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

The following management's discussion and analysis ("MD&A") is prepared as of May 5, 2022, and is intended to assist readers in understanding the operational performance and financial condition of Aclara Resources Inc. (hereinafter, the "Company" or "Aclara"). The Company is, and will remain, a holding company and the only business of the Company is that of the business of its subsidiaries. The Company's material assets currently consist of interests in (i) Ree Uno SpA ("REE Uno"), a wholly owned Chilean subsidiary that holds the Penco Module, being Aclara's sole material mineral resource property and (ii) Prospecciones Greenfield SpA, an indirect wholly owned Chilean subsidiary that holds other exploration concessions located in Chile.

This MD&A provides information concerning the Company's consolidated interim financial condition and results of operations for the three months ended March 31, 2021, March 31, 2022 and the fiscal year ended December 31, 2021. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto for the three months ended March 31, 2021 and March 31, 2022 (collectively, the "Interim Consolidated Financial Statements"). The Interim Consolidated Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). Unless as otherwise specified, the financial information contained in this MD&A is reported in United States dollars.

COMPANY OVERVIEW

Aclara is a development-stage rare earth mineral resources company listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "ARA", beneficially holding approximately an aggregate of 451,985 hectares of mining rights, distributed in the Maule, Ñuble, Biobío and Araucanía regions of Chile. The Company's current emphasis is on the development of its resources through the Penco Module, which covers a surface area of approximately 600 hectares and contains ionic clays rich in rare earth elements ("REE"). The execution of the Penco Module development project is expected to benefit from low estimated initial capital expenditures (driven by access to existing nearby key infrastructure including, among other things, power, motorways, port and airport access, and a local professional workforce). In parallel with the development of the Penco Module, the Company intends to define additional opportunities to increase potential future REE production via intensive greenfield exploration programmes and the development of additional project "modules" within the Company's concessions.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE

Acquisition of REE Uno and IPO

On October 15, 2021, Hochschild Mining Holdings Limited ("HM Holdings"), an affiliate of Hochschild Mining PLC ("Hochschild Mining"), contributed 100% of the issued and outstanding share capital of REE Uno to the Company as part of a series of reorganization steps intended to bring accretive shareholder value through the divestiture of REE Uno resulting in the creation of an independent company uniquely focused on the exploration and development of REE mineral resources. As a result of the acquisition of REE Uno, the Company became the beneficial owner of the Company's current portfolio of mining concessions located in Chile.

On December 10, 2021, the Company completed its initial public offering (the "IPO") and concurrent private placement resulting in a capital raise for total approximate net proceeds of C$117,696,359 (together with the IPO, the "Going Public Transaction"). Additionally, and in conjunction with the completion of the Going Public Transaction, the Company qualified the distribution by Hochschild Mining of approximately 80% of pre-IPO common shares of the Company by way of an in-specie dividend to the holders of ordinary shares in the capital of Hochschild Mining. As a result of the Going Public Transaction, Aclara's major shareholders were Hochschild Mining and Pelham Investment Corporation (an investment company controlled by Eduardo Hochschild) holding approximately 20% and 36.7% of the issued and outstanding common shares of the Company, respectively.

Penco Module and Future Outlook

The Company achieved a positive preliminary economic assessment of the Penco Module's potential for REE development, the results of which are detailed in the technical report entitled "Amended and Restated NI 43-101 Technical Report – Preliminary Economic Assessment for Penco Module Project" dated effective September 15, 2021 (the "Technical Report"). The Company's focus in 2022 includes, principally:

- the development of a feasibility study of the Penco Module, which is expected to contain continued piloting, metallurgical process optimization, brownfield exploration results and improvement in current mineral resource categories;
- greenfield exploration campaigns with the goal of seeking additional viable development modules for production;
- seeking vertical integration opportunities to improve the commercial attractiveness of our product; and
- working towards obtaining requisite permits and completing necessary permitting activities in relation to the Penco Module.

