Consolidated Financial Statements

ACLARA RESOURCES INC.

As of December 31, 2023 and 2022

EY Chile
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Independent Auditor's Report

To the Shareholders
Aclara Resources Inc.

Opinion

We have audited the consolidated financial statements of Aclara Resources Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As described in note 1 on March 24, 2022, the Company withdrew the original EIA (environmental impact assessment) application related to the Penco Module to allow time to address two technical aspects in particular, which relate to the protection of local flora and fauna. On April 28, 2023 the company submitted a new application for the environmental impact study, however this was early terminated by the SEA (Chilean environmental evaluation agency) as six citronella mucronate trees (locally known as "naranjillo") were found in the project area (protected native forest).
As of the date of this report, the Company has not presented an updated EIA application to the Chilean authorities. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor´s opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor´s responsibilities for the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit Matter	How our audit addressed the key audit matter
Going Concern assessment – the Company is in development stage	
As discussed in Note 2 to the accompanying consolidated financial statements, the Company is in the development stage and has not generated any revenue. The economic analysis contained in the Pre-Economic Assessment NI 43-101 Report ("Technical Report") is based, in part, on inferred mineral resources, and is preliminary in nature. Inferred mineral resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as mineral reserves. There is no certainty that economic forecasts on which the preliminary economic assessment contained in the Technical Report is based, will be realized.	We obtained and analyzed the amended and restated NI 43-101 Technical Report issued by a third party on September 15th, 2021, to gain an understanding of the economic analysis and its conclusions. We assessed the projected prices of the Rare Earth Basket Prices contained in the economic analysis of the Technical Report and by comparing them to observed prices in the market and to the prices projected by the third-party specialist. We obtained and reviewed the board minutes and their follow up of the project and the budget. We evaluated the main financial index, including working capital, debt ratio, projected capital expenditures and cash needed in the next 12 months. We obtained and reviewed the impairment analysis prepared by a third party and reviewed the return rate and others key assumptions used by management to support the future cash flow.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charge with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the (consolidated) financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Oscar Gálvez.

Oscar Gálvez R.
EY Audit Ltda.

Santiago, Chile
March 22, 2024

Income Statement

	Notes	As at 31 December 2023 US$000	As at 31 December 2022 US$000
Continuing operations			
Other income	4	59	-
Administration expenses	4	(6,815)	(5,386)
Exploration expenses	5	(6,991)	(3,488)
(Loss) from continuing operations before net finance income/(cost) and income tax		(13,747)	(8,874)
Financial income	6	2,338	648
Financial costs	6	(59)	(18)
Foreign exchange differences		85	(111)
(Loss) for the year from continuing operations before income tax		(11,383)	(8,355)
Income tax expense	7	-	-
(Loss) for the year from continuing operations		(11,383)	(8,355)
Basic loss per share US$	8	(0.07)	(0.05)
Diluted loss per share US$	8	(0.07)	(0.05)

Statement of Comprehensive Income

	As at 31 December 2023 US$000	As at 31 December 2022 US$000
(Loss) for the year	(11,383)	(8,355)
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Foreign exchange differences on translating foreign operations	(4.274)	(450)
Other comprehensive (loss) profit for the year, net of tax	(4,274)	(450)
Total comprehensive (loss) for the year	(15,657)	(8,805)

The attached notes are an integral part of these Consolidated Financial Statements.

Statement of Financial Position

ASSETS	Notes	As at 31 December 2023 US$000	As at 31 December 2022 US$000
CURRENT ASSETS			
Cash and cash equivalents	12	33,246	66,886
Trade debtors and other accounts receivable, net, current	11	1,699	367
TOTAL CURRENT ASSETS		34,945	67,253
NON-CURRENT ASSETS			
Trade debtors and other accounts receivable, non-current	11	6,733	4,692
Property, plant and equipment, net	9	11,290	1,887
Exploration and evaluation assets	10	94,041	82,985
TOTAL NON-CURRENT ASSETS		112,064	89,564
TOTAL ASSETS		147,009	156,817

EQUITY AND LIABILITIES	Notes	As at 31 December 2023 US$000	As at 31 December 2022 US$000
CURRENT LIABILITIES			
Trade accounts payable and other accounts payable, current	14	4,435	3,605
Accounts payable to related entities, current	17	14	25
Other provisions, current	15	1,599	-
TOTAL CURRENT LIABILITIES		6,048	3,630
NON-CURRENT LIABILITIES			
Trade accounts payable and other accounts payable, non-current	14	2,600	-
TOTAL NON-CURRENT LIABILITIES		2,600	-
EQUITY			
Equity share capital	16	164,226	164,036
Retained deficit		(23,395)	(12,012)
Other reserves		(2,470)	1,163
TOTAL EQUITY		138,361	153,187
TOTAL LIABILITIES AND EQUITY		147,009	156,817

The attached notes are an integral part of these Consolidated Financial Statements.

Approved by the board of Directors:

(signed) PAUL ADAMS
Paul Adams (Director)

(signed) CATHARINE FARROW
Catharine Farrow (Director)

Statement of Cash Flow

	Notes	As at 31 December 2023 US$000	As at 31 December 2022 US$000
Cash flows from operating activities			
Cash from / (used in) operations	18	(13,478)	(9,089)
Interests received		2,338	648
Net cash from / (used in) operating activities		(11,140)	(8,441)
Purchase of property, plant and equipment		(8,053)	(1,242)
Purchase of exploration and evaluation assets	10	(14,506)	(14,145)
Sale of property, plant and equipment		59	-
Proceeds from disposal of short investments	13	-	27,000
Net cash from / (used in) investing activities		(22,500)	11,613
Shares issued	16	-	1
Share issuance costs	16	-	(472)
Cash flows from / (used in) financing activities		-	(471)
Net increase / (decrease) in cash and cash equivalents during the year		(33,640)	2,701
Cash and cash equivalents at beginning of the year		66,886	64,185
Cash and cash equivalents at end of the year	12	33,246	66,886

The attached notes are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity

	Notes	Equity share capital	Cumulative translation adjustment	Other reserves	Total other reserves	Retained deficit	Total equity
		US$000	US$000	US$000	US$000	US$000	US$000
Balance at 1 January 2023	16	164,036	(9,627)	10,790	1,163	(12,012)	153,187
Other comprehensive expense		-	(4,273)	-	(4,273)	-	(4,273)
(Loss) of the year		-	-	-	-	(11,383)	(11,383)
Total comprehensive (loss) for the year		-	(4,273)	-	(4,273)	(11,383)	(15,656)
Share-based payments		190		640	640	-	830
Balance at 31 December 2023	16	164,226	(13,900)	11,430	(2,470)	(23,395)	138,361
Balance at 1 January 2022	16	164,508	(9,177)	10,093	916	(3,657)	161,767
Other comprehensive expense		-	(450)	-	(450)	-	(450)
(Loss) of the year		-	-	-	-	(8,355)	(8,355)
Total comprehensive (loss) for the year		-	(450)	-	(450)	(8,355)	(8,805)
Share-based payments		-	-	697	697	-	697
Share issuance costs		(472)	-	-	-	-	(472)
Balance at 31 December 2022		164,036	(9,627)	10,790	1,163	(12,012)	153,187

The attached notes are an integral part of these Consolidated Financial Statements.

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Content

Notes to the Consolidated Financial Statements

1 Corporate information

Aclara Resources Inc., formerly 1303714 B,C, Ltd, (hereinafter the 'Company') is a limited Company incorporated under the Business Corporations Act (British Columbia) on May 5, 2021. The Company's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada. On August 5, 2021, the Company established 1303714 B.C. LTD., Agencia en Chile (hereinafter the 'Agencia'), a foreign legal entity branch in Chile. On October 4, 2021, the Company changed its name to "Aclara Resources Inc.". On October 15, 2021, Agencia changed its name to "Aclara Resources Inc., Agencia en Chile".

Aclara Resources Inc is the direct owner of 100% of the issued and outstanding share capital of Ree Uno SpA, which was incorporated on 28 October 2011. Ree Uno SpA's registered office is located in Chile. Ree Uno SpA's principal business is the development of the Penco Module, which is located in Chile.

Investment in a subsidiary

- On October 2, 2019, Minera Hochschild Chile S.C.M., a Chilean subsidiary of the Hochschild Mining Group, acquired an 100% interest in Ree Uno SpA. On November 27, 2020, Minera Hochschild Chile S.C.M. sold its 100% interest in Ree Uno SpA to Hochschild Mining Holdings Ltd, a UK-based subsidiary of the Hochschild Group. On October 15, 2021, Hochschild Mining Holdings Ltd contributed 100% of its ownership interest in Ree Uno SpA´s shares to the Company in exchange for a total of 88,262,106 common shares in the capital of the Company as part of Hochschild Mining Group's and the Company's reorganization strategy. Immediately thereafter, the Company allocated all of its shares in the capital of Ree Uno SpA to its Chilean branch.

