

Unaudited Interim Consolidated Financial Statements

ACLARA RESOURCES INC.

Santiago, Chile

As of March 31, 2022 and 2021

To the Audit Committee of
Aclara Resources Inc.

In accordance with our engagement letter dated April 11, 2022, we have performed interim reviews of the consolidated statement of financial position of Aclara Resources Inc. and its subsidiaries, as at March 31, 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2022 and 2021. These financial statements are the responsibility of Aclara Resources Inc. management.

We performed our interim reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim reviews, we are not aware of any material modification that needs to be made for these interim consolidated financial statements to be in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as required by IAS 34 "Interim Financial Reporting".

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated statement of financial position of Aclara Resources Inc. as at December 31, 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended (not presented herein). In our report dated March 29, 2022, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2021 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

This report is solely for the use of the Audit Committee of Aclara Resources Inc. to assist it in discharging its regulatory obligation to review these consolidated financial statements, and should not be used for any other purpose.



Oscar Gálvez R.
EY Audit SpA

Santiago, Chile
May 5, 2022

Unaudited Interim Consolidated Financial Statements

ACLARA RESOURCES INC.

As of March 31, 2022 and 2021

Unaudited Interim Consolidated Financial Statements

Statement of Comprehensive Income

	Notes	As at March 31, 2022 US\$000	As at March 31, 2021 US\$000
Continuing operations			
Administration expenses	4	(834)	(53)
Exploration expenses	5	(236)	(2)
Other Income	5	-	264
(Loss) Profit from continuing operations before net finance income/(cost) and income tax		(1,070)	209
Financial income	6	11	-
Financial costs	6	(5)	(1)
Exchange differences		67	-
(Loss) Profit from continuing operations before income tax		(997)	208
Income tax expense	7	-	-
(Loss) Profit for the year from continuing operations		(997)	208
(Loss) Profit for the year		(997)	208
Basic loss per share US\$	8	(0.00613)	0.00388
Diluted loss per share US\$	8	(0.00603)	0.00388
		As at March 31, 2022 US\$000	As at March 31, 2021 US\$000
(Loss) Profit for the year		(997)	208
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		5,490	(3,229)
Other comprehensive (loss) profit for the year, net of tax		5,490	(3,229)
Total comprehensive (loss) profit for the year		4,493	(3,021)

The attached notes are an integral part of these interim consolidated financial statements.

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Statement of Financial Position

ASSETS	Notes	As at March 31, 2022	As at 31 December 2021
		US\$000	US\$000
CURRENT ASSETS			
Cash and cash equivalents	12	56,911	64,185
Short term investments	13	27,000	27,000
Trade debtors and other accounts receivable, net, current	11	158	124
Accounts receivable from related entities, current	17	13	12
TOTAL CURRENT ASSETS		84,082	91,321
NON-CURRENT ASSETS			
Trade debtors and other accounts receivable, non-current	11	3,236	2,667
Property, plant and equipment, net	9	769	704
Evaluation and exploration assets	10	79,684	70,125
TOTAL NON-CURRENT ASSETS		83,689	73,496
TOTAL ASSETS		167,771	164,817
EQUITY AND LIABILITIES	Notes	As at March 31, 2022	As at 31 December 2021
		US\$000	US\$000
CURRENT LIABILITIES			
Trade accounts payable and other accounts payable, current	14	1,672	2,222
Accounts payable to related entities, current	17	149	6
Other provisions, non-current	15	2	822
TOTAL CURRENT LIABILITIES		1,823	3,050
EQUITY			
Equity share capital	16	164,046	164,508
Retained Earnings		(4,654)	(3,657)
Other reserves		6,556	916
TOTAL EQUITY		165,948	161,767
TOTAL LIABILITIES AND EQUITY		167,771	164,817

The attached notes are an integral part of these interim consolidated financial statements.