OPERATIONAL AND FINANCIAL PERFORMANCE HIGHLIGHTS

During the first quarter of 2022, the Company continued to advance the development of the Penco Module and made consistent investments in respect of evaluation and exploration ("E&E") assets and property, plant and equipment ("PP&E") assets of US$4.498 million and US$0.036 million, respectively, as compared to a total spend of US$3.206 million and US$0.049 million, respectively, in the first quarter of 2021, and a total spend of US$11.661 million and US$0.343 million in fiscal year 2021. Throughout the first quarter of 2022, the Company continued to focus on general engineering, mining study and process design activities in respect of the Penco Module. In addition, the Company carried out a brownfield drilling campaign in an undrilled portion of the Penco Module aimed at potentially increasing the resource base of the project as part of the contemplated feasibility study. In parallel, the Company continued its permitting activities for the Penco Module.

The Company focused on advancing the environmental permitting process. As part of the Environmental Impact Assessment ("EIA") of the Penco Module initiated in 2018 (the "Original EIA"), the Company filed a third Addendum on January 31, 2022 to the Environmental Assessment Service ("SEA"). 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 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 has already started the preparation of the supplementary information including, among others, the development of new baselines and flora and fauna studies, that will provide the basis for a revised EIA application relating to the Penco Module ("Revised EIA"). Management's current expectation, based on preliminary discussions with its technical consultants and other advisors, is that the Revised EIA approval process could take two years or more to complete.

The Company continued advancing greenfield exploration activities, which were primarily focused on the determination of drilling targets for the drilling campaign scheduled to be conducted in the second quarter of 2022. During the same period, the Company advanced brownfield and infill drilling campaigns; the first of which was focused on an unexplored zone, named "Alexandra Poniente", to be classified as measured and indicated resources, and the latter of which was in order to convert the approximately 2Mt inferred mineral resource, as reported in the Technical Report, into measured and indicated mineral resources, both for inclusion in the contemplated feasibility study in respect of the Penco Module. In addition to including the results from the drilling campaigns conducted in the second quarter of 2022 as part of the Penco Module's feasibility study, the Company also continued to advance certain related engineering activities, including, among others, ancillary mining studies and engineering process and design.

As at March 31, 2022, the Company's total cash balance totalled US$83.911 million as compared to US$3.109 million for the same period in fiscal 2021. The positive difference is as a result of net proceeds of US$93.154 million (approximately C$117.696 million) raised in connection with the Going Public Transaction. The Company is fully funded in terms of contemplated capital and operating expenditures including, among other things, development of a feasibility study in respect of the Penco Module, brownfield exploration and infill drilling activities, permitting and environmental, social and governance considerations and related activities, surface land purchasing and mining concessions, capital expenditures related to the continued development of the Penco Module, and preliminary exploration activities in connection with defining potential new development zones.

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

Brownfield Exploration

In the fourth quarter of 2021, after having obtained the results from the drill hole campaign performed during the prior quarter, results showed the presence of a western extension to the existing Alexandra Oriente orebody.

In the first quarter of 2022, this new zone, named “Alexandra Poniente”, was the subject of a drilling campaign resulting a total of 2,315 metres drilled over 72 holes, confirming the continuity of the underlying mineralisation to be classified as measured and indicated mineral resources. Furthermore, a drill hole campaign intended to convert the approximately 2Mt inferred mineral resource, as reported in the Technical Report, into measured and indicated mineral resource for inclusion in the contemplated feasibility study in respect of the Penco Module, was initiated and resulted in a total of 636.8 metres drilled over 24 holes, 268 metres drilled over 8 holes and 963 metres drilled over 31 holes distributed across Victoria Norte, Luna, and Alexandra Oriente, respectively.