- On February 25, 2022, the Company and Ree Uno SpA acquired a 99% and a 1% interest in Aclara Resources Peru SAC, respectively, which was incorporated on January 21, 2022. Aclara Resources Peru SAC's registered office is located in Peru. Aclara Resources Peru SAC's principal business is to provide management and administration services. The controlling party of Aclara Resources Peru SAC is the Company.

- Ree Uno SpA is the direct owner of 100% of the issued and outstanding share capital of Prospecciones Greenfield SpA, which was incorporated on October 4, 2021. Prospecciones Greenfield SpA's registered office is located in Chile. Prospecciones Greenfield SpA's principal business is managing exploration concessions for Ree Uno SpA for the potential development of new modules in Chile. The immediate controlling party of Prospecciones Greenfield SpA is Ree Uno SpA.

- On September 16, 2022, Aclara Resources Mineracao Ltda. was incorporated with a capital contribution from Ree Uno SpA, which acquired 100% of the issued and outstanding share capital. On February 16, 2023, Aclara Resources Mineracao Ltda. increased the capital and the Company acquired an 89,63% interest in Aclara Mineracao Ltda., therefore, Ree Uno SpA is currently the owner of 10,37% of the issued and outstanding share capital of Aclara Resources Mineracao Ltda.. Aclara Resources Mineracao Ltda.'s registered office is located in Brazil. Aclara Resources Mineracao Ltda.'s principal business is mining research, geological studies, exploration and extraction of mining products. The controlling party of Aclara Resources Mineracao Ltda. is the Company.

- Ree Uno SpA is the direct owner of 100% of the issued and outstanding share capital of Fundacion de Beneficiencia Publica, Medioambiental, Cientifica, Cultural y Social Queule (hereinafter the 'Fundacion Queule'), which was incorporated on September 27, 2022. Fundacion Queule's registered office is located in Chile, Fundacion Queule's principal business is carry out, encourage and support initiatives, programs, projects and activities for environmental conservation, heritage rescue and social, cultural and scientific development. The immediate controlling party of Fundacion Queule is Ree Uno SpA.

Business segment

The Company is involved in the exploration of rare-earth elements, operating one business segment, which is the development of two projects called "Penco Module" in Chile and "Carina Module" in Brazil. The operations of the Penco module are conducted through the Company's wholly-owned subsidiary, Ree Uno SpA. In addition, the operations of the Carina module are conducted through the Company's wholly-owned subsidiary, Aclara Resources Mineracao Ltda.

The Company is a mining company engaged in the exploration and development of rare earth mineral resources with approximately 190,685 hectares of mining concessions located in the Maule, Ñuble, Biobío and Araucanía regions of Chile and, 397,386 hectares of mining concessions located in the Minas Gerais, Paraná and Goias states of Brazil. The Company is presently focused on the development of the Penco Module and Carina Module, which contain ionic clays rich in Rare Earth Elements. The Penco Module covers a surface area of approximately 600 ha. In comparison, the Carina Module covers a surface area of approximately 1,400 ha. Subsequent developmental stages of the Company are expected to include optimisation of the metallurgical process, additional production modules and vertical integration opportunities. Results from the preliminary economic assessment of the Penco Module were issued on October 18th, 2021.

As part of the Environmental Impact Assessment ("EIA") approval process for the Penco Module initiated in 2018 (the "Original EIA"), the Company filed an initial application and three supplementary submissions to the Environmental Assessment Service ("SEA") by way of addendums (each an **"**Addendum") and engaged in a number of productive discussions with the relevant authorities relating to the Penco Module, Management of the Company expected an evaluation report to be issued by the SEA in advance of and as a requirement to the decision-making process of the relevant environmental permitting evaluation committee, which was required to render its decision in respect of the environmental permit by April 19, 2022. Notwithstanding that over the course of the Original EIA approval process, the Company had addressed many key aspects relating to the Penco Module, the Company was unable to satisfy the SEA in relation to two technical aspects in particular, which related to the protection of local flora and fauna, within

Notes to the Consolidated Financial Statements (Continued)

the mandated regulatory timetable relating to the Original EIA process. In light of follow-up discussions between representatives of Aclara and the SEA to better understand the outstanding issues and consultations with technical and other advisors, on March 24, 2022, the Company withdrew its application for the Original EIA so that it could fully address the issues raised during the late stages of the application process.

The Company determined that it was in its best interests and those of the Penco Module to take the additional time required to fully understand and resolve the remaining issues and plans to resubmit a revised EIA application relating to the Penco Module ("Revised EIA").

Since April, 2022, and in response to the technical queries raised by the SEA in connection with the Original EIA, the Company carried out seasonal baselines studies and collected updated on-site measurements in respect of flora, fauna and water, In terms of flora, specifically in relation to the Queule and Pitao native preservation trees habitat, the University of Chile also conducted a study which confirmed that the Penco Module will not generate any impact to these species. Furthermore, on January 31, 2023, the Company signed a contract with the water utility company of Concepcion and successfully secured an industrial recycled water source for the 100% water requirement for the Project´s operation. This represented a major milestone in improving environmental sustainability for the Penco Module and strengthens the Company's position in preparation for filing its Revised EIA for the Penco Module. As of March 28, 2023, the Company has already completed the baselines studies, of which three of the four seasons (autumn, winter and spring campaigns) were completed as of December 31, 2022 and the last season (the summer campaign) was finalized during the first quarter of 2023.

On June 6, 2023 the Company started the continuous operation of its newly constructed pilot plant for the Penco Module near Concepcion, Chile. The Company produced the first sample of high purity Heavy Rare Earth Elements (HREE) concentrate after a successful commissioning period where all the equipment was tested with clays from the Penco Module.

On July 3, 2023, the SEA decided to terminate the review of the Company's application for the environmental impact study of the Penco Module ("Project") submitted on April 28, 2023. The termination resulted from a request submitted by the National Forestry Corporation (CONAF) to the SEA to terminate the application process for the New EIA, since six citronella mucronate trees (locally known as "naranjillo") were found in the project area. Five of these trees were found near an existing access road that would require modification and one naranjillo tree was found in a local "native forest" within the deposition zone known as Jupiter. These trees are considered vulnerable and protected species. Currently, the Company, together with its technical consultants and other advisors, work together with the relevant authorities to address the observations related to the discovery of protected trees, in this early stage of the New EIA process in a comprehensive manner.

On September 25, 2023, Aclara revised its permitting strategy with the primary aim of addressing concerns associated with native forests whilst expecting to minimize any substantial impact on the Project's development timeline. The revised strategy also affords the Company with the opportunity to integrate technical enhancements into the Project. 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 Project. Chilean regulations allow for the submission of a project to SEA in two or more stages provided that they are at the same regulatory review level, as would be the case in respect of the two EIAs. The Company is currently preparing an initial EIA ("EIA 1"), which will cover approximately the first five years of life of mine of the Project and will encompass three extraction zones (Victoria Norte, Luna and Maite), one deposition zone (Neptuno) and the production facilities of the Project. The production of these three 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 Project. 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 Project to zones not covered by EIA 1 (namely, Victoria Sur, Alexandra Oriente, and Alexandra Poniente) based on the availability of new deposition zones. The Company will present a permit application to reactivate the Jupiter deposition zone as well as evaluate new deposition zones. Furthermore, EIA 2 will consider an increase to the production plant's throughput capacity. Such an increase will be studied at a conceptual level during 2024.

On October 11, 2023, the company announced its new Heavy Rare Earth Element ("HREE") ionic clays project, "Carina Module" located in the State of Goias, Brazil. The results of its initial auger drilling campaign, which was comprised of 1,693 meters of drilling within 236 drill holes, demonstrated the discovery of a new HREE deposit hosted in ionic clays. While the initial auger drilling campaign was shallow, with an average depth of 7.2 meters, it has unveiled a potential for expansion, both laterally and at depth, accompanied by the prospect of enhancing HREE grades. Based on the drilling results from the initial auger campaign, the Company will carry out the following activities:

- the maiden mineral resource issuance was carried out in December, 2023;
- the issuance of a NI 43-101 Preliminary Economic Assessment during Q1 2024;
- the execution of a 1,500-meters reverse circulation drill campaign to confirm the mineralized potential at depth. The campaign started during Q4 2023 and is the initial phase of a reverse circulation campaign of 7,590 meters within 253 drillholes to convert the full potential of the deposit to an inferred mineral resource category; and
- the execution of a pilot test campaign during Q1 2024 in our fully owned pilot plant in Chile, utilizing a 25-ton sample of clay extracted from the Project area. This campaign will aim to demonstrate on a semi-industrial scale the feasibility of processing the ionic clays extracted from the Carina Module. Additionally, it will serve the purpose of producing commercial samples and further enhancing the value chain development efforts that were initiated with the Penco Module samples.

