**	**(261)**	**(2,338)**	**(648)**

During FY 2023, the Company incurred an increase in interest and bank commission expenses related to the administration of its bank accounts, resulting in $59 as compared to $18 during FY 2022. In addition, in FY 2023, financial income increased to $2,338 as compared to $648 in FY 2022, primarily due to 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 FY 2023, the Company's principal business included the development of the Penco Module. The Company capitalizes expenses related to brownfield exploration and infill drilling, metallurgical testing and process design, engineering of the mine, processing plant and project infrastructure, permitting and administration activities and services. The following table sets out an overview of the Company's capitalized E&E asset balance:

(in thousands of US $)	Total
Balance at January 1, 2022	**70,132**
Additions	14,145
Foreign exchange effect	(853)
Balance at December 31, 2022	**83,424**
Additions	14,506
Foreign exchange effect	(2,778)
Balance at December 31, 2023	**95,152**
Accumulated amortization and impairment	
Balance at January 1, 2022	**7**
Additions	284
Foreign exchange effect	148
Balance at December 31, 2022	**439**
Additions	696
Foreign exchange effect	(24)
Balance at December 31, 2023	**1,111**
Net book value as at December 31, 2022	**82,985**
Net book value as at December 31, 2023	**94,041**

The total investments in the Penco Module capitalized as E&E as at Q4 2023, Q4 2022, FY 2023 and FY 2022 are as follows:

(in thousands of US $)	Three months ended December 31 2023	2022	Fiscal year ended December 31 2023	2022
Personnel expenses	494	612	2,926	2,694
Professional fees	772	466	4,125	596
Environmental impact study	539	378	1,557	1,445
Drilling services	(130)	-	-	-
Engineering services	-	97	7	455
Mining rights	15	(52)	667	457
Feasibility studies	-	-	-	7
Rent building, vehicles, others	16	112	433	405
Analysis & technical	134	212	763	1,678
Contractors and Services	85	812	2,677	5,565
Other	152	416	1,350	843
Total	**2,078**	**3,053**	**14,506**	**14,145**

In FY 2023, the Company incurred personnel expenses of $2,926, as compared to the same period in 2022, in which the Company incurred personnel expenses of $2,694. For purposes of calculating the Company's personnel expenses under its E&E asset balance sheet, the Company's employee headcount as at Q4 2023 was 31, as compared to 59 as at Q4 2022.

Each category of the Company's costs in relation to its investment in the Penco Module in FY 2023 has been discussed elsewhere in this MD&A. In FY 2023, expenses related to the technical development of the Penco Module comprised costs related to engineering services, feasibility studies, and analysis, technical and contractor services, each of which are discussed under the sections of this MD&A entitled "*Project Development Activities*" and "*Exploration Activities*" above. Comparatively in FY 2022, expenses related to the Penco Module comprised the above-mentioned categories of costs as well as costs related to geochemical study and diamond drilling, which were carried out for the purposes of developing the Penco Module Technical Report.

As at Q4 2023, expenses relating to permit-related activities comprised 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 $1,557 in FY 2023, as compared to $1,445 in FY 2022.

Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totaled $667 as at FY 2023, as compared to $457 in FY 2022. As at FY 2023, the Company's concessions comprised 190,685 hectares in the Penco Module, 397,386 hectares in the Carina Module and 3,000 hectares related to other concessions, as compared to FY 2022, in which the Company's concessions comprised 281,985 hectares in the Penco Module. Fixed expenses related to professional fees, office rent and buildings, Company vehicles, and other costs totaled $5.908 million in FY 2023, compared to $1,844 in FY 2022. The primary reason for the increase relates to the construction of the Company's pilot plant in Chile during 2023.