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Statement of Cash Flow

	Notes	As at March 31, 2022 US\$000	As at March 31, 2021 US\$000
Cash flows from operating activities			
Cash from / (used in) operations	18	(2,753)	148
Interests received		12	1
Net cash from / (used in) operating activities		(2,741)	149
Cash flows from investing activities			
Purchase of property, plant and equipment		(36)	(49)
Purchase of evaluation and exploration assets		(4,498)	(3,206)
Net cash used in investing activities		(4,534)	(3,255)
Cash flows from financing activities			
Capital contributions	16	-	4,950
Shares issued	16	1	-
Cash flows generated from financing activities		1	4,950
Net increase/(decrease) in cash and cash equivalents during the year		(7,274)	1,844
Exchange difference		-	-
Cash and cash equivalents at beginning of the period		64,185	1,265
Cash and cash equivalents at end of the period	12	56,911	3,109

The attached notes are an integral part of these interim consolidated financial statements.

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Statement of Changes in Equity

		Equity share capital	Cumulative translation adjustment	Other reserves	Total other reserves	Retained earnings	Total equity
	Notes	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Balance as at January 1, 2022	16	164,508	(9,177)	10,093	916	(3,657)	161,767
Other comprehensive expense		-	5,490	-	5,490	-	5,490
Profit (Loss) of the period		-	-	-	-	(997)	(997)
Total comprehensive expense for the year		-	5,490	-	5,490	(997)	4,493
Share-based payments		-	-	150	150	-	150
Share issuance costs		(462)	-	-	-	-	(462)
Balance as at March 31, 2022	16	164,046	(3,687)	10,243	6,556	(4,654)	165,948
Balance as at January 1, 2021	16	26,768	3,596	40,915	44,511	(2,149)	69,130
Other comprehensive expense		-	(3,229)	-	(3,229)	-	(3,229)
Profit (Loss) of the period		-	-	-	-	208	208
Total comprehensive expense for the year		-	(3,229)	-	(3,229)	208	(3,021)
Capital contribution		4,950	-	-	-	-	4,950
Balance as at March 31, 2021		31,718	367	40,915	41,282	(1,941)	71,059

The attached notes are an integral part of these interim consolidated financial statements.

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Notes to the Interim 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 a 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.

Business segment

The Company is involved in the exploration of rare-earth metals in Chile and operates one business segment, which is the development of the Penco Module project in Chile. The operations are conducted through the Company's wholly-owned subsidiary, Ree Uno SpA.

The Company is a mining company engaged in the exploration and development of rare earth mineral resources with approximately 451,985 hectares of mining concessions located in the Maule, Ñuble, Biobío and Araucanía regions of Chile. The Company is presently focused on the development of the Penco Module, which covers a surface area of approximately 600 ha and contains ionic clays rich in REE. Subsequent developmental stages of the Company are expected to include optimization 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 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"). 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. However, there can be no assurances as to the timing of a Revised EIA application, the length of delay in obtaining an approval or whether or not such approval will be issued.

The Company was involved in an initial public offering ("IPO") process that was completed on December 10, 2021. Following the date of its initial public offering, the entire issued share capital of the Company has been and continues to be listed on the Toronto Stock Exchange ("TSX").

Presentation of Financial Statement

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.

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Notes to the Interim Consolidated Financial Statements (Continued)

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. Interim Consolidated financial statements of the Company and Ree Uno SpA are provided herein and more particularly, the information presented herein for the period ended March 31, 2021 and December, 2021 reflects the financial results of Ree Uno SpA given the Company lacked significant operations prior to the transfer of interests in Ree Uno SpA, while as of and for the period ended March 31, 2022, the financial results represent a consolidation of the Company and Ree Uno SpA's income statement and cash flows for the entire period ended March 31, 2022.

These interim consolidated financial statements were approved for issue by the Board of Directors, on May 5, 2022.

2 Significant accounting policies

(a) Basis of preparation

The interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and 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 interim consolidated financial statements have been consistently applied and are set out below. The interim consolidated financial statements have been prepared on a historical cost basis.

The interim 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 interim consolidated financial statements have been prepared on a going concern basis.

The COVID-19 pandemic ("COVID-19") was declared a global pandemic by the World Health Organization on March 11, 2020. The Company has been closely monitoring the impact of COVID-19 on all aspects of its business. The COVID-19 pandemic has resulted in governments worldwide enacting measures to combat the spread of the virus, including the implementation of travel bans, quarantine requirements, social distancing, stay at home orders and the closure of non-essential businesses. The future impacts of the pandemic and any resulting economic impact continue to be unknown and evolving. It is not possible to reliably estimate the length and severity of these developments and the impact it may have on the Company and the development of the Penco module. Management will continue to monitor and assess the impact of the pandemic.