Notes to the Consolidated Financial Statements (Continued)

Presentation of Financial Statements

The ultimate controlling party of the Company is Mr, Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries is held through Pelham Investment Corporation, a company governed under the laws of the Cayman Islands, and Hochschild Mining Holdings Ltd, a company governed under the laws of the United Kingdom. This means that there has been no loss of control after the demerger from Hochschild Mining Holdings Ltd, and the Company's IPO, Consequently, the Company, after its incorporation, as well as Ree Uno SpA are considered to be under common control, The Consolidated Financial Statements of the Company and Ree Uno SpA are provided herein, The financial results for the period ended December 31, 2023 and December 31, 2022, represent a consolidation of the Company and Ree Uno SpA's income statement and cash flows for the entire period ended December 31, 2023 and December 31, 2022.

These Consolidated Financial Statements were approved for issue by the Board of Directors on March 22, 2024.

2 Basis of preparation and changes to the groups accounting policies

(a) Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

The basis of preparation and accounting policies used in preparing these Consolidated Financial Statements have been consistently applied and are set out below. The Consolidated Financial Statements have been prepared on a historical cost basis. The Consolidated Financial Statements are presented in US dollars (US$) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

The Company is a development stage company and has not generated any revenue. The economic analysis contained in the technical report titled "Amended and Restated NI 43 – 101 Technical Report – Preliminary Economic Assessment for Penco Module Project" ("Technical Report") is based, in part, on inferred mineral resources, and is preliminary in nature. Inferred mineral resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as mineral reserves. There is no certainty that economic forecasts on which the preliminary economic assessment contained in the Technical Report is based will be realized.

On December 10, 2021, the Company received net proceeds of US$93.15 million pursuant to the IPO and concurrent private placement of common shares in the capital of the Company. The net proceeds received will be used in activities in connection with the Penco Module such as the development of the feasibility study and piloting, brownfield exploration and infill drilling, permitting and ESG-related activities, surface land purchase and mining concessions, and construction capital expenditures. In addition, the Company intends to advance activities in connection with potential new modules such as exploration; permitting processes and engineering. The Company is fully funded for the next eighteen months in terms of contemplated capital and operating expenditures. Accordingly, the Consolidated Financial Statements have been prepared on a going concern basis.

Changes in accounting policy and disclosures

Amendments to standards and interpretations which came into force during the 2023 and 2022 periods do not have an impact on the Company's Consolidated Financial Statements and are as follows:

- **IFRS 3 Reference to the Conceptual Framework**

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. These amendments replaced a reference in an earlier version of the Conceptual Framework, which had been issued by the IASB in 1989, with a reference to the 2018 version of the Conceptual Framework without significantly changing IFRS 3 requirements.

The amendments added the exception to the recognition principle of IFRS 3 to avoid the issue of "Day 2" potential gains or losses that arise from liabilities and contingent liabilities that would be within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21 respectively to determine whether a present obligation exists at acquisition date. The amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. Amendments must be applied prospectively. The amendment has no impact on the Company's Consolidated Financial Statements.

- **IAS 16 Property, plant and equipment: Proceeds Before Intended Use**

The amendment prohibits deducting from the cost of an item of property, plant and equipment (PP&E) any proceeds from the sale of items produced while bringing such asset to the location and condition necessary for it to operate as intended by management. Instead, an entity recognizes the proceeds arising from the sale of such elements and the production costs of those items in profit or
loss for the year.

The amendment must be applied retroactively only to items of PP&E ready to use or after the beginning of the earliest reporting period in which the entity first applies the amendment. The amendment has no impact on the Company's Consolidated Financial Statements.

Notes to the Consolidated Financial Statements (Continued)

- **IAS 37 Onerous contracts - Cost of fulfilling a contract**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity should include when assessing whether a contract is onerous or triggers losses.

The amendments are intended to provide clarity and help to ensure the standard is applied consistently. Entities that have previously applied the incremental cost approach, will see an increase in provisions to reflect the inclusion of costs directly related to the contract activities, while entities that have previously recognized allowances for contractual losses based on the previous standard guidance, IAS 11 Construction Contracts, shall exclude the indirect cost allocation from their provisions. Judgement shall be applied in determining which costs “relate directly to the contract”, however, we believe guidance in IFRS 15 will be relevant.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the amendment for the first time (initial application). Earlier application is permitted and must be disclosed. The amendment has no impact on the Company’s Consolidated Financial Statements.

- **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard specific to insurance contracts covering recognition, measurement, presentation and disclosure. Once it comes into force it will replace IFRS 4 Insurance Contracts issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with certain discretionary participation features. Some exceptions within the scope may apply.

In December 2021, the IASB amended IFRS 17 to add a transition option for "classification overlay" to address potential accounting asymmetries between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity chooses to apply classification overlay, it may only do so for comparative periods to which it applies IFRS 17 (i.e., from the date of transition to the date of initial application of IFRS 17).

IFRS 17 requires comparative figures in its application. The amendment has no impact on the Company’s Consolidated Financial Statements.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates**

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate, resulting from a change in an input or a change in a measurement technique are changes in accounting estimates, provided that they do not result from the correction of errors from prior periods. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. The amendment has no impact on the Company’s Consolidated Financial Statements.

- **IAS 1 Presentation of Financial Statements - Disclosure of Accounting Policies**

In February 2021, the IASB issued amendments to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply judgment of relative importance to accounting policy disclosures.

The amendments are intended to assist entities in providing disclosures about accounting policies that are more useful by:

• Replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies
• Including guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

When assessing the relative importance of information on accounting policies, entities must consider both the size of the transactions and other events or conditions and their nature. The amendment has no impact on the Company’s Consolidated Financial Statements.

- **IAS 12 Deferred tax related to assets and liabilities arising from a single transaction**

In May 2021, the IASB issued amendments to IAS 12, which reduce the scope of the initial recognition exemption under IAS 12 so that it no longer applies to transactions that result in equal taxable and deductible temporary differences.

Notes to the Consolidated Financial Statements (Continued)

The amendments clarify that when payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax legislation) whether such deductions, are attributable for tax purposes, to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether temporary differences exist on initial recognition of the asset and liability.

Also, according to the amendments issued, the initial recognition exception does not apply to transactions that, on initial recognition, result in equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and a lease liability (or a decommissioning liability and a component of the decommissioning asset) result in taxable and deductible temporary differences that are not the same. However, the resulting deferred tax assets and liabilities may not be equal (for example, if the entity cannot benefit from tax deductions or if different tax rates apply to taxable and deductible temporary differences). In such cases, an entity would need to account for the difference between the deferred tax asset and deferred tax liability in profit or loss. The amendment has no impact on the Company's Consolidated Financial Statements.

- **IAS 12 International Tax Reform - Pillar 2 Model Rules**

In May 2023, the Board issued amendments to IAS 12, introducing a mandatory exception regarding recognition and disclosure of deferred tax assets and liabilities related to income taxes from the Pillar Two Model Rules. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantially enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development (OECD), including the tax law implementing qualified national minimum supplementary taxes. This tax law, and the income taxes derived from it, are called "Pillar Two legislation" and Pillar Two income taxes, respectively.

The amendments require an entity to disclose that it has applied the exemption to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. In this regard, an entity is required to separately disclose its current tax expense (benefit) related to Pillar Two income taxes, in the periods in which the legislation is in force.

The amendments also require, for periods in which Pillar Two legislation is (substantially) enacted but not yet effective, disclosure of known or reasonably estimable information that would assist users of financial statements to understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The temporary exemption from recognition and disclosure of deferred tax information and the requirement to disclose the application of the exemption apply immediately and retrospectively to the issuance of the amendments.

Disclosure of current tax expense related to Pillar Two income taxes and disclosures in relation to periods prior to the enactment of the legislation is required for annual periods beginning on or after January 1, 2023, but are not required for any interim period ending on or before December 31, 2023. The amendment has no impact on the Company's Consolidated Financial Statements.

Standards, interpretations, and amendments to existing standards that are not yet effective and have not been previously adopted by the Company

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 January 2023 or later periods but which the Company has not previously adopted. These have not been listed as they are not expected to impact the Company.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the Consolidated Financial Statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the Consolidated Financial Statements. Information about such judgements and estimates is contained in the accounting policies and/or the Notes to the Consolidated Financial Statements.

Significant areas of estimation uncertainty and critical judgements made by management in preparing the Consolidated Financial Statements include:

Significant estimates:

- Ore reserves and resources – 2(e)
  There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being restated.

- Recoverable values of mining asset
  The value of the Company's mining assets is sensitive to a range of characteristics unique to each mine project. Key sources of estimation for all assets include uncertainty around ore resource estimates. In performing impairment reviews, the Company assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using an in-situ valuation to estimate the amount that would be paid by a willing third party in an arm's length transaction. There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Key judgments include the estimation of future rare earths prices, future capital requirements, and exploration potential. Changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets, and intangibles. The first resources and reserves report was issued on October 18, 2021.