Properties, Plants and Equipment

The breakdown of properties, plants and equipment capitalized by the Company as at FY 2023 and FY 2022 are as follows:

(in thousands of US $)	Land	Plant and equipment	Total
Balance at January 1, 2022	**357**	**700**	**1,057**
Additions	218	1,024	1,242
Foreign exchange effect	-	69	69
Balance at December 31, 2022	**575**	**1,793**	**2,368**
Additions	9,984	1,480	11,464
Disposals		(327)	(327)
Foreign exchange effect	(1,325)	(69)	(1,394)
Balance at December 31, 2023	**9,234**	**2,877**	**12,111**
Accumulated amortization and impairment			
Balance at January 1, 2022	**-**	**353**	**353**
Additions		27	27
Foreign exchange effect		101	101
Balance at December 31, 2022	**-**	**481**	**481**
Additions		596	596
Disposals		(268)	(268)
Foreign exchange effect		12	12
Balance at December 31, 2023	**-**	**821**	**549**
Net book value as at December 31, 2022	**575**	**1,312**	**1,887**
Net book value as at December 31, 2023	**9,234**	**2,056**	**11,290**

Over the periods of FY 2023 and FY 2022, the Company incurred expenses in the aggregate amount of $2,337 to build the pilot plant.

On November 23, 2020, a purchase agreement was signed between Ree Uno SpA and Forestal Arauco SA for the purchase of land located in Concepción, Chile. As at December 31, 2023, the company has paid four (4) of the seven (7) instalments pursuant to the terms of the purchase agreement with Forestal Arauco SA. The total amount paid to date is $5,823. The Company maintains the right to cancel the contract at any time if the Penco Module is proven unfeasible. The Company continues to comply with its payment obligations as of the date hereof, which contemplates annual payments in the amount of $1,300 annually until 2027.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US $)	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenue	-	-	-	-
Net income (loss) from continuing operations	(6,015)	(1,442)	(2,519)	(1,407)
Net income (loss) and comprehensive income (loss)	(6,015)	(1,442)	(2,519)	(1,407)
Basic and diluted net income (loss) (per share)	(0.04)	(0.01)	(0.02)	(0.01)

(in thousands of US $)	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	-	-	-	-
Net income (loss) from continuing operations	(3,164)	(2,436)	(1,758)	(997)
Net income (loss) and comprehensive income (loss)	(3,164)	(2,436)	(1,758)	(997)
Basic and diluted net income (loss) (per share)	(0.02)	(0.01)	(0.01)	(0.01)

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

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

During Q2 2023, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of $728, an increase in exploration expenses of $334 and an increase in exchange rate expenses of $50. The increase in administrative expenses is explained by higher legal and professional expenses of $306, Board of Directors' expenses of $158, personnel expenses of $214 and other expenses of $50. The increase in exploration expenses is explained by additional exploration works in Brazil resulting in higher chemical assays and drilling services of $137, travel expenses of $194, and other expenses of $3.

During Q1 2023, the Company incurred lower net losses from continuing operations compared to Q4 2022, primarily due to a decrease in administrative expenses of $846 and a decrease in exploration expenses of $501, an increase in financial income of $510, an increase in other income of $33, partially offset by an increase in exchange rate expenses of $132. The decrease in administrative expenses is explained by lower legal and professional expenses of $207, Board of Directors' expenses of $53, personnel expenses of $243, insurance expenses of $146, and depreciation and amortization of $197. The decrease in exploration expenses is primarily explained by a reduced scope of exploration works in Chile compared to the previous quarter, resulting in lower chemical assays of $195 and drilling services of $306. In addition, the increase in financial income is primarily explained by higher interest received from short-term investments of $510.

During Q4 2022, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of $806, an increase in exploration expenses of $233, a decrease in financial income of $28, partially offset lower expense due to an exchange rate difference of $339. The increase in administrative expenses is explained by higher legal and professional expenses of $122, insurance expenses of $146, personnel expenses of $189, depreciation and amortization expenses of $304 and other expenses of $45. The increase in exploration expenses is explained by the drilling works in the Verónica exploration project in Chile, resulting in higher chemical assays and drilling services of $233.

During Q3 2022, the Company incurred higher net losses from continuing operations compared to Q2 2022, primarily due to an increase in exploration expenses of $1,154 and an increase in exchange rate expenses of $71, partially offset by a decrease in administration expenses of $347 and an increase in financial income of $200. The increase in exploration expenses is explained by the drilling works in the Verónica exploration project in Chile, resulting in higher chemical assays and drilling services of $807.