Changes in accounting policy and disclosures

Amendments to standards and interpretations which came into force during the 2022 and 2021 periods do not have an impact on the Company's interim 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 will replace reference to a previous version of the IASB Conceptual Framework (1989 Framework) with a reference to the current version issued in March 2018, however, requirements have not changed substantially.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the problem of potential "day 2" gains or losses arising from liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Assets. Contingencies or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria of IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for acquisition-date recognition. The amendments must be applied prospectively. The amendment has no impact on the Company's interim consolidated financial statements.

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

This amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any sale while bringing the asset to the location and conditions necessary for the asset to be capable of operating as intended by Management. Instead, an entity will recognize the proceeds from a sale and cost of these elements in Income for the period, in accordance with the applicable Standards.

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Notes to the Interim Consolidated Financial Statements (Continued)

The amendment shall be applied retrospectively only to items of property, plant and equipment available for use on or after the beginning of the first period presented in the Financial Statements of the entity applying the amendment for the first time. The amendment has no impact on the Company's interim consolidated financial statements.

- 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 a consistent application of the standard. 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. Judgment will be required to determine which costs are "directly related to contract activities", but we believe the guidance in IFRS 15 will be relevant.

The amendment shall be applied retrospectively to existing contracts at the beginning of the annual reporting period in which the entity first applies the amendment (date of initial application). Early application is permitted and must be disclosed. The amendment has no impact on the Company's interim consolidated financial statements.

- IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual improvements to IFRS standards 2018 – 2020

The IASB has issued "Annual Improvements to IFRS Standards 2018–2020". The pronouncement contains amendments to four International Financial Reporting Standards (IFRS) as a result of the IASB's annual improvements project.

IFRS 1: Subsidiary as first-time adopter. The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1, to measure the cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the date of transition to IFRS. of the parent, if no adjustments were made for consolidation and for the effects of the business combination in which the parent acquired the subsidiary. This amendment also applies to an associate or joint venture that chooses to apply paragraph D16(a) of IFRS 1.

IFRS 9: Commissions in the '10 percent' test for the derecognition of financial liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those fees paid or received between the borrower and the lender, including fees paid or received by the borrower or the lender on behalf of the other. There is no similar amendment proposed for IAS 39. An entity applies the modification to financial liabilities that are modified or exchanged from the beginning of the annual reporting period in which the entity first applies the modification. Illustrative Examples Accompanying IFRS 16: Leasing Incentives. The amendment removes the illustration of lessor payments in relation to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 41: Taxation on fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxes when measuring the fair value of assets within the scope of IAS 41. The amendment has no impact on the Company's interim 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 2022 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 interim 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 interim consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the interim consolidated financial statements.

Significant areas of estimation uncertainty and critical judgements made by management in preparing the interim consolidated financial statements include:

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Notes to the Interim Consolidated Financial Statements (Continued)

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 evaluation and exploration assets, and intangibles. The first resources and reserves report was issued on October 18, 2021.
- **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 evaluation and exploration assets– notes 2(d) and 9.**
Judgement is required in determining when the future economic benefit of a project can reasonably be regarded as assured, at which point evaluation and exploration expenses are capitalized.

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. 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.

(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.

Interim 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 interim consolidated financial statements are presented in US dollars (US\$).

(d) Evaluation and exploration 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 capitalized when the future economic benefit of the project can reasonably be regarded as assured.

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. Capitalized.

Evaluation and exploration 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.

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Notes to the Interim Consolidated Financial Statements (Continued)

(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 March 31, 2022 and December 31, 2021 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 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. In addition, the revenue generated from the sale of the inventory produced during the pre-operating stage is recognized as a deduction of the costs capitalized for this project.

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 moves into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

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Notes to the Interim Consolidated Financial Statements (Continued)

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 at March 31, 2022 and December 31, 2021 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 evaluation and exploration 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 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 evaluation and exploration assets.

If the carrying amount of an asset or its cash-generating unit ("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.

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 cash-generating unit to which the asset belongs.