Notes to the Consolidated Financial Statements (Continued)

- Income tax
  Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings

  in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted.

Critical judgements:

- Determination of functional currencies – 2(c)

  The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

- Recognition of exploration and evaluation assets – notes 2(d) and 10.
  Exploration and evaluation expenses are capitalized when the future economic benefit of a project can be regarded as assured with supporting studies and analysis. For this purpose, the future economic benefit of the project can reasonably be regarded as assured when the Board authorizes management to conduct a feasibility study, mine-site exploration is being conducted to convert resources to reserves, or mine-site exploration is being conducted to confirm resources, all of which are based on supporting geological information.

  This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalization of costs; the timing of the end of the exploration phase, the start of the development phase; and the commencement of the production phase.

(c) Currency translation

The functional currency for the Company is in US dollars and is determined by the currency of the primary economic environment in which it operates.

Consolidated Financial Statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference is included as cumulative translation adjustment in equity.

The Consolidated Financial Statements are presented in US dollars (US$).

(d) Exploration and evaluation assets

Based on IFRS 6 “Exploration for and evaluation of mineral resources” costs of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis.

Costs related to the project that could be capitalized among others are; acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are transferred to mine development costs within property, plant and equipment once the work completed to date supports the future development of the property and such development receives appropriate approval.

(e) Determination of ore reserves and resources

The Company estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with Canadian securities law requirements including National Instrument 41 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”). It is the Company’s policy to have the report audited by a Qualified Person.

Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis. As at December 31, 2023 and December 31, 2022 there is no provision of mine closure costs.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost comprises its purchase price and directly attributable costs of acquisition or construction required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. Economical and physical conditions of assets have not changed substantially over this period.

The cost less residual value of each item of property, plant and equipment is depreciated over its useful life. Each item’s estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production basis for mine buildings and installations and plant and equipment used in the mining production process or charged directly to the income statement over the estimated useful

Notes to the Consolidated Financial Statements (Continued)

life of the individual asset on a straight-line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognized within other income/expenses, in the income statement.

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5 to 10
Vehicles	5

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to be ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed where incurred. For borrowings associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. The Company capitalizes the borrowing costs related to qualifying assets with a value of US$1,000,000 or more, considering that the substantial period of time to be ready is six or more months.

The Company has not capitalized interest as it is in a pre-construction stage of operations and consequently does not meet IAS 23 requirements.

Mining properties and development costs

Purchased mining properties are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Costs associated with developments of mining properties are capitalized when incurred.

Mine development costs are, upon commencement of commercial production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Construction in progress and capital advances

Assets in the course of construction are capitalized as a separate component of property, plant and equipment when incurred. Once the asset is moved into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalized separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures are recognized in the income statement as incurred.

As of December 31, 2023 and December 31, 2022 the Company does not have any balance of mining properties and development costs and construction in progress and capital advances.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. The Company does not have assets with an indefinite useful life.

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash-generating unit ("CGU") level.

The assessment requires the use of estimates and assumptions such as long-term commodity prices, future capital requirements, and exploration potential. Changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

If the carrying amount of an asset or its CGU exceeds the recoverable amount, an impairment provision is recorded to reflect the asset at the lower amount. Impairment losses are recognized in the income statement.

Notes to the Consolidated Financial Statements (Continued)

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use ("VIU") and fair value less costs of disposal ("FVLCD") to sell. FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis. VIU is based on estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

The recoverable values of the CGU are determined using a FVLCD methodology. FVLCD was determined using level 3 inputs to estimate the amount that would be paid by a willing third party in an arm's length transaction.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortized cost.

Impairment of financial assets – The company recognizes a value adjustment on expected credit losses ("ECL") related to financial assets measured at amortized cost or at FVTOCI, lease accounts receivable, amounts owed by customers under construction contracts, as well as loan commitment and financial guarantee contracts. The amount of the expected credit losses is restated at each reporting date to reflect changes in the credit risk since the initial recognition of the corresponding financial asset.

The company always recognizes ECL over the life of the asset for trade accounts receivable. The expected credit losses of these financial assets are estimated using provisions matrix based on the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors, general economic conditions and an evaluation both of the real and budgeted direction of the conditions on the reporting date, including the time value of money when appropriate.

For all other financial instruments, the Company recognizes ECL over the life of the asset when there has been a significant increase in the credit risk since initial recognition. If, on the other hand, the credit risk of the financial instrument has not significantly increased since initial recognition, the Company measures the value restatement for losses for this financial instrument at an amount equal to the expected credit losses in the next twelve months.

The evaluation as to whether ECL should be recognized over the life of the asset is based on a significant increase in the probability or risk of non-compliance occurring since initial recognition instead of on evidence of a credit-impaired financial asset as of the reporting date or the existence of a non-compliance event. ECL over the life of the asset represent the expected credit losses that will result from all possible non-compliance events during the expected life of a financial instrument. In contrast, the ECL in the next twelve months represents the portion of the s ECL during the life of the asset that are expected to result from a non-compliance event on a financial instrument that is possible within 12 months after the reporting date.

The Company applied a simplified focus to recognize expected credit losses over the life of the asset for its trade and other accounts receivable, as required by IFRS 9. In relation to related parties, management believes that there has not been a significant increase in the credit risk of loans with related parties from initial recognition to December 31, 2023 and December 31, 2022. Consequently, management does not expect to recognize expected credit losses in the next 12 months for loans with related companies. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognized in the income statement.

(i) Income Tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years. The tax rates and applicable Canadian, Peruvian, Brazilian and Chilean tax regimes are as follows:

(1) Canadian Entity

Aclara Resources Inc.	2023 and 2022 0%

(2) Peruvian Entity

Aclara Resources Peru SAC	2023 and 2022 29,5%

Notes to the Consolidated Financial Statements (Continued)

(3) Chilean Entities

Aclara Resources Inc., Agencia en Chile	2023 and 2022 27%, General semi integrated 14A
Ree Uno SpA	2023 and 2022 27%, General semi integrated 14A
Prospecciones Greenfield SpA	2023 and 2022 10%, General pro PYME 14D
Fundacion Queule	2023 and 2022 25%, Special regime

(4) Brazilian Entities

Aclara Resources Mineracao Ltda.	2023 and 2022 25% and 9% per corporate tax (“IRPJ”) and social contribution on net income (“CSLL”) respectively

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company has not recognized deferred tax assets as the recoverability in the foreseeable future is not more-likely-than-not to occur. Deferred taxes not recognized as of December 31, 2023, and December 31, 2022, amount to US$ 12,828,156 and US$ 7,395,404 respectively. As of December 31, 2023, and December 31, 2022, the result for the year of the Company, its branch, and subsidiaries are a tax loss, for which no tax expense was recognized.

The accumulated tax (income) losses as of December 31, 2023, and December 31, 2022, by entity are as follows:

Name	Country	December 31, 2023 US$000
Aclara Resources Inc.	Canada	3,769
Aclara Resources Inc., Agencia en Chile	Chile	4
Ree Uno SpA	Chile	8,974
Aclara Resources Peru SAC	Peru	62
Prospecciones Greenfield SpA	Chile	1,033
Aclara Resources Mineracao Ltda.	Brazil	5,046
Fundacion Queule	Chile	-

Name	Country	December 31, 2022 US$000
Aclara Resources Inc.	Canada	3,211
Aclara Resources Inc., Agencia en Chile	Chile	2
Ree Uno SpA	Chile	5,116
Aclara Resources Peru SAC	Peru	18
Prospecciones Greenfield SpA	Chile	740
Aclara Resources Mineracao Ltda,	Brazil	127
Fundacion Queule	Chile	-

Notes to the Consolidated Financial Statements (Continued)

(j) Financial instruments

Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognized as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables (not subject to provisional pricing), trade receivable from related entities and other receivables.

The Company's financial assets at fair value through profit or loss include short term investments (time deposit 6 months).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;

Notes to the Consolidated Financial Statements (Continued)

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and trade and other payables)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and trade and other payables)

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss and other comprehensive income.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents, as defined above, are shown net of outstanding bank overdrafts.

Liquidity funds are classified as cash equivalents if the amount of cash that will be received is known at the time of the initial investment and the risk of changes in value is considered insignificant.

The Company uses the valuation technique level 1, that is, quoted (unadjusted) prices in active markets for identical assets or liabilities, for determining and disclosing the fair value of cash and cash equivalents.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorized within the fair value hierarchy.

For assets and liabilities that are recognized in the Consolidated Financial Statements on a recurring basis at fair value, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company’s accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company, in conjunction with its external valuers, where applicable, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2023, and December 31, 2022, the Company does not have financial assets fair valued with these valuation techniques.