Greenfield Exploration

In the fourth quarter of 2021, ongoing surface mapping across the Veronica, Catalina, and Petronila districts were carried out to identify the presence of regolith formations and REE mineralization within these zones. The initial success of this mapping provided the basis for conducting a multi-element geophysics radiometry and magnetometry fly-over that covered 6017 km. The survey took place over certain districts preliminarily identified as being potentially viable for REE mineralization (including, the Verónica, Josefa, Catalina, Petronila, and Amparito districts) with the objective of creating a ternary Red-Green-Blue map by using variables such as uranium, thorium, and potassium to link lithology with radiometry for the purposes of identifying structural controls in geomorphology and regolith formation. Corresponding survey results were delivered at the end of the first quarter of 2022, and will inform the target generation planning associated with potential greenfield drill programmes during 2022.

In the first quarter of 2022, further surface mapping in the Veronica, Penco and Petronila zones was carried out. This mapping campaign focussed on field recognition and sampling of fresh rock outcrops and structural domains from these areas. In order to conduct whole-rock geochemical analysis, tests for zircon morphology and zircon uranium-lead dating tests were carried out. The objective of this work is to combine the current geological knowledge of these zones with the information derived from the recently completed magnetometry and radiometry geophysical survey. This has resulted in the generation of new prospective targets throughout the Verónica, Penco, and Petronila districts.

Development Activities

The following section of this MD&A provides an overview of the activities carried out in support of the continued development of the Penco Module for the three months ended March 31, 2022.

General Engineering

Engineering activities relating to process plant equipment selection and layout optimisation, which included the development of civil, mechanical, structural, electrical and instrumentation, control engineering, and the definition of a reduced layout surface area, were carried out in the first quarter of 2022. In addition, the Company progressed studies and geotechnical testwork to determine fresh water and power supply alternatives and to confirm structural stability of spent clay deposition zones. Finally, an updated, high resolution topography map of the Penco Module site was generated through an aerial LIDAR survey, which will be used to better define the mine waste quantities, road designs, deposition zone capacities and process plant bulk earthworks and concrete volumes.

Mining Study

Mining studies conducted during the first quarter of 2022 included the preparation of a roadmap for further development of the geotechnical aspects of the Penco Module as well as optimisation studies for the purposes of scoping the starter pit, Victoria Sur and the waste management facilities. Based on the pit shells from the Technical Report, preliminary pit designs for the Penco Module were produced during the same period. To accommodate potential additional mineral resources, which could be included in future mine schedules, the delineation of a third waste management facility was undertaken. Similarly, but also aiming to reduce haulage cost and environmental impact, a conceptual design for the backfilling of the Victoria Norte pit was completed. A refined mine cost model has been produced which is expected to be used for further mining studies. Finally, the preparation of a simulation model for mining haulage has been undertaken. This model will facilitate the optimisation of the mine traffic network and the associated haulage operating costs.

Process Design

The Company advanced process engineering and design related to the Penco Module by synthesizing the new process data obtained from metallurgical testwork undertaken at SGS Lakefield, University of Toronto, and those obtained from the AGS laboratory in La Serena. An updated set of process deliverables (process flow designs and process design documentation) were issued adding information related to the water recovery system and updated information related to REE recovery and impurities precipitation, reagent dosage, and operating costs estimation. This new set of deliverables corresponds to a general update of process information aimed at feeding the upcoming feasibility study stage and does not materially affect the information contained in the Technical Report.

Environmental, Social and Governance

Environment and Permits

During the three months ended March 31, 2022, the Company focused on advancing the environmental permitting process. As part of the Original EIA, the Company, on January 31, 2022, completed and submitted a third Addendum to the SEA. Management 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 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 has already started the preparation of supplementary information that will provide the basis for the Revised EIA report. 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. The main activities currently in progress relate to the development of new baselines for the Penco Module, which also include flora and fauna studies to resolve the pending issues raised by the SEA. Management's current expectation, based on preliminary discussions with its technical consultants and other advisors, is that the Revised EIA approval process could take two years or more to complete.

Occupational Health and Safety

During the first quarter of 2022, safety key performance indicators, including frequency and severity indices, reported nil values resulting from an absence of recorded accidents. Comparatively, during the first quarter of 2021, safety key performance indicators reported nil values resulting also from an absence of recorded accidents.