The recoverable values of the CGU are determined using a FVLCD methodology. FVLCD was determined using a combination of level 2 and 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.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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 March 31, 2022 and December 31, 2021. 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 and Chilean tax regimes are as follows:

(1) Canadian Entity

Aclara Resources Inc.	2022 and 2021 0% and 0% to 49.5% respectively (effective corporate tax rate range).
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(2) Peruvian Entity

Aclara Resources Peru SAC	2022 29,5%
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(3) Chilean Entities

Aclara Resources Inc., Agencia en Chile	2022 and 2021 27%, General semi integrated 14A
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Ree Uno SpA	2022 and 2021 27%, General semi integrated 14A
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Prospecciones Greenfield SpA	2022 and 2021 27%, General semi integrated 14A
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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 taxes as the recoverability in the foreseeable future is not more-likely-than-not to occur. Deferred taxes not recognized as of March 31, 2022 and December 31, 2021 amount to US\$ 2,786,816 and US\$ 2,426,276 respectively.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

As of March 31, 2022 and December 31, 2021, the result for the year of the Company, its branch and subsidiaries is a tax loss, for which no tax expense is recognized. The accumulated tax (income) losses as of March 31, 2022 and December 31, 2021 by entity are as follows:

		March 31, 2022
Name	Country	US\$000
Aclara Resources Inc.	Canada	593
Aclara Resources Inc., Agencia en Chile	Chile	-
Ree Uno SpA	Chile	2,661
Aclara Resources Peru SAC	Peru	(7)
Prospecciones Greenfield SpA	Chile	76

		December 31, 2021
Name	Country	US\$000
Aclara Resources Inc.	Canada	1,078
Aclara Resources Inc., Agencia en Chile	Chile	-
Ree Uno SpA	Chile	2,758
Aclara Resources Peru SAC	Peru	-
Prospecciones Greenfield SpA	Chile	4

(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

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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

- 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.

Impairment of financial assets

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

(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.

(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.

(l) Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets at fair value at each statement of financial position date. Also, fair values of financial instruments are measured at amortized cost.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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 interim consolidated financial statements are categorized within the fair value hierarchy.

For assets and liabilities that are recognized in the interim 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.

The Company determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

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 March 31, 2022, and December 31, 2021, the Company does not have financial assets fair valued with these valuation techniques.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

3 Subsidiary and branch companies

Summary of subsidiaries and branch companies

Name	Country	Functional Currency	Voting power percentage	Participation % 2022		Participation % 2021	
				Direct	Indirect	Direct	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%	-	-
Prospecciones Greenfield SpA	Chile	Chilean Pesos	100%		100%		100%

(1) Incorporation of company Aclara Resources Peru SAC is indicated in note 1.

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

Movements of investments in subsidiary company		Balance January 1, 2022	Additions	Profit (loss) share	Another increment (decrement)	Balance March 31, 2022	Dividends paid to non-controlling interests
		US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Ree Uno SpA	Indirect	70,645	-	(406)	-	70,239	-
Aclara Resources Peru SAC	Direct	-	0	2	-	2	-
Prospecciones Greenfield SpA	Indirect	(3)	1,162	(63)	-	1,096	-

As of March 31, 2022 and December 31, 2021, the Company does not present distribution of dividends or sale of investments.

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 is the U.S. dollar and Agencia, Ree Uno SpA and Prospecciones Greenfield SpA 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.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim 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, 2021 and March 31, 2022:

On August 5, 2021, Aclara Resources Inc. Agencia en Chile ("the Agency") was incorporated as a branch of the Company, with a capital contribution of US\$12,876 made by Hochschild Mining Holdings Ltd. The Agency is included in the consolidated financial statements since the date of inception.

Hochschild Mining Holdings Ltd acquired a 100% stake in Agencia.

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 interim consolidated financial statements since the date of purchase.

(b) Indirect consolidation scope

The following changes have occurred in the scope of indirect consolidation of our subsidiaries for the year ended December 31, 2021 and March 31, 2022:

On October 4, 2021, Prospecciones Greenfield SpA was incorporated with a capital contribution of \$1,000,000 Chilean pesos made by Ree Uno SpA.

Ree Uno SpA acquired a 100% stake in Prospecciones Greenfield SpA.