Notes to the Consolidated Financial Statements (Continued)

3 Subsidiary and branch companies

Summary of subsidiaries and branch companies

Name	Country	Functional Currency	Voting power percentage	Participation % 2023 Direct	Participation % 2023 Indirect	Participation % 2022 Direct	Participation % 2022 Indirect
Aclara Resources Inc., Agencia en Chile	Chile	Chilean Pesos	100%	100%	-	100%	-
Ree Uno SpA	Chile	Chilean Pesos	100%	100%	-	100%	-
Aclara Resources Peru SAC (1)	Peru	Peruvian Soles	100%	99%	1%	99%	1%
Prospecciones Greenfield SpA	Chile	Chilean Pesos	100%	-	100%	-	100%
Aclara Resources Mineracao Ltda. (1)	Brazil	Brazilian real	100%	97,96%	2,04%	-	100%
Fundacion Queule (1)	Chile	Chilean Pesos	100%	-	100%	-	100%

(1) Incorporation of company Aclara Resources Peru SAC, Aclara Resources Mineracao Ltda. and Fundacion Quele is indicated in note 1.

(a) Investments in subsidiaries accounted for using the equity method

Movements of investments in subsidiary company		Balance 01.01.2023	Additions	Profit (loss) share	Another increment (decrement)	Balance 31.12.2023	Dividends paid to non-controlling interests
		US$000	US$000	US$000	US$000	US$000	US$000
Ree Uno SpA	Indirect	66,107	-	(4,497)	-	61,610	-
Aclara Resources Peru SAC	Direct	35	-	(1,118)	-	(1,083)	-
Prospecciones Greenfield SpA	Indirect	794	329	(510)	-	613	-
Aclara Resources Mineracao	Direct	74	10,100	(5,509)	-	4,665	-
Fundacion Queule	Indirect	1	-	-	-	1	-

As of December 31, 2023 and December 31, 2022 the Company has not distributed any dividends to its stakeholders, and it has not sold any of its investments in any of the subsidiaries.

Consolidation basis

(a) Subsidiaries or affiliates

Subsidiaries or affiliates are all entities over which The Company is in control. We consider that we maintain control when:

- You have power over the entity,
- It is exposed, has the right or shares, to variable returns derived from its participation in companies,
- There is the ability to affect returns, through its power over the entity.

The Company has power and control over the subsidiaries due to the shares that the Company owns, which give it the current ability to direct the entity. relevant activities, that is, activities that significantly affect the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred and excluded from consolidation on the date on which it ceases.

Intercompany transactions, balances and unrealized gains by transactions between related entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss of the transferred asset.

The functional currency for subsidiaries: Aclara Resources Peru SAC and Aclara Resources Mineracao Ltda. is the U.S. dollar and Agencia, Ree Uno SpA, Prospecciones Greenfield SpA and Fundacion Queule is the Chilean peso. The functional currency is determined by the currency of the primary economic environment in which it operates. The results and financial situation of all the subsidiaries and Branch of the Company, which have a functional currency different from the currency of presentation are translated into the presentation currency US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference is included as cumulative translation adjustment in equity.

Notes to the Consolidated Financial Statements (Continued)

Changes in the scope of consolidation

(a) Direct consolidation scope

The following changes have occurred in the scope of direct consolidation of our subsidiary for the periods ended December 31, 2023 and December 31, 2022:

On February 16, 2023, Aclara Resources Mineracao Ltda. and the Company signed a capital contribution agreement in which the Company acquired an 89.63% of the issued and outstanding share capital of Aclara Resources Mineracao Ltda. The total capital contribution made by the Company was $8,963,480 Brazilian real equivalent to US$1,804,062.05.

On July 21, 2023 Aclara Resources Mineracao Ltda. and the Company signed a capital contribution agreement in which, it is indicated that the Company is the owner of a 94.8174% interest of Aclara Resources Mineracao Ltda. The increase in the capital contribution made by the Company was $ 10,000,000 Brazilian real equivalent to US$ 2.041.467,32.

On November 6, 2023, Aclara Resources Mineracao Ltda. and the Company signed a capital contribution agreement in which, it is indicated that the Company is the owner of a 97.96% interest of Aclara Resources Mineracao Ltda. The increase in the capital contribution made by the Company was $ 30,802,245 Brazilian real equivalent to US$ 6,254,470.63.

(b) Indirect consolidation scope

The following changes have occurred in the scope of indirect consolidation of our subsidiaries for the year ended December 31, 2022 and December 31, 2023:

On February 25, 2022, Aclara Resources Peru SAC was acquired by the Company and Ree Uno SpA, with a total capital contribution of US$ 259. Aclara Resources Peru SAC is included in the Consolidated Financial Statements since the date of purchase.

On September 16, 2022, Aclara Resources Mineracao Ltda. was incorporated with a capital contribution of $10,000 Brazilian real equivalent to US$ 1,929.53 made by Ree Uno SpA. Ree Uno SpA incorporated a 100% stake in Aclara Resources Mineracao Ltda.

On September 27, 2022, Fundacion Queule was incorporated with a capital contribution of $1,000,000 Chilean pesos equivalent to US$1,017.47 made by Ree Uno SpA. Ree Uno SpA acquired a 100% stake in Fundacion Queule.

On February 16, 2023, Aclara Resources Mineracao Ltda. and Ree Uno SpA signed a capital contribution agreement in which, it is indicated that the Company is the owner of a 10.37% interest of Aclara Resources Mineracao Ltda. The increase in the capital contribution made by the Company was $ 1,026,520 Brazilian real equivalent to US$ 198,070.47.

On May 8, 2023, Ree Uno SpA and Prospecciones Greenfield SpA signed a capital contribution agreement in which, it is indicated that Ree Uno SpA made a capital contribution of $ 210,000,000 Brazilian real equivalent to US$ 254,481.50.

On July 10, 2023, Ree Uno SpA and Prospecciones Greenfield SpA signed a capital contribution agreement in which, it is indicated that Ree Uno SpA made a capital contribution of $ 60,000,000 Brazilian real equivalent to US$ 75,098.10.

As of December 31, 2023, Ree Uno SpA is the owner of a 2.04% interest of Aclara Resources Mineracao Ltda. The total capital contribution made by the Company was $ 1,036,520 Brazilian real equivalent to US$200,000.

Notes to the Consolidated Financial Statements (Continued)

4 Administration expenses and other income

(a) Administration expenses

	Year ended December 31	
	2023	2022
	US$000	US$000
Personnel expenses (1)	3,033	2,644
Professional fees	890	389
Depreciation and amortization	1,291	570
Contractors and services	729	1,488
Permit	266	152
Travel expenses	265	-
Marketing expenses	139	-
Others	201	143
Total	6,815	5,386

(1) Majority of the personnel expenses were capitalized for the periods ended December 31, 2023 and December 31, 2022. Non-capitalized personnel expenses belong to Aclara Resources Inc., Aclara Resources Peru SAC and Aclara Resources Mineracao Ltda. These personnel expenses are not directly related to the project executed in the subsidiary Ree Uno SpA and Aclara Resources Mineracao Ltda.

(b) Other income

	Year ended December 31	
	2023	2022
	US$000	US$000
Gain on sale of property, plant and equipment	(59)	-
Total	(59)	-

5 Exploration expenses

(a) Exploration expenses

	Year ended December 31	
	2023	2022
	US$000	US$000
Personnel expenses	1,651	367
Professional fees	691	149
Mining rights	-	50
Rentals	692	6
Subscriptions	5	-
Repair and maintenance	12	5
Analysis & technical	627	642
Studies	1,328	145
Exploration Supplies	4	1
Contractors and Services	1,141	2,011
Travel expenses	390	-
Freight	154	-
Laboratory supplies, materials, and supplies.	129	-
Others	166	112
Total	6,991	3,488

Notes to the Consolidated Financial Statements (Continued)

6 Financial income and costs

(a) Financial income

	Year ended December 31	
	2023	2022
	US$000	US$000
Interests	(2,338)	(648)
Total	(2,338)	(648)

(b) Financial costs

	Year ended December 31	
	2023	2022
	US$000	US$000
Bank commissions	59	18
Total	59	18

7 Income tax

	Year ended December 31	
	2023	2022
	US$000	US$000
Current income tax (expense)/credit	-	-
Deferred income tax (expense)	-	-
Total	-	-

As indicated, the Company does not record deferred tax related to tax loss carry forwards as the recoverability as of the date of these financial statements does not fulfil the more-likely-than-not criteria under IAS 12.

8 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders by the weighted average number of common shares issued during the period.