In order to reinforce sanitary measures required to reduce the risk of infection of COVID-19 among our workers, the Company has implemented a weekly mandatory COVID-19 antigen testing program.

Community Relations

The dialogue with communities has been supported by monthly meetings (known locally as "juntas de participación"), that were complemented by site visits to the project area, and specific meetings in relevant neighbourhoods. As of March 31, 2022, a total of 17 meetings were held with different community development of the Penco Module. On February 27, 2022, the Municipality of Penco held a non-binding consultation to poll local residents on the development of the Penco Module. Of the 42,186 eligible registered voters of Penco and Lirquen, 7,548 people turned out to vote (representing a turnout of 17.89%) in the said consultation of which 7,474 people voted against the installation of the proposed project. As a response to this development, the Company will be undertaking a local community outreach program during 2022.

OPERATIONAL PERFORMANCE

Source of Funds

From January 1, 2020 to October 15, 2021, HM Holdings contributed to the Company a total US$20.75 million as capital contributions.

On December 10, 2021, the Company raised aggregate net proceeds of US$93.154 million (approximately C$117.696 million) in connection with its Going Public Transaction.

As at December 31, 2021, the Company had a cash balance of US$64.185 million and short-term investments in term deposits of US$27.000 million, totalling a cash availability of US$91.185 million. As at March 31, 2021, the Company had a cash balance of US$3.109 million and nil in short-term investments in term deposits, totalling a cash availability of US$3.109 million. As at March 31, 2022, the Company had a cash balance of US$56.911 million and short-term investments in term deposits of US$27.000 million, totalling a cash availability of US$83.911 million. The Company is expected to be able to fully fund its liabilities and ongoing capital and operating expenditures for the next eighteen months.

Overview of Operating Expenditure and Costs

During the three months ended March 31, 2022, the Company incurred a loss of US$0.997 million in connection with its operating expenditures and costs, compared to a gain of US$0.208 million during the three months ended March 31, 2021. The Company's operating expenditures and costs arising from its continued operations include exploration expenses, administrative expenses, finance costs, finance income and loss or gain resulting from exchange rate fluctuations.

	Three months ended March 31,	
(in thousands of US$)	**2022**	**2021**
Exploration expenses	236	2
Administrative expenses	834	53
Other Income	-	(264)
Finance costs	5	1
Finance income	(11)	-
Exchange rates	67	-
Loss from continuing operations before income tax	**997**	**(208)**

Exploration Costs

The breakdown of exploration costs incurred by the Company for the three months ended March 31, 2022 and the three months ended March 31, 2021 are as follows:

	Three months ended March 31,	
(in thousands of US$)	**2022**	**2021**
Personnel expenses	13	-
Analysis & technical	42	-
Contractors and services	43	2
Studies	61	-
Technology and system	20	-
Mining rights	50	-
Other	7	-
Total	**236**	**2**

Exploration expenses comprise all activities related to and arising from greenfield exploration. Greenfield exploration is conducted for the purposes of identifying additional resources that may support new development and operation modules. Greenfield activities include, among others, superficial mapping works, geophysics and topographic studies.

During the first quarter of 2022, the Company continued superficial mapping and soil sampling works, resulting in personnel expenses of US$13 thousand, chemical assays resulting in analysis and technical costs of US$42 thousand, and other expenses related to renting of geology equipment resulting in other costs of US$7 thousand. In addition, the Company concluded the multi-element geophysics radiometry and magnetometry fly-over resulting and carried out other geological studies with Universidad Católica resulting in US$61 thousand of studies costs. The exploration team also contracted a company to review the public database of superficial land owners of the Company´s exploration mining concessions resulting in technology and system costs of US$20 thousand. Finally, the Company recognized a mining rights expense of US$50 thousand as result of the contribution of certain exploration concessions from REE Uno to Prospecciones Greenfield SpA, both entities being wholly-owned subsidiaries of the Company. The expense was generated as the contributed value resulting from a standard valuation of the concessions was slightly lower compared to its capitalized cost when held by REE Uno.