On October 15, 2021, in relation to the share contribution agreement, the Company acquired 100% of the issued and outstanding shares of Ree Uno SpA from Hochschild Mining Holdings Ltd and allocated such shares to the Company's foreign legal entity branch in Chile. At the same time and in consideration for such shares of Ree Uno SpA, the Company issued to Hochschild Mining Holdings Ltd. 88,262,106 common shares (see note 16) at a value of \$1 Canadian dollar per share (\$58,877,074,295 Chilean pesos for the total number of shares acquired, equivalent to US\$ 71,340,208.77). As at December 31, 2021, the Company recognized the investment of Agencia in Ree Uno SpA in its balance sheet. Agencia has a 100% stake in Ree Uno SpA.

As of March 31, 2022, no changes occurred in the scope of indirect consolidation of our subsidiaries.

4 Administration expenses

	Three months ended March 31,	
	2022	2021
	US\$000	US\$000
Personnel expenses (1)	540	-
Professional fees	94	37
Depreciation and amortization	85	19
Contractors and services	115	-
Others	-	(3)
Total	834	53

(1) Personnel expenses were capitalized for the periods ended March 31, 2022 and March 31, 2021. Non-capitalized personnel expenses belong to Aclara Resources Inc. and are not directly related to the project executed in subsidiary Ree Uno SpA.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

5 Exploration expenses and other income

(a) Exploration expenses

	Three months ended March 31,	
	2022	2021
	US\$000	US\$000
Personnel expenses	13	-
Mining rights	50	-
Rentals	6	-
Analysis & technical	42	-
Studies	61	-
Technology and system	20	-
Contractors and Services	43	2
Others	1	-
Total	236	2

(b) Other income

	Three months ended 31 March	
	2022	2021
	US\$000	US\$000
Rentals	-	(8)
Analysis & technical	-	(256)
Total	-	(264)

As of March 31, 2021 the Company had a positive exploration expenses as a result from a reversal of a provision made in 2020, which at end was not exercised.

6 Financial income and costs

(a) Financial income

	Three months ended March 31,	
	2022	2021
	US\$000	US\$000
Interests	(11)	-
Total	(11)	-

(b) Financial costs

	Three months ended March 31,	
	2022	2021
	US\$000	US\$000
Bank commissions	5	1
Total	5	1

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

7 Income tax

	Three months ended March 31,	
	2022	2021
	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. As indicated in note 1, the financial information as of and for the period ended March 31, 2021 reflects financial information of Ree Uno SpA only, which underlies the reason for calculating EPS based on the outstanding number of issued and outstanding shares in the capital of Ree Uno SpA during such period.

The Company does not have dilutive potential common shares. As of March 31, 2022 and March 31, 2021, EPS has been calculated as follows:

	Three months ended March 31,	
	2022	2021
Basic Earnings (loss) per share from continuing operations		
Total for the period and from continuing operations (US\$)	(0.00613)	0.00388
Diluted Earnings (loss) per share from continuing operations		
Total for the period and from continuing operations (US\$)	(0.00603)	0.00388

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

	Three months ended March 31,	
	2022	2021
Profit (loss) attributable to equity holders – continuing operations (US\$000)	(997)	208

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

	Three months ended March 31,	
	2022	2021
Basic weighted average number of ordinary shares in issue (thousands)	162,599	53,609
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)	165,299	53,609

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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

	Total
Balance as at January 1, 2021	53,609,010
Balance as at March 31, 2021	53,609,010
Weighted average number of ordinary shares as at March 31, 2021	53,609,010

The number of issued and outstanding shares for the period ended March 31, 2021 was adjusted for the exchange ratio determined for the transaction on October 15, 2021.

