

Aclara Announces up to US\$80M Strategic Investment by Cap in Its Chilean Subsidiary and an Option for an Equity Investment of up to 19.9%

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TORONTO, March 13, 2024 - [Aclara Resources Inc.](#) ("Aclara" or the "Company") (TSX:ARA) is pleased to announce that it has entered into an investment agreement with CAP S.A. ("CAP"), a publicly listed company on the Chilean Stock Exchange, pursuant to which, amongst other things, CAP will make a US\$29 million strategic investment in REE Uno SpA ("REE Uno"), Aclara's Chilean subsidiary, which owns the Penco Module (the "Investment Agreement"). Under the terms of the Investment Agreement, CAP also has an option to invest an additional US\$50 million in REE Uno and a three-year option to subscribe a 19.9% interest in Aclara, and the parties have also agreed to form a joint venture company to develop metals and alloys for the rare earths permanent magnet industry (the "Transaction"). The Transaction reflects the parties' shared view that the future will require innovative mineral extraction methods, a strong focus on environmental and social sustainability, and the understanding that our planet requires cleanly produced rare earths metals in its urgent fight against climate change.

CAP S.A., a company with more than 77 years of history and listed in the Chilean Stock Exchange since 1987, is the parent company of the CAP Group, a Chilean conglomerate operating in various industries including iron ore mining (CMP), with mines and industrial operations in the north of the country, as well as steelmaking operations in Concepcion (Huachipato), very close to the Penco Module. CAP is one of the leading high-grade iron ore producers in the world with four operating mines in Chile. In addition, CAP has several steel product manufacturing plants in Chile, Peru and Argentina. It operates five ports, a seawater desalination plant and has vast industrial infrastructure in the Biobio region. Huachipato has been operating since 1950, and together with SMS Group is developing a project for sustainable steel using green hydrogen for the direct reduction of iron. CAP has a strong connection with the people of the Biobío region, where it has been a major employer for several decades, contributing directly to the development of the south of Chile.

Transaction Summary

- A US\$29.1 million capital contribution by CAP into REE Uno, Aclara's Chilean subsidiary which owns the Penco Module and all of Aclara's mining concessions in Chile, in exchange for a 20% equity participation in REE Uno. Payments will be made in three tranches with the initial tranche of US\$9.7 million to be made upon closing of the Transaction, the second payment of US\$12.5 million in January 2025 and the remaining balance of US\$6.9 million to be made in January 2026. This initial investment represents a pre-money valuation of REE Uno of US\$116.5 million.
- An option to invest an additional US\$50 million in REE Uno for an additional 20% equity interest in REE Uno once the requisite environmental permit is secured for the Penco Module. Upon completion, this additional investment would allow CAP to attain a 40% equity interest in REE Uno. This second investment represents a pre-money valuation of REE Uno of US\$150 million.
- A three-year option to invest up to 19.9% in Aclara by participating in any private placement or public offering of shares that Aclara may make during the next 36 months, including a residual top-up right to maintain pro rata voting rights. Any subscription to such private placement or public offering will be made on the same terms offered by Aclara to other investors. CAP will have the right to nominate one board member upon attaining and for so long as its equity interest in Aclara amount to at least 15% of the issued and outstanding common shares of Aclara. In addition, CAP holds a one-time demand subscription right to invest up to an aggregate of 19.9% in Aclara, exercisable upon the satisfaction of certain conditions and continuing for a maximum period of 18 months counted from the end of the initial 3-year option.
- The formation of a 50/50 joint venture to develop metals and alloys for the rare earths permanent magnet industry. CAP will invest US\$3.0 million in exchange for its 50% of the shares of the newly established joint venture company. Aclara will own the other 50% of the shares.

Closing of the Transaction is subject to the performance of certain customary closing conditions, which the parties expect to complete within the next 30 days.

Aclara Corporate Structure after the Completion of the Transaction with CAP

Transaction Benefits to Aclara

The US\$29.1 million initial capital injection from CAP into REE Uno will support the ongoing development of the Penco Module throughout its permitting, community relations, and feasibility study phases. This allocation will allow Aclara Resources to reallocate its current cash reserves towards advancing its Carina Module project in Brazil.

The option for an additional US\$50 million investment post-receipt of the environmental permit is intended to cover a significant part of the equity portion associated with the construction of the Penco Module. This provision mitigates financing risks linked to the module's construction for Aclara.

Drawing upon CAP's extensive experience in environmental permitting from multiple mining projects in Chile, Aclara anticipates strengthened support for the forthcoming Penco Module Environmental Impact Assessment ("EIA") permit application. CAP's involvement includes a thorough review and constructive contributions to the application preparation, as well as accompanying Aclara throughout the review and approval process by Chilean environmental agencies.

Furthermore, the establishment of a metals and alloys company represents the initial phase of Aclara's strategic vision to vertically integrate its rare earths concentrate production towards the manufacturing of permanent magnets. This move aims to offer a geopolitically independent alternative supply of permanent magnets to the market. The new company will harness CAP's substantial expertise in metal refining and ferro-alloyed special steels, synergizing with Aclara's thorough understanding of the rare earths and permanent magnet industry.

Valuation

The Transaction reflects the valuation of Aclara at the time of the Company's initial public offering (the "IPO") and is indicative of the belief both parties have in establishing Aclara as a leading producer of clean rare earths.