Other Income

The breakdown of other income incurred by the Company for the three months ended March 31, 2022 and the three months ended March 31, 2021 are as follows:

	Three months ended March 31,	
(in thousands of US$)	**2022**	**2021**
Analysis & technical	-	(256)
Other	-	(8)
Total	**-**	**(264)**

During the three months ended in March 31, 2021, the Company had other income, due to a negative exploration "cost" of US$256 thousand as a result from a reversal of a provision made in 2020, which was not exercised. The Company didn't record any other income during the three months ended in March 31, 2022.

Administrative Expenses

The breakdown of administrative expenses incurred by the Company for the three months ended March 31, 2022 and the three months ended March 31, 2021 are as follows:

	Three months ended March 31,	
(in thousands of US$)	**2022**	**2021**
Personnel expenses	540	-
Professional fees	94	37
Depreciation and amortization	85	19
Contractors and services	115	-
Other expenses	-	(3)
Total	**834**	**53**

The increase in overall administrative expenses is primarily a result expenses incurred in connection with the Going Public Transaction and the demerger from Hochschild Mining, as the Company operates now as an independent entity with a separate management team, including the Company's current Chief Executive Officer and Chief Operating Officer, and admirative staff including, among others, personnel dedicated to treasury, legal and human resource matters.

Professional fees of US$94 thousand in the first quarter of 2022, correspond to accounting services and auditing services hired for the annual auditing process for the 2021 fiscal year whereas, comparatively during the first quarter of 2021, the Company only incurred accounting and legal expenses in the amount of US$37 thousand.

The Company incurred depreciation and amortization expenses of US$85 thousand in the first quarter of 2022 whereas comparatively during the first quarter of 2021, the Company only incurred depreciation and amortization expenses of US$19 thousand. The change is largely driven by the amortization of exploration mining concessions following the expiration schedule of each concession. The comparative increase in amortization expenses resulted from the contribution of certain exploration concessions from REE Uno to Prospecciones Greenfield SpA, and accordingly, for the purposes of accounting, Prospecciones Greenfield SpA was required to amortize the capitalized expenses as it does not otherwise operate a corresponding mining project.

Finally, new contractor and services expenses in the first quarter of 2022 of US$115 thousand are mainly explained by legal and filing expenses to comply with continued disclosure obligations as a Canadian reporting issuer and TSX-listed company.

Finance Income and Costs

During the first quarter of 2022, finance income and finance costs incurred were associated with investments in short-term deposits and interest-bearing bank accounts, and bank commissions, respectively. During the first quarter of 2021, finance income was nil due to bank accounts not being remunerated and finance costs were related to bank commissions.

Evaluation and Exploration Assets

In accordance with accounting principles under IFRS of the capitalization of E&E assets, costs of mineral properties are capitalized as E&E assets on a project-by-project basis. As at March 31, 2022, the Company's principal business included the development of the Penco Module. The Company capitalizes expenses related to brownfield exploration and infill drilling, metallurgical testing and process design, engineering of the mine, processing plant and project infrastructure, permitting and administration activities and services.

The following table sets out an overview of the Company's capitalized E&E assets for the three months ended March 31, 2022, March 31, 2021 and fiscal year ended December 31, 2021:

(in thousands of US$)	**Total**
Balance as at December 31, 2021	**70,132**
Cost additions	4,498
Foreign exchange effect	5,124
Balance as at March 31, 2022	**79,754**
Accumulated amortisation and impairment	**(7)**
Amortisation and impairment	**(62)**
Foreign exchange effect	(1)
Net book value as at March 31, 2022	**79,684**
Balance as at January 1, 2021	**70,929**
Cost additions	3,206
Foreign exchange effect	(1,053)
Balance as at March 31, 2021	**73,082**
Accumulated amortisation and impairment	(8)
Foreign exchange effect	**-**
Net book value as at March 31, 2021	**73,074**
Balance as at January 1, 2021	**70,929**
Cost additions	11,661
Foreign exchange effect	(12,458)
Balance as at December 31, 2021	**70,132**
Accumulated amortisation and impairment	(8)
Foreign exchange effect	**1**
Net book value as at December 31, 2021	**70,125**