	Total
Balance as at January 1, 2022	162,599,162
Balance as at March 31, 2022	162,599,162
Weighted average number of ordinary shares as at March 31, 2022	162,599,162

9 Property, plant and equipment

	Land US\$000	Plant and equipment US\$000	Total US\$000
Cost property, plant and equipment			
Balance as at January 1, 2021	237	631	868
Additions	218	125	343
Foreign exchange effect	(98)	(56)	(154)
Balance as at December 31, 2021	357	700	1,057
Additions	-	36	36
Foreign exchange effect	-	77	77
Balance as at March 31, 2022	357	813	1,170
Accumulated depreciation plant and equipment			
Balance as at January 1, 2021	-	332	332
Depreciation of the period	-	82	82
Foreign exchange effect	-	(61)	(61)
Balance as at December 31, 2021	-	353	353
Depreciation of the period	-	23	23
Foreign exchange effect	-	25	25
Balance as at March 31, 2022	-	401	401
Net book value as at December 31, 2021	357	347	704
Net book value as at March 31, 2022	357	412	769

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.

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, 2021, the company has paid two of the seven instalments indicated in the agreement described above. The total value paid to date is indicated in note 9 "Property, plant and equipment", column "Land". The Company has the right to cancel the contract at any moment if the project is proven unfeasible. Under this scenario, the Company would not have to pay the remaining quotas and ownership of the land would revert back to Forestal Arauco S.A. property. Otherwise, the remaining instalments will be paid as follows:

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

Year	Total US\$000
2022	220
2023	6,000
2024	1,300
2025	1,300
2026	1,300
Total	10,120

As at March 31, 2022, and December 31, 2021, the Company has not recognized any impairment.

10 Evaluation and exploration assets

	Total US\$000
Cost	
Balance as at January 1, 2021	70,929
Additions ⁽¹⁾	11,661
Foreign exchange effect	(12,458)
Balance as at December 31, 2021	70,132
Additions ⁽¹⁾	4,498
Foreign exchange effect	5,124
Balance as at March 31, 2022	79,754
Accumulated amortization and impairment	
Balance as at January 1, 2021	8
Foreign exchange effect	(1)
Balance as at December 31, 2021	7
Additions	62
Foreign exchange effect	1
Balance as at March 31, 2022	70
Net book value as at December 31, 2021	70,125
Net book value as at March 31, 2022	79,684

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

Notes:

- (1) The total investment in the Penco Module project capitalized in the period 2022 and 2021 amounting to US\$ 4,498 and US\$ 11,661 (respectively) is detailed below:

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Personnel expenses	728	2,530
Professional fees	67	933
Environmental impact study	219	997
Geochemical study	-	192
Diamond drilling	-	867
Engineering services	171	1,003
Mining rights	562	493
Feasibility studies	7	1,693
Rent building, vehicles, others	108	349
Analysis & technical	606	830
Contractors and Services	1,919	1,317
Other	111	457
Total	4,498	11,661

The Company is currently focused on the development of the Penco 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 currently focused on 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 evaluation and exploration assets as there are no qualifying assets. There are no restrictions on ownership of evaluation and exploration assets. There are no capital commitments for evaluation and exploration assets.

As at March 31, 2022, and December 31, 2021, the Company has not recognized any impairment as no indicators of impairment were identified in the project.

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 March 31, 2022 and December 31, 2021 the Company only have one project 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

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Current		
Advances to suppliers	80	106
Others	64	1
Assets classified as receivables	144	107
Prepaid expenses	14	17
Total	158	124
Non-current		
Value added tax	3,161	2,667
Others	75	-
Total	3,236	2,667

The fair values of trade and other receivables approximate their book value. As of March 31, 2022 and December 31, 2021, none of the financial assets classified as receivables (net of impairment) were past due.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

12 Cash and cash equivalents

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Current demand deposit accounts	56,911	64,185
Cash and cash equivalents considered for the statement of cash flows	56,911	64,185

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 March 31, 2022 and December 31, 2021 is as follows:

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Chilean pesos (equivalent US\$)	1,178	246
Canadian dollar (equivalent US\$)	4,560	6,071
Peruvian soles (equivalent US\$)	72	-
American dollar	51,101	57,868
Total	56,911	64,185

The composition of the item by bank as of March 31, 2022 and December 31, 2021 is as follows:

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Citi Bank	20,722	28,185
BCP	182	-
JP Morgan	9,000	9,000
RBC	27,007	27,000
Total	56,911	64,185

13 Short term investments

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Time deposits (6 months)	27,000	27,000
Total	27,000	27,000

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

14 Trade and other accounts payables

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Trade payables ¹	793	1,454
Taxes and contributions	272	69
Salaries and wages payable ²	519	621
Others	88	78
Total	1,672	2,222

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 this item.
- 2 Salaries and wages payable relates to remuneration payable.