Upon closing, REE Uno will be valued at US\$116.5 million on a pre-money valuation. In addition, Aclara will own 50% of the newly established joint venture company, which has a valuation of US\$3.0 million. In total, the Transaction represents a value for Aclara of US\$119.5 million, which reflects Aclara's pre-money valuation at the IPO.

It's noteworthy that Aclara's Brazilian subsidiary, Aclara Mineracao, which oversees the Carina Module and all mining concessions in Brazil, is not part of this transaction nor included in the valuation mentioned above. This aspect adds further value to Aclara Resources and its shareholders.

Eduardo Hochschild, Chairman of Aclara, quoted:

"We are thrilled to partner with CAP to develop our Penco Module and strategy in Chile, as well as joining efforts to start developing Aclara's capabilities in the vertical integration of the rare earths and permanent magnets industry. Aclara now combines its innovative attributes with the proven execution capabilities of two major players in the Latin-American natural resources space, Hochschild Mining and CAP.

CAP is a company already committed to improving our planet via innovative and sustainable practices, such as its commitment to produce sustainable steel leveraging Chile's green hydrogen potential. Also, its longstanding relationship with local communities, as well as the Chilean corporate and governmental network, provides an added support to Aclara's initiatives in-country.

CAP brings significant metallurgical knowledge and expertise to produce metals and alloys, specifically through Huachipato and its leading special steels capability. CAP has been producing high performance alloys for decades and can apply this experience to the emerging rare earths sector. The creation of a company to fund R&D efforts towards producing higher value products is a necessary step and both parties will decidedly support its development.

Finally, the financial commitment that CAP is showing by investing in Aclara at its different levels reflects the shared view by both companies of the promising future that rare earths have. We both agree that rare earths extracted by methods that prioritize the protection of the environment will own a special niche of the market, one that will be highly priced by companies with outstanding corporate government. We welcome CAP to Aclara and look forward to making an impact together in Penco, in Chile and in our planet."

Juan Enrique Rassmuss, Chairman of CAP S.A. commented:

"This alliance with Aclara represents a historic milestone for Grupo CAP, marking the first step in our strategy to become leaders in the production of essential materials for decarbonization and energy transition. We hope to contribute our knowledge in mining and metallurgy, to generate value-added products based on new alloys and products.

The partnership with an innovative company like Aclara, in sustainable projects and with enormous growth potential, opens a new stage for us in which we have great expectations. We will contribute resources and our experience to accelerate the impact of Aclara as a significant player in the fight against climate change and the care of the environment".

About CAP

CAP Group has mining and industrial operations in Chile, Peru and Argentina, and has global presence through its diversity of products. In commercial terms, it sells to countries located in America, Asia and Oceania. In addition, it has operations in the port industry, water desalination services and energy transmission. CAP Group is the main producer of iron ore and pellets on the American Pacific coast; the largest steel producer and the most important steel processor in Chile. Additionally, it is the third port operator in the country. The purpose of the company is "We generate wellbeing and shared progress, transforming resources with Chile and the world".

About Aclara

[Aclara Resources Inc.](#) (TSX: ARA) is a development-stage company that focuses on heavy rare earth mineral resources hosted in Ion-Adsorption Clay deposits. The Company currently has two projects under development: the Penco Module in the Bio-Bio Region of Chile, and the Carina Project in the State of Goiás, Brazil.

Aclara's rare earth extraction process offers several environmentally attractive features. It does not involve blasting, crushing, or milling, and therefore does not generate tailings, thus eliminating the need for a tailings storage facility. The extraction process developed by Aclara minimizes water consumption through high levels of water recirculation made possible by the inclusion of a water treatment facility within its patented process design. The ionic clay feedstock is amenable to leaching with a common fertilizer, ammonium sulfate. Further, harmful levels of radionuclides, typical of hard rock rare earth deposits, are not concentrated within the Aclara flowsheet.

Simultaneously, alongside the development of the Carina and Penco projects, the Company intends to identify and evaluate further opportunities to increase future production of heavy rare earths. This will involve greenfield exploration programs and the development of additional projects within the Company's concessions in Brazil, Chile, and Peru.

Forward-Looking Statements

This press release contains "forward-looking information" within the meaning of applicable securities legislation, which reflects the Company's current expectations regarding future events, including statements with regard to: the Company's strategic investments and partnerships, the current and future valuation of the Company and its subsidiary, the economic effect of the Investment Agreement, the closing of the strategic investment and other transactions contemplated thereby, and the Company's expectations as to the partnership and future financings by investors and the achievement of certain environmental and permitting milestones, and other transactions contemplated thereby. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Such risks and uncertainties include, but are not limited to risks related to operating in a foreign jurisdiction, including political and economic problems in Chile and Brazil; risks related to changes to mining laws and regulations and the termination or non-renewal of mining rights by governmental authorities; risks related to failure to comply with the law or obtain necessary permits and licenses or renew them; compliance with environmental regulations can be costly; actual production, capital and operating costs may be different than those anticipated; the Company may be not able to successfully complete the development, construction and start-up of mines and new development projects; risks related to mining operations; and dependence on the Penco Module and/or the Carina Module. Aclara cautions that the foregoing list of factors is not exhaustive. For a detailed discussion of the foregoing factors, among others, please refer to the risk factors discussed under "Risk Factors" in the Company's annual information form dated as of March 28, 2023, filed on the Company's SEDAR+ profile. Actual results and timing could differ materially from those projected herein. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained in this press release is provided as of the date of this press release and the Company does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required under applicable securities laws.

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