The total investments in E&E assets in the Penco Module for the three months ended March 31, 2022, March 31, 2021 and for the fiscal year ended December 31, 2021 are detailed below:

(in thousands of US$)	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**	**Year ended December 31, 2021**
Personnel expenses	728	471	2,530
Professional fees	67	218	933
Environmental impact study	219	44	997
Geochemical study	-	81	192
Diamond drilling	-	599	867
Engineering services	171	394	1,003
Mining rights	562	274	493
Feasibility studies	7	488	1,693
Rent building, vehicles, others	108	61	349
Analysis and technical	606	229	830
Contractors and services	1,919	264	1,317
Other	111	83	457
Total	**4,498**	**3,206**	**11,661**

As at March 31, 2022, capitalized personnel expenses correspond to the headcount directly related to the Penco Module project. The headcount as of March 31, 2022 was 52 compared to 27 as of March 31, 2021 and 46 as of December 31, 2021.

Each of the Company's categories of costs related to its investment in the Penco Module for the first quarter of 2022 have been discussed elsewhere in this MD&A. In particular, expenses related to the development of the contemplated feasibility study are comprised of costs related to engineering services, feasibility studies, analysis and technical and contractor and services, each of which are discussed above under the section of this MD&A titled "*Brownfield Exploration*" and "*Development Activities*". Comparatively, during the first quarter of 2021, expenses comprised in the above-mentioned categories of costs as well as costs related to geochemical study and diamond drilling were in respect of the development of the Technical Study, which included engineering activities as well as brownfield and infill drilling activities.

During the first quarter of 2022, expenses related to permitting activities were comprised of costs relating to the environmental impact study and are as described above under the section of this MD&A titled "*Environmental, Social and Governance*". During the first quarter of 2021, the Company began the development of the second Addendum which was submitted to the SEA on October 29, 2021.

During the first quarter of 2022, expenses related to mining rights were comprised of costs relating to exploration activities and exploitation concessions of the Company. The expense increased during the first quarter of 2022 due to an increase in additional mining rights claims of 450 thousand hectares compared to 195 thousand hectares as at March 31, 2021.

Lastly, during the first quarter of 2022, fixed expenses related to professional fees, and rent, building, vehicles and others corresponding to legal fees, capital leases and leased property of the Company, increased in comparison to the first quarter of 2021. The main reason was related to the renting of a new warehouse to store mineral and soil cores obtained from the drilling campaigns and geology equipment.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US$)	March 31, 2022	December 31, 2021	September 30, 2021	June 31, 2021
Net income (loss) from continuing operations	(997)	(1,435)	(172)	(109)
Net income (loss) and comprehensive income (loss)	**(997)**	**(1,435)**	**(172)**	**(109)**

(in thousands of US$)	March 31, 2021	December 31, 2020	September 30, 2020	June 31, 2020
Net income (loss) from continuing operations	208	520	(461)	(715)
Net income (loss) and comprehensive income (loss)	**208**	**520**	**(461)**	**(715)**

During the first quarter of 2022, the Company incurred lower net losses from continuing operations compared to the previous quarter mainly explained by a gain in exchange rate of US$67 thousand compared to a loss in exchange rate of US$479 thousand during the previous quarter. The last two quarters present a higher net loss from continuing operations as a result of the demerger from Hochschild Mining, the Going Public Transaction, and having a complete management team to meet future objectives.