15 Other provisions

The other provisions are as follows:

	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Contractors and Services	2	773
Other	-	49
Total	2	822

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

16 Equity

(a) Share capital

Issued share capital and additional capital

The changes in share capital are as follows:

	Number of shares type A - Aclara Resources Inc.	Number of shares type A - Ree Uno SpA	Total US\$000
Balance as at January 1, 2021	-	16,986,750,670	26,768
Capital Contribution	-	-	5,300
Capital Contribution - loans received in the period January and March 2022	-	-	4,950
Capital Contribution - loans received in the period	-	-	1,000
Capital Contribution - loans prior periods	-	-	2,500
Total shares issued to settle debt	-	10,980,309,297	13,750
Balance as at October 15, 2021	-	27,967,059,967	40,518
Pre-IPO reorganization	-	-	30,822
Total pre-IPO reorganization	-	-	44,572
Shares issued - Pre IPO Reorganization	88,262,206	(27,967,059,967)	71,340
Capital contribution	-	-	13
Shares issued - IPO	74,336,956	-	99,397
Shares issued - IPO to be collected	-	-	(1)
Expenses - IPO	-	-	(4,698)
Shares issued - net cash received	-	-	94,698
Expenses - IPO others to be paid	-	-	(1,544)
Shares issued - net of IPO costs	-	-	93,154
Share issuance costs	-	-	(6,242)
Balance as at December 31, 2021	162,599,162	-	164,508
Shares issued - net cash received	-	-	1
Expenses - IPO	-	-	(462)
Balance as at March 31, 2022	162,599,162	-	164,046

Shareholder	Shares subscribed	Percentage share
Hochschild Mining Holdings Ltd	32,526,389	20.0%
Pelham Investments Corporation	59,701,161	36.7%
Other Investors	70,371,612	43.3%
Total	162,599,162	100.0%

On May 5, 2021 the Company issued 100 common shares for a total consideration of 100 Canadian dollars equivalent to US\$81.

On August 5, 2021 Hochschild Mining Holdings Ltd made a capital contribution of US\$12,876. As of December 31, 2021 it is pending to be collected, which was recorded as an account receivable - current.

As described in note 1, on October 15, 2021, The Company as part of a reorganization process under the common control, obtained 100% of the shares of Ree Uno SpA for \$58,877,074,295 Chilean pesos (equivalent US\$ 71,340,208.77 - equivalent CAD\$ 88,262,106).

On December 31 2021 the Company completed the IPO and offered an aggregate of 74,336,956 common shares at a value of \$1.7 Canadian dollar per share (equivalent US\$ 99,396,590.53). 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.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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, provided there are no accumulated losses.

(b) Other reserves

Cumulative translation adjustment

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

Other reserves

(1) Share-based payments

On December 10, 2021, the compensation plan of the executives with restricted share units (hereinafter "RSUs"), was approved as follows: Ramon Barua - 441,311 RSUs, Rodrigo Ceballos - 132,393 RSUs, Francois Motte - 44,131 RSUs, Barry Murphy - 132,393 RSUs. The total RSUs granted to the foregoing individuals amount to 750,228. The vesting period of the RSUs are 3 years. There were no cancellations or modifications to the compensation plan as of March 31, 2022.

Additionally, RSUs have been committed as indicated in the following table;

	Committed	
	10.12.2022	10.12.2023
	Number	Number
Executives		
Ramon Barua	441,311	441,311
Rodrigo Ceballos	132,394	132,394
Francois Motte	44,131	44,131
Barry Murphy	132,394	132,394
Total	750,228	750,230

Total RSUs granted and committed to executives amount to 2.250.686.

On March 17, 2022, the board approving the following share-based incentive award grants to the directors in the form of RSUs: Eduardo Hochschild - 149,576 RSUs, Karen Poniachik - 74,788 RSUs, Sanjay Sarma - 74,788 RSUs, Paul Adams - 74,788 RSUs and Catharine Farrow - 74,788 RSUs. The total RSUs granted to the foregoing individuals amount to 448,728. The RSUs granted to the directors on March 17, 2022 will vest on December 31, 2022.