During Q2 2022, the Company incurred higher net losses from continuing operations compared to Q1 2022, primarily due to an increase in administrative expenses of $646 and an increase in exchange rate expenses of $115. The increase in administrative expenses is explained by higher legal and professional expenses of $172, personnel expenses of $149, recruitment expenses of $175, Board of Directors' expenses of $53, investor relations expenses of $62 and other expenses of $35.

During Q1 2022, the Company incurred lower net losses from continuing operations compared to Q4 2021, primarily due to a decrease in exploration expenses of $295 and an increase in exchange rate expenses of $545, partially offset by an increase in administrative expenses of $424. The increase in administrative expenses is explained by higher personnel expenses of $379 and other expenses of $45.

The Company is in the development phase of both the Penco Module and Carina Module, which includes conducting exploration, feasibility, and technical studies, as discussed in greater detail under the sections of this MD&A entitled "*Development Activities*" and "*Exploration Activities*" above. The Company has not generated any operating income as at December 31, 2023.

FINANCIAL INSTRUMENTS

Nature and Extent

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

The Company's consolidated financial instruments for FY 2023 and FY 2022 are as follows:

	Fiscal year ended December 31	
	2023	**2022**
Cash and cash equivalents		
Current demand deposit accounts	33,246	66,886
Total Cash and cash equivalents	**33,246**	**66,886**

Financial Instrument Risks

The Company manages risks to minimize potential losses, 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. 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, the Company has not opened, or been provided access to, any lines of credit.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Requirements

The Company has working capital needs of $4.349 million as at FY 2023. This requirement will be largely covered by its current cash and cash equivalent position of $33.246 million.

Off-Balance Sheet Commitments

The Company has no off-balance sheet commitments.

Cash and Liquidity

The Company did not have any commercial debt as at FY 2023.

As at FY 2023, the Company had a cash balance of $33.246 million. The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next 18 months. The Company's contractual obligations as at FY 2023 that must be satisfied with cash, and their approximate timing of payment, are as follows:

(in thousands of US $)	Q4 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	After 2030
Debt	-	-	-	-	-	-	-
Finance Lease Obligations	-	-	-	-	-	-	-
Operating Leases	367	65	-	-	-	-	-
Purchase Obligations	-	-	-	-	-	-	-
Other Obligations	-	-	-	-	-	-	-
Total Contractual Obligations	**367**	**65**	**-**	**-**	**-**	**-**	**-**

Capital Resources

The Company's focus in fiscal year 2024 is the continued advancement and development of the Penco Module, Carina Module and any potential future modules located in the concessions beneficially held by the Company.

The primary uses of capital resources in 2024 are expected to include:

(in thousands of US $)	2024
Activities in connection with the Penco Module	**4,511**
Permitting and community engagement expenditures	2,754
Surface land purchase and mining concessions	1,757
Activities in connection with the Carina Module	**5,440**
Drilling and related exploration expenses	3,029
Engineering and piloting	504
Community relations engagement	91
Surface land purchase and mining concessions	1,816
Maintenance of mining concessions in connection with potential new modules	**1,067**
Administrative expenses and general corporate purposes	**9,801**
TOTAL	**20,819**

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, Carina Module 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.

For FY 2023, the remuneration of the Company's key management totaled $3.393 million, as compared to the same period in 2022 in which remuneration of the Company's key management totaled $2.438 million.

(in thousands of US $)	December 31 2023	December 31 2022
Compensation of key management personnel		
Shared-based payments [1]	902	696
Short-term employee benefits [2]	2,491	1,742
Total compensation paid to key management personnel	**3,393**	**2,438**

(1) Amortized share-based payment expenses due to restricted stock units granted to management.
(2) The increase in short-term employee benefits during FY 2023 is primarily due to bonus expenses related to the achievement of specific goals and performance metrics. In addition, expenses increased given the addition of a new key position in Brazil.