FINANCIAL INSTRUMENTS

Nature and Extent

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

The Company's consolidated financial instruments for the three months ended March 31, 2022 and the three months ended March 31, 2021 are as follows:

(in thousands of US$)	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**	**Year ended December 31, 2021**
Cash and cash equivalents			
Current demand deposit accounts	56,911	3,109	64,185
Total Cash and cash equivalents	**56,911**	**3,109**	**64,185**

As at March 31, 2022, the Company held a six-month term deposit (with three months remaining) as an investment in Banco Scotiabank for a value of US$27 million. As at December 31, 2021, the Company held the same term deposit of US$27 million. As at March 31, 2021, the Company had no time deposits nor mutual funds as the Company aimed to maintain cash in the current demand deposit accounts.

Financial Instrument Risks

The Company manages risks to minimize potential losses. The primary objective is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The Company's risk exposure in respect of its financial instruments is summarized below.

Foreign Currency Risk

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

Credit Risk

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

Liquidity Risk

Liquidity risks relate to the Company's inability to obtain funds required to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value. Management regularly monitors the Company's level of short- and medium-term liquidity, and access to credit lines, in order to ensure appropriate financing is available for its operations. As of the date of this MD&A, the Company has not opened, or been provided access to, any lines of credit.

LIQUIDTY AND CAPITAL RESOURCES

Working capital requirements

The Company has working capital needs of US$1.652 million as at March 31, 2022. This requirement will be largely covered by current cash and cash equivalent position of US$56.911 million.

Off-Balance Sheet Commitments

The Company has no off-balance sheet commitments.

The Company's contractual obligations as at March 31, 2022 that need to be satisfied with cash and their approximate timing of payment are as follows:

(in thousands of US$)	Three months ended March 31, 2022	FY 2023	FY 2024	FY 2025	FY 2026
Office leases	48	-	-	-	-
Vehicle leases	26	17	7	-	-
Warehouse leases	124	17	-	-	-
Land acquisition	220	6,000	1,300	1,300	1,300
Total Contractual Obligations	**418**	**6,034**	**1,307**	**1,300**	**1,300**

Cash and Liquidity

The Company did not have any commercial debt as at March 31, 2022.

As at March 31, 2022, the Company had a cash balance of US$56.911 million and short-term investments in term deposits of US$27 million, totalling cash availability in the aggregate amount of US$83.911 million. The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next eighteen months.

RELATED PARTY TRANSACTIONS

Key Management Compensation

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

For the three months ended March 31, 2022, the remuneration of the Company's key management totalled US$0.612 million compared to the three months ended March 31, 2021, where remuneration of the Company's key management totalled US$0.222 million. The increase of the Company's key management remuneration is as a result of the establishment of an independent management team as part of the Going Public Transaction including, hiring costs incurred in respect of the Company's current Chief Executive Officer and Chief Operating Officer.

(in thousands of US$)	**Three months ended March 31, 2022**	**Three months ended March 31, 2021**	**As at December 31 2021**
Short-term employee benefits	612	222	643
Total compensation paid to key management personnel	**612**	**222**	**643**

Related Party Transactions

The Company was subject to the following related-party balances and transactions as at March 31, 2022, as at March 2021 and as at December 31, 2021:

	Accounts payable		
(in thousands of US$)	As at March 31, 2022	As at March 31, 2021	As at December 31, 2021
Hochschild Mining Holdings Ltd	-	3,500	-
Compañia Minera Ares S.A.C.	122	992	-
Minera Hochschild Chile SCM	27	267	6
Total	**149**	**4,759**	**6**

	Accounts receivable		
(in thousands of US$)	As at March 31, 2022	As at March 31, 2022	As at December, 2021
Hochschild Mining Holdings Ltd	13	.	12
Total	**13**	**-**	**12**

Minera Hochschild Chile SCM and Compañía Minera Ares S.A.C., as members of Hochschild Mining group, are both related parties and have granted intercompany administrative services since 2019. During the first quarter of 2022, account payables with related parties were incurred pursuant to the transitional service agreement between Hochschild Mining PLC and the Company. The services agreement includes the provision of ongoing services by Hochschild Mining to the Company such as information technology, technical advice, and accounting advice and ad hoc services such as legal, sustainability, internal auditing and human resources. These services are provided by Compañía Minera Ares S.A.C. and Minera Hochschild Chile SCM on behalf of Hochschild Mining. For a more fulsome description of the Transitional Services Agreement, please see Aclara's most recent annual information form, and Aclara's other filings with securities and regulatory authorities which are available on SEDAR at www.sedar.com.