The Company does not have dilutive potential common shares. As of December 31, 2023, and December 31, 2022, EPS has been calculated as follows:

	Year ended December 31	
	2023	2022
Basic loss per share from continuing operations		
Total for the period and from continuing operations (US$000)	(0.07)	(0.05)
Diluted loss per share from continuing operations		
Total for the period and from continuing operations (US$000)	(0.07)	(0.05)

Loss from continuing operations attributable to equity holders is derived as follows:

	Year ended December 31	
	2023	2022
Loss attributable to equity holders – continuing operations (US$000)	(11,383)	(8,355)

Notes to the Consolidated Financial Statements (Continued)

The following reflects the share data used in the basic and diluted EPS computations:

	Year ended December 31	
	2023	2022
Basic weighted average number of ordinary shares in issue (Thousands)	163,218	162,599
Effect of dilutive potential ordinary shares related to contingently issuable shares (Thousands)	-	-
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (Thousands)	163,218	162,599

The calculation of the weighted average number of common shares is as follows:

	Total
Balance as at January 01, 2022	162,599,162
Balance as at December 31, 2022	162,599,162
Weighted average number of ordinary shares as at December 31, 2022	162,599,162

	Total
Balance as at January 1, 2023	162,599,162
Issuance January 09, 2023	250,075
Issuance January 12, 2023	373,940
Issuance November 15, 2023	88,262
Balance as at December 31, 2023	163,311,439
Weighted average number of ordinary shares as at December 31, 2023	163,217,792

9 Property, plant and equipment

	Land	Plant and equipment	Total
	US$000	US$000	US$000
Cost property, plant and equipment			
Balance as at January 1, 2022	357	700	1,057
Additions	218	1,024	1,242
Foreign exchange effect	-	69	69
Balance as 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 as at December 31, 2023	9,234	2,877	12,111
Accumulated depreciation plant and equipment			
Balance as at January 1, 2022	-	353	353
Depreciation of the period	-	27	27
Foreign exchange effect	-	101	101
Balance as at December 31, 2022	-	481	481
Depreciation of the period	-	596	596
Depreciation - Disposals	-	(268)	(268)
Foreign exchange effect	-	12	12
Balance as at December 31, 2023	-	821	821
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

Notes to the Consolidated Financial Statements (Continued)

There were no borrowing costs capitalized in property, plant and equipment as there are no qualifying assets. There are no restrictions on ownership of property, plant and equipment. There are no capital commitments for property, plant and equipment.

The Company incurred in expenses of US$ 2,337,371 that are part of the pilot plant built during 2023 and 2022.

As of 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 of December 31, 2023, the company has paid four of the seven instalments indicated in the agreement described above. The total value paid to date is $ 5,107,632,540 Chilean pesos, equivalent to US$ 5,823,185.58. The Company has the right to cancel the contract at any moment if the project is proven unfeasible. As of December 31, 2023, the company has decided to continue with the purchase and make the payment of the remaining installments in the following years:

Year	Total US$000
2024	1,300
2025	1,300
2026	1,300
Total	3,900

As of December 31, 2023, and December 31, 2022, the Company has not recognized any impairment.

10 Exploration and evaluation assets

	Total US$000
Cost	
Balance as at January 1, 2022	70,132
Additions (1)	14,145
Foreign exchange effect	(853)
Balance as at December 31, 2022	83,424
Additions (1)	14,506
Foreign exchange effect	(2,778)
Balance as at December 31, 2023	95,152
Accumulated amortization and impairment	
Balance as at January 1, 2022	7
Additions	284
Foreign exchange effect	148
Balance as at December 31, 2022	439
Additions	696
Foreign exchange effect	(24)
Balance as 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

Notes to the Consolidated Financial Statements (Continued)

Notes:

(1) The total investment in the Penco Module project and mining concessions capitalized as of December 31, 2023 and December 31, 2022 amounting to US$ 14,506 and US$ 14,145 (respectively) is detailed below:

	December 31 2023 US$000	December 31 2022 US$000
Personnel expenses	2,926	2,694
Professional fees	4,125	596
Environmental impact study	1,557	1,445
Engineering services	7	455
Mining rights	667	457
Feasibility studies	-	7
Rent building, vehicles, others	433	405
Analysis & technical	763	1,678
Contractors and Services	2,677	5,565
Other	1,350	843
Total	14,506	14,145

As of December 31, 2023, the Company owns mining concessions in Brazil through its subsidiary Aclara Resources Mineracao Ltda., and Peru through its subsidiary Aclara Resources Perú SAC, of approximately 397,386 and 3,000 hectares respectively, for exploration activities.

The Company is currently focused on the development of the Penco and Carina Module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits. The Company is developing pre-feasibility and feasibility studies, which will include activities such as engineering of the different deposits and the production process, as well as brownfield exploration and resources and reserves estimation. In addition, the Company continues working on the environmental permit. There were no borrowing costs capitalized in exploration and evaluation assets as there are no qualifying assets. There are no restrictions on ownership of exploration and evaluation assets. There are no capital commitments for exploration and evaluation assets. As of December 31, 2023, and December 31, 2022, the Company has not recognized any impairment, since the impairment test performed resulted in a recoverable amount that exceeds the carrying value of the assets.

According to the policy of capitalization of evaluation and exploration expenses, costs of mineral properties are capitalized as exploration and evaluation assets on a project-by-project basis. As of December 31, 2023, and December 31, 2022 the Company has one projects capitalized and named Penco Module. The Company capitalizes expenses related to researching and analyzing historical exploration data, gathering exploration data through geophysical studies, exploratory drilling, and sampling, determining and examining the volume and grade of the resource, surveying transportation and infrastructure requirements, and conducting market and finance studies.

11 Trade and other receivables

	December 31 2023 US$000	December 31 2022 US$000
Current		
Advances to suppliers	1,510	261
Loans to employees	6	5
Others	103	67
Assets classified as receivables	1,618	333
Prepaid expenses	35	22
Value added tax	46	13
Total Current	1,699	367
Non-current		
Value added tax	6,692	4,488
Loans to employees	12	20
Others	30	184
Total Non-current	6,733	4,692

Notes to the Consolidated Financial Statements (Continued)

The fair values of trade and other receivables approximate their book value. As of December 31, 2023 and December 31, 2022, none of the financial assets classified as receivables (net of impairment) were past due.

12 Cash and cash equivalents

	December 31 2023 US$000	December 31 2022 US$000
Current demand deposit accounts	33,246	66,886
Cash and cash equivalents considered for the statement of cash flows	33,246	66,886

The fair value of cash and cash equivalents approximates their book value. The Company does not have undrawn borrowing facilities available in the future for operating activities or capital commitments. The composition of the item by currency as of December 31, 2023 and December 31, 2022 is as follows:

	December 31 2023 US$000	December 31 2022 US$000
Chilean pesos (equivalent US$)	815	261
Canadian dollar (equivalent US$)	2,726	3,374
Peruvian soles (equivalent US$)	23	2
Brazilian real (equivalent US$)	4,768	167
American dollar	24,915	63,081
Total	33,246	66,886

The composition of the item by bank as of December 31, 2023 and December 31, 2022 is as follows:

	December 31 2023 US$000	December 31 2022 US$000
Citi Bank	2,972	5,605
BCP	190	24
JP Morgan	222	3,022
RBC	15,096	30,753
Itau	4,767	167
Scotiabank	10,000	27,314
Total	33,246	66,886

Notes to the Consolidated Financial Statements (Continued)

14 Trade and other accounts payables

	December 31 2023 US$000	December 31 2022 US$000
Current		
Trade payables (1)	1,321	1,700
Lands	1,300	-
Taxes and contributions	183	110
Salaries and wages payable	1,618	1,679
Others	13	116
Total Current	4,435	3,605
Non-current		
Lands	2,600	-
Total Non-current	2,600	-

The fair value of trade and other payables approximate their book values.

(1) Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted. The Company does not have significant suppliers whose liabilities exceed 10% of the balance.

15 Other provisions

	December 31 2023 US$000	December 31 2022 US$000
Contractors and Services	1,599	-
Total	1,599	-

16 Equity

(a) Share capital

Issued share capital and additional capital

The changes in share capital are as follows:

	Number of shares - Aclara Resources Inc.	Total
Balance as at January 01, 2022	**162,599,162**	**164,508**
Shares issued - net cash received	-	1
Expenses - IPO	-	(472)
Balance as at December 31, 2022	**162,599,162**	**164,036**
Shares issued	712,277	190
Balance as at December 31, 2023	**163,311,439**	**164,226**

Shareholder	Shares subscribed	Percentage share
Hochschild Mining Holdings Ltd	32,526,389	19,9%
Pelham Investments	61,610,737	37,7%
Other Investors	69,174,313	42,3%
Total	163,311,439	100%

On January 19, 2022, the Company received US$1,420 for the purchase of shares from other investors, leaving the current account receivable related to the Company's shares with no balance.

Notes to the Consolidated Financial Statements (Continued)

(1) Shares issued to settle Restricted stock Units:

On January 09, 2023, the Company issued 250,075 common shares for a total amount of $ 84,025.20 Canadian dollars equivalent to US$ 62,817.88.

On January 12, 2023, the Company issued 373,940 common shares for a total amount of $ 133,870.52 Canadian dollars equivalent to US$ 100,082.63.

On November 15, 2023, the Company issued 88,262 common shares for a total amount of $ 36,540.47 Canadian dollars equivalent to US$ 26,720.63.