Related Party Transactions

The Company was party to the following related-party balances and transactions in FY 2023 and FY 2022:

Accounts payable

(in thousands of US $)	Fiscal year ended December 31 2023	2022
Hochschild Mining PLC	13	-
compañía Minera Ares S.A.C.	1	25
Total	**14**	**25**

Accounts receivable

(in thousands of US $)	Fiscal year ended December 31 2023	2022
Compañia Minera Ares S.A.C.	-	-
Total	**-**	**-**

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

Accounts payable with Compañia Minera Ares S.A.C. amounted to $1 as at FY 2023, compared to accounts payable of $25 for FY 2022, respectively.

Accounts payable with Hochschild Mining PLC amounted to $13 as at FY 2023, compared to accounts payable of nil for FY 2022, respectively.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company's issued and outstanding share capital comprised an aggregate of 163,311,792 common shares.

During November 2023, an aggregate of 88,262 restricted share units of the Company ("RSUs") were vested in the ordinary course. 88,262 common shares were issued from treasury to members of the Company's management on November 15, 2023.

During December 2022, an aggregate of 624,015 RSUs of the Company were vested in the ordinary course. Of the total, 250,075 common shares were issued from treasury to members of the Company's management and 373,940 common shares were issued from treasury to the directors of the Company on January 9, 2023 and January 12, 2023, respectively.

As of the date of this MD&A, the Company's issued and outstanding convertible share capital comprise an aggregate of 4,540,539 RSUs which are issued and outstanding in accordance with the terms of the Company's omnibus long-term incentive plan.

	As at December 31 2023	As at December 31 2022	Total
Issued and Outstanding Restricted Share Units	**4,128,647**	**411,891**	**4,540,538**
Vesting Period			
December 10, 2023	250,076	205,945	456,021
December 31, 2023	2,295,507	-	2,295,507
January 01, 2024	346,255	-	346,255
May 15, 2024	44,131	-	44,131
December 10, 2024	205,945	205,946	411,890
January 01, 2025	346,261	-	346,261
May 15, 2025	44,131	-	44,131
December 10, 2025	205,944	-	205,944
January 01, 2026	346,266	-	346,266
May 15, 2026	44,131	-	44,131

SIGNIFICANT ACCOUNTING POLICIES

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

SIGNIFICANT EQUITY INVESTEE

Disclosure related to the Company's significant equity investee is provided under Notes 2 and 16 to the Consolidated 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); dealing with changes to local laws and regulations; compliance with laws; 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; expected production, capital and operating costs; price volatility of rare earth elements; statements regarding anticipated exploration, drilling, development, construction, permitting and other activities or achievements of Aclara; expectations, strategies and plans for the Penco Module and Carina Module, including as they relate to geology, metallurgy, engineering, title, and environmental matters; expected costs and timing of development of the Penco Module and Carina Module; costs, location and timing of potential future exploration and drilling; estimated completion dates for certain milestones; success of future exploration and development activities; the impact of competition and applicable laws and regulations on the Company's operations and results; environmental risks and hazards; future objectives of the Company and growth and other strategies to achieve those objectives; future financial or operating performance of the Company; global markets for the demand and supply of rare earth elements; continuous availability of required expertise and manpower; continuous access to capital markets; future trends that may affect the Company's business and results of operations; the impact of the COVID-19 pandemic on Aclara's operations, including any restrictions or suspensions with respect to our operations and the effect of any such restrictions or suspensions on our financial and operational results; the impact of COVID-19 on Aclara's workforce, suppliers and other essential resources and what effect those impacts, if they occur, would have on Aclara's business; future or estimated mine life, rare earth price assumptions, ore grades and sources, recovery rates; the continued qualification for listing on the TSX; Aclara having further potential through exploration at the Penco Module and Carina Module, and those risks associated with the mining industry, including delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks; the risk of commodity price and foreign exchange rate fluctuations; as well as other factors identified and described in more detail in Aclara's most recent annual information form and its other filings with securities and regulatory authorities, which are available on SEDAR+ at www.sedarplus.ca.

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

Cautionary Note Regarding Mineral Reserves and Mineral Resources

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

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

APPROVAL

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

ADDITIONAL INFORMATION

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