Comparatively, during the first quarter of 2021, the Company held US$3,500 thousand in interest-free loan from HM Holdings, which was capitalized on September 8, 2021. Other accounts payables with Compañía Minera Ares S.A.C. and Minera Hochschild Chile SCM of US$ 992 thousand and US$ 267 thousand, were related to administrative support from Hochschild Mining.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company's issued and outstanding share capital comprised of an aggregate of 162,599,162 common shares.

As of the date of this MD&A, the Company's issued and outstanding convertible share capital is comprised of an aggregate of 1,198,956 restricted share units issued pursuant to the Company's long-term incentive plan.

In Units	As at March 31, 2022	As at March 31, 2021
RSUs issued for the Management team	**750,228**	-
Vesting Period		
December 10, 2022	250,076	-
December 10, 2023	250,076	-
December 10, 2024	250,076	-
RSUs issued for the Board Members	**448,728**	
Vesting Period		
December 31, 2022	448,728	-
Total RSUs issued	**1,198,956**	

SIGNIFICANT ACCOUNTING POLICIES

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

SIGNIFICANT EQUITY INVESTEE

Disclosure related to the Company's significant equity investee is provided under Note 16 to the Interim Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (collectively referred to herein as "forward-looking statements") and are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". All statements other than statements of historical fact are forward-looking statements and in particular, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances and similar words suggesting future outcomes or statements regarding an outlook. All statements in this MD&A that address events or developments that the Company expects to occur in the future are forward-looking statements.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, but are not limited to, operating in a foreign jurisdiction (including local political and socioeconomic issues); dealing with changes to local laws and regulations; compliance with laws; failure to obtain necessary permits and licences or to renew them; permits and third party consents (as may be required) timing and requirements; impact of social and environmental activism; relations and agreements with local communities; government regulation of mining operations; environmental compliance; expected production, capital and operating costs; REE price volatility; statements regarding anticipated exploration, drilling, development, construction, permitting and other activities or achievements of Aclara; expectations, strategies and plans for the Penco Module, including as it relates to geology, metallurgy, engineering, title, and environmental matters; expected costs and timing of development of the Penco Module; costs, location and timing of potential future exploration and drilling; estimated completion dates for certain milestones; success of future exploration and development activities; the impact of competition and applicable laws and regulations on the Company's operations and results; environmental risks and hazards; future objectives of the Company and growth and other strategies to achieve those objectives; future financial or operating performance of the Company; global markets for the demand and supply of REE; continuous availability of required expertise and manpower; continuous access to capital markets; future trends that may affect the Company's business and results of operations; the impact of the COVID-19 pandemic on Aclara's operations, including any restrictions or suspensions with respect to our operations and the effect of any such restrictions or suspensions on our financial and operational results; the impact of COVID-19 on Aclara's workforce, suppliers and other essential resources and what effect those impacts, if they occur, would have on Aclara's business; future or estimated mine life, rare earth price assumptions, ore grades and sources, recovery rates; the continued qualification for listing on the TSX; and Aclara having further potential through exploration at the Penco Module, and those risks associated with the mining industry, including delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses and health, safety and environmental risks, the risk of commodity price and foreign exchange rate fluctuations; as well as other factors identified and as described in more detail in Aclara's most recent annual information form, and Aclara's other filings with securities and regulatory authorities which are available on SEDAR at www.sedar.com.

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

APPROVAL

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

ADDITIONAL INFORMATION

Additional information relating to the Company and the Company's other continuous disclosure materials, including the annual information form, annual management's discussion and analysis, audited interim consolidated financial statements, and notice of annual meeting of shareholders and management information circular will be available on Aclara's website at www. aclara-re.com/ and on SEDAR under the Company's corporate profile at www.sedar.com.