Dividends will be paid exclusively from the net earnings for the year, or from the retained earnings from balance sheets approved by the general shareholders' meeting. If the Company has accumulated losses, the profits for the year will first be used to absorb them, if there are losses for a year, these will be absorbed with retained earnings, if any. The Chairman of the Board of Directors may, under his personal responsibility, distribute provisional dividends during the fiscal year charged to the profits thereof, if there are no accumulated losses.

(b) Other reserves

Cumulative translation adjustment

The cumulative translation adjustment account is used to record foreign exchange differences arising from the translation of the financial with a functional currency different to the reporting currency of the Company.

Other reserves

(1) Shared-based payments

On December 10, 2021, the Company adopted and approved a compensation plan to provides for the issuance of restricted share units (hereinafter “RSUs) to qualified employees, directors, and executives. Due to the above, it was determined that the exercise price of the RSU shall be fixed by the board when such RSU is granted but shall be no less than the closing price of the Common Shares on the TSX on the day prior to the date of grant (the “Market Price”). In addition, it was determined that the RSU shall be exercisable during a period established by board, which shall commence on the date of the grant and shall terminate no later than 10 years after the date of granting the RSU, or such shorter period of time as the Board may determine. On a change of control of the Company, the executives will be entitled to immediate vest any equity-based awards (including RSUs).

The RSUs will vest over a period of three years from the applicable date of grant. As of December 31, 2023, 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. The details and modifications of the RSUs are as follow:

In Units - Vesting Period	As at December 31 2023	As at December 31 2022	Total
Granted			
May 31, 2023	-	-	-
December 10, 2023	-	-	-
December 10, 2023	250,076	205,945	456,021
Committed			
January 01, 2024	346,255	-	346,261
May 15, 2024	44,131	-	44,131
December 10, 2024	205,945	205,945	411,890
January 01, 2025	346,261	-	346,261
May 15, 2025	44,131	-	44,131
December 10, 2025	205,945	-	205,945
January 01, 2026	346,266	-	346,261
May 15, 2026	44,131	-	44,131
RSUs issued for the Management team	**1,833,141**	**411,890**	**2,245,031**
Granted			
December 31, 2023	2,295,507	-	2,295,507
RSUs issued for the Board Members	**2,295,507**	**-**	**2,295,507**
Total RSUs issued	**4,128,648**	**411,890**	**4,540,538**

Notes to the Consolidated Financial Statements (Continued)

To determine the fair value of the RSUs the Executive Stock Option formula (Jennergren y Naslund - 1993) was used. There is no cash settlement of the options. As of December 31, 2023 and December 31, 2022, no RSUs additional to those mentioned above have been granted, canceled, exercised or expired.

The fair value of RSUs was estimated on the date of grant using the following assumptions:

As of December 31, 2021

Method - Black Scholes

	Executives			Directors
Vesting Date	10-12-2022	10-12-2023	10-12-2024	10-12-2022
Stock price (Canadian dollar)	1.60	1.60	1.60	0.75
Volatility	11.03%	11.03%	11.03%	11.11%
Risk–free rate	1.04%	1.50%	1.74%	2.21%
Annual - staff turnover	10%	10%	10%	10%

Method - Actuarial

	Executives			Directors
Vesting Date	10-12-2022	10-12-2023	10-12-2024	10-12-2022
Survival	89.70%	80.43%	72.10%	89.70%
Death	0.30%	0.33%	0.35%	0.30%
Retirement	10.00%	10.00%	10.00%	10.00%
Spot price (Canadian dollar)	1.60	1.60	1.60	0.75
Risk–free rate	1.04%	1.50%	1.74%	2.21%

As of March 31, 2023

Method - Black Scholes

	Executives			
Vesting Date	05-05-2023	10-12-2023	10-12-2024	10-12-2025
Stock price (Canadian dollar)	0.46	0.46	0.46	0.46
Volatility	12.55%	12.55%	12.55%	12.55%
Risk–free rate	5.03%	4.76%	4.20%	3.81%
Annual - staff turnover	10%	10%	10%	10%

Method - Actuarial

	Executives			
Vesting Date	05-05-2023	10-12-2023	10-12-2024	10-12-2025
Survival	90.00%	89.77%	80.58%	72.32%
Death	0.000%	0.227%	0.241%	0.253%
Retirement	10%	10%	10%	10%
Spot price (Canadian dollar)	0.46	0.46	0.46	0.46
Risk–free rate	5.03%	4.76%	4.20%	3.81%

Notes to the Consolidated Financial Statements (Continued)

As of November 30, 2023

Method - Black Scholes	Executives			Directors
Vesting Date	01-01-2024	01-01-2025	01-01-2026	31-12-2023
Stock price (Canadian dollar)	0.32	0.32	0.32	0.32
Strike price (X)	-	-	-	-
Volatility	12.64%	12.64%	12.64%	12.64%
Risk–free rate	4.92%	4.50%	4.13%	4.92%
Time to expiration	1.0	2.9	3.9	1.0
Dividend yield (b)	-	-	-	-
Annual - staff turnover	10%	10%	10%	10%

Method - Actuarial

	Executives			Directors
Vesting Date	01-01-2024	01-01-2025	01-01-2026	31-12-2023
Survival	89.76%	89.74%	80.52%	89.58%
Death	0.24%	0.26%	0.28%	0.42%
Retirement	10.00%	10.00%	10.00%	10.00%
Spot price (Canadian dollar)	0.32	0.32	0.32	0.32
Risk–free rate	4.92%	4.50%	4.13%	4.92%

As of November 30, 2023

Method - Black Scholes	Executives		
Vesting Date	15-05-2024	15-05-2025	15-05-2026
Stock price (Canadian dollar)	0.46	0.46	0.46
Strike price (X)	-	-	-
Volatility	12.73%	12.73%	12.73%
Risk–free rate	4.87%	4.33%	3.92%
Time to expiration	1.0	2.0	3.0
Dividend yield (b)	-	-	-
Annual - staff turnover	10%	10%	10%

Method - Actuarial

	Executives		
Vesting Date	15-05-2024	15-05-2025	15-05-2026
Survival	89.81%	89.79%	80.60%
Death	0.19%	0.21%	0.23%
Retirement	10.00%	10.00%	10.00%
Spot price (Canadian dollar)	0.46	0.46	0.46
Risk–free rate	4.87%	4.33%	3.92%

Notes to the Consolidated Financial Statements (Continued)

Based on the methodology and assumptions used, the value of the RSUs (price per share in Canadian dollars) is as follows;

RSUs approved on December 10, 2021	Vested 10-12-2022 $000	Vested 10-12-2023 $000	Vesting 10-12-2024 $000	Total $000
Price per share (Canadian dollar)	**1.43**	**1.26**	**1.11**	**1.27**

RSUs approved on March 28, 2022	Vested 31-12-2022 $000
Price per share (Canadian dollar)	**0.67**

RSUs approved on March 20, 2023	Vested 05-05-2023 $000	Vested 10-12-2023 $000	Vesting 10-12-2024 $000	Vesting 10-12-2025 $000	Total $000
Price per share (Canadian dollar)	**0.43**	**0.41**	**0.39**	**0.34**	**0.39**

RSUs approved on January 01, 2023	Vesting 01-01-2024 $000	Vesting 01-01-2025 $000	Vesting 01-01-2026 $000	Vesting 31-12-2023 $000	Total $000
Price per share (Canadian dollar)	**0.27**	**0.27**	**0.23**	**0.20**	**0.26**

RSUs approved on May 15, 2023	Vesting 15-05-2024 $000	Vesting 15-05-2025 $000	Vesting 15-05-2026 $000	Total $000
Price per share (Canadian dollar)	**0.39**	**0.36**	**0.31**	**0.35**

The total shares issued to settle RSUs are as follows:

	As at December 31 2023	As at December 31 2022	Total
January 09, 2023	250,075	-	250,075
January 12, 2023	373,940	-	373,940
November 15, 2023	88,262	-	88,262
Shares issued for the Board and Management team	**712,277**	**-**	**712,277**

The following share-based payments reserves are used to recognize the value of equity-settled share-based payments provided to employees, key management personnel and directors as part of their compensation plan and remuneration;

	Total US$000
As at January 01, 2022	-
Share - based payments expense during the year	696
As at December 31, 2022	696
RSUs settled and cancelled during the year	(262)
Share - based payments expense during the year	903
As at December 31, 2023	**1,337**

Notes to the Consolidated Financial Statements (Continued)

The number and prices of, and movements in, RSUs during the period are as follows;

	Number	Value (Canadian dollars)
Oustanding at January 1 2022	**-**	**-**
Granted during the year	1,198,957	0.97
Oustanding at December 31 2022	**1,198,957**	**0.97**
Granted during the period	4,128,649	0.33
Exercised during the period	(712,277)	0.84
Canceled during the period	(163,050)	1.01
Oustanding at December 31 2023	**4,452,279**	**0.79**

(2) Others

As described in note 1, the Company as part of a process under the common control, obtained 100% of the shares of Ree Uno SpA. during 2021. The adjustment in other reserves reflects the effects of this transaction.

17 Related-party balances and transactions

The Company had the following related-party balances and transactions as of December 31, 2023, and December 31, 2022, the related parties are companies owned or controlled by the principal shareholder of Aclara Resources Inc. or associates.

	Accounts payable	
Current related party balances	December 31 2023 US$000	December 31 2022 US$000
Hochschild Mining PLC	13	-
Compañia Minera Ares S.A.C.	1	25
Total	14	25

(a) Related-party accounts receivable and payable

No security has been granted or guarantees given by the Company in respect of these related party balances.

Principal transactions (all these amounts have been capitalized) between related parties are as follows:

	December 31 2023 US$000	December 31 2022 US$000
Expense recognized for the services performed by Compañia Minera Ares S.A.C.	61	311
Expense recognized for the services performed by Minera Hochschild Chile SCM	13	24

Related parties are as follows:

	Relationship	Country	Type of transaction
Hochschild Mining PLC	Related parties of Shareholder	United Kingdom	Intercompany administrative services
Compañia Minera Ares S.A.C.	Related parties of Shareholder	Peru	Intercompany administrative services

Notes to the Consolidated Financial Statements (Continued)

(b) Compensation of key management personnel of the Company

Compensation of key management personnel	Total US$000
Shared-based payments	150
Short-term employee benefits	612
As at March 31, 2022	762
Shared-based payments	200
Short-term employee benefits	406
As at June 30, 2022	1,368
Shared-based payments	198
Short-term employee benefits	110
As at September 30, 2022	1,676
Shared-based payments	148
Short-term employee benefits	614
As at December 31, 2022	2,438

Compensation of key management personnel	Total US$000
Shared-based payments	81
Short-term employee benefits	1,547
As at March 31, 2023	1,628
Shared-based payments	139
Short-term employee benefits	302
As at June 30, 2023	2,069
Shared-based payments	77
Short-term employee benefits	405
As at September 30, 2023	2,551
Shared-based payments	605
Short-term employee benefits	237
As at December 31, 2023	3,393

Number of key managements of the Company was six at December 31, 2023 and five at December 31, 2022.

Notes to the Consolidated Financial Statements (Continued)

18 Notes to the statement of cash flows

	As at 31	
	December 2023	December 2022
	US$000	US$000
Reconciliation of loss for the year to net cash generated from operating activities		
(Loss) of the year	(11,383)	(8,355)
Adjustments to reconcile Company loss to net cash inflows from operating activities		
Depreciation and amortization of the year	1,291	570
Share based compensation expense	640	696
Other movements that do not represent flows	567	325
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade debtors and other accounts receivable	(5,711)	(2,917)
Accounts receivable to related entities	-	12
Trade accounts payable and other accounts payable	(470)	1,383
Accounts payable to related entities	(11)	19
Other provisions	1,599	(822)
Cash generated from operations	(13,478)	(9,089)

19 Contingencies

a) Taxation:

As of December 31, 2023 and December, 31 2022, the Company is not subject to any contingencies.

b) Guarantees:

The Company does not have any guarantee in respect of exploration activities.

c) Litigations:

There are no major litigations currently affecting the Penco Module. Previously, there was an arbitration procedure initiated by Madesal SpA, followed in the CAM with Role A-4367-2020. The basis of this claim is an alleged violation of an agreement entered into between the parties in 2014 and 2015 (the "MOU and its Addendum") through which Madesal would have obtained the status of "Strategic Partner" from the former owner of the Penco Module, in the future development of the project on the Madesal property called "Fundo El Cabrito", however, it was subsequently decided for technical and environmental reasons that the Penco Module would be developed in a different location and that, therefore, no mining easement on Madesal's property was necessary. Madesal seeks specific performance of the obligations allegedly derived from the MOU and its Addendum, plus compensation for damages. The compensation requested amounts to approximately 30 million US dollars. The arbitration concluded, by ruling of October 28, 2022. The ruling rejects all of the plaintiff's requests.

In November 2022 Madesal SpA filed a complaint against the arbitrator in the Santiago Court of Appeals No. 16.285-2022. The complaint was concluded by ruling of July 27, 2023. The ruling rejected all of Madesal SpA's requests, achieving a favorable result for REE UNO SpA.

20 Financial risk management

The Company is exposed to a variety of risks and uncertainties which may have a financial impact on the Company.

The Company identify and, where appropriate, implement the controls to mitigate the impact of significant risks.

(a) Foreign currency risk

The Company is in the pre-operational stage, and no income or operating costs have been recorded. The main disbursements are in Chilean pesos.

Notes to the Consolidated Financial Statements (Continued)

As of December 31, 2022, and December 31, 2023, the Company has deposits, trade and other payables and account payables to related parties stated in US dollars. The sensitivity of financial assets and liabilities, at December 31, 2022 to a +/- 10% change in the US dollar exchange rate, with all other variables held constant, is -/+ US$8,009,000 for Canadian dollars, US$59,000 for Brazilian real, US$121,000 for Peruvian soles and US$4,775,000 for Chilean pesos.

(b) Credit risk

Credit risk arises from debtors' inability to make payment of their obligations to the Company as they become due (without taking into account the fair value of any guarantee or pledged assets). The Company does not have material exposure to credit risk since it does not have commercial activities.

(c) Liquidity risk

Liquidity risk arises from the Company's inability to obtain the funds it requires 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 constantly monitors the Company's level of short- and medium-term liquidity, and their access to credit lines, in order to ensure appropriate financing is available for its operations.

The table below categorizes the undiscounted cash flows of Company's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position to the contractual maturity date.

	Note	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
As at December 31, 2023						
Trade and other payables	14	4,435	1,300	1,300	-	7,035
Trade and other payables related parties	17	14	-	-	-	14
Total		4,449	1,300	1,300	-	7,049
As at December 31, 2022						
Trade and other payables	14	3,605	-	-	-	3,605
Trade and other payables related parties	17	25	-	-	-	25
Total		3,630	-	-	-	3,630

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital, Management considers as part of its capital, the financial sources of funding from shareholders and third parties.

(e) Environmental risk

One of the main concerns of the Company is caring for the environment as its policy is zero impact. The environmental impact study was carried out and submitted to the authority in 2018.

On March 24, 2022, the Company withdrew the Original EIA application to allow time to address two technical aspects in particular, which relate to the protection of local flora and fauna. The Company was unable to satisfy the SEA within the mandated regulatory timetable relating to the Original EIA process.

On July 3, 2023, the review of the new EIA submitted was terminated for the discovery of the 6 trees called "citronella mucronate", which are protected species in Chile. The company is working on the observations related to this new information, since the new EIA submitted on April 28, 2023, does not include a treatment for the 6 trees of vulnerable species found.

On September 25, 2023, the Company revised its permitting strategy with the primary aim of addressing concerns associated with native forests whilst expecting to minimize any substantial impact on the Project'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 Project. The Company is currently preparing an initial EIA ("EIA 1"), which will cover approximately the first five years of life of mine of the Project and will encompass three extraction zones (Victoria Norte, Luna and Maite), one deposition zone (Neptuno) and the production facilities of the Project. The production of these three 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 Project. 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.

Notes to the Consolidated Financial Statements (Continued)

(f) New mining royalty risk

On August 10, 2023, the new Mining Royalty Law N° 21.591, was published in the Official Gazette. This law creates a royalty that certain mining exploiters must pay in favour of the State due to the exploitation of mining resources that belong to such State. This royalty is applicable only to exploiters with annual sales of mining products over and above the equivalent of 12,000 metric tonnes of copper equivalent (today over and above annual sales of US$ 99,320,520).

21 Subsequent events

From January 1, 2024, to the date of issuance of the consolidated financial statements the following subsequent events have taken place:

(1) On January 23, 2024, the Company announced the results of a preliminary economic analysis (the "PEA") on its regolith-hosted ion adsorption clay project located in the State of Goias, Brazil, known as the Carina Module (the "Project").

The technical report titled "Preliminary Economic Assessment - Carina Rare Earth Element Project - Nova Roma, Goias, Brazil", dated January 12, 2024, was prepared in accordance with National Instrument 43-101- Standards of Disclosure for Mineral Projects ("NI 43-101") by G21 Consultoria Mineral ("GE21"), a specialized, independent mineral consulting company located in Belo Horizonte, Brazil.

There are no material differences in the mineral resources or results of the PEA as described in the Report and the results disclosed in the December 2023 Press Release.

(2) 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.

(3) On February 28, 2024, the company completed the execution of the pilot test campaign in our fully owned pilot plant in Chile, utilizing a 24-ton sample of clay extracted from the Project area.

(4) On March 11, 2024, the company capitalized the credit line between the Company and its subsidiary Ree Uno SpA for a total amount of US$ 52,110,625.

(5) On March 13, 2024, 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 of 2025 and 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 by the Company.