Some relevant variables are as follows:

- To determinate the fair value of the RSUs the Executive Stock Option formula (Jennergren y Naslund - 1993) was used. This formula considers the probability that an employee or executive will lose their right if they leave the Company before the consolidation date. Also, the Actuarial Calculation was used, which is developed by building a mathematical simulation model that determines the current value of the incentive granted, considering the probability of permanence of executives in the company, determined by the probability of death and retirement.
- The granting of incentives for RSU does not consider an exercise price to be able to acquire the shares.
- For volatility, the average volatility of comparable companies was calculated, given that the shares of the Company had enough history.
- The risk-free rates used correspond to the Swap rate each year.
- A labor turnover rate of 10% was estimated, considering the nature, age and the industry in which it operates the Company.
- As of March 31, 2022 and December 31, 2021, no RSUs additional to those mentioned above have been granted, canceled, exercised or expired.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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%

Based on the methodology and assumptions used, the value of the RSUs is as follows:

RSUs approved on December 10, 2021	Vesting 10-12-2022 \$000	Vesting 10-12-2023 \$000	Vesting 10-12-2024 \$000	Total \$000
Method - Black Scholes (Canadian dollar)	358,083	317,718	281,188	956,989
Method - Actuarial (Canadian dollar)	355,205	312,384	273,973	941,562
Expected value (Canadian dollar)	356,644	315,051	277,581	949,276
Price per share (Canadian dollar)	1.43	1.26	1.11	1.27
Price per share (American dollar)	1.141	1.008	0.888	1.013

RSUs approved on March 28, 2022

	Vesting 10-12-2022 \$000
Method - Black Scholes (Canadian dollar)	308,573
Method - Actuarial (Canadian dollar)	295,352
Expected value (Canadian dollar)	301,963
Price per share (Canadian dollar)	0.67
Price per share (American dollar)	0.539

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 1, 2021	-
Share-based payments during the period	-
As at March 31, 2021	-
Share-based payments during the period	150
As at March 31, 2022	150

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

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

	Number	Value
Outstanding at 1 January 2021	-	-
Granted during the period	-	-
Outstanding at 31 December 2021	-	-
Granted during the period	1,198,956	0.97
Outstanding at 31 March 2022	1,198,956	0.97

(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 at March 31, 2022 and December 31, 2021, the related parties are companies owned or controlled by the principal shareholder of Aclara Resources Inc. or associates.

	Accounts receivable	
	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Current related party balances		
Hochschild Mining Holdings Ltd	13	12
Total	13	12

	Accounts payable	
	As at March 31, 2022 US\$000	As at December 31, 2021 US\$000
Current related party balances		
Hochschild Mining Holdings Ltd	-	-
Compañía Minera Ares S.A.C.	122	-
Minera Hochschild Chile SCM	27	6
Total	149	6

Account receivables of 10,000,000 Chilean pesos (equivalent US\$ 11,859.59) will be deposited in Agencia.

(a) Related-party accounts receivable and payable

On September 8, 2021, Ree Uno SpA converted the loan payable to Hochschild Mining Holdings Ltd that amounted US\$3,500,000 into a capital contribution.

On October 26, 2021, Ree Uno SpA received a related party loan of US\$ 1,500,000 from Hochschild Mining Holdings Ltd. The loan had a duration of 3 months and an annual interest rate of 5.0%. The purpose of this loan was to fund the Company's activities until the completion of the IPO process, Ree Uno SpA paid the loan on December 16, 2021.

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

Principal transactions between related parties are as follows:

	31 March 2022 US\$000	31 March 2021 US\$000
Expense recognized for the services performed by Compañía Minera Ares S.A.C.	(122)	(117)
Expense recognized for the services performed by Minera Hochschild Chile SCM	(21)	(168)
Loan from Hochschild Mining Holdings Ltd	-	1,000

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

Related parties are as follows:

	Relationship	Country	Type of transaction
Minera Hochschild Chile SCM	Related parties - Subsidiary of Shareholder	Chile	Intercompany administrative services
Hochschild Mining Holdings Ltd.	Related parties - Shareholder	Perú	Loans
Compañía Minera Ares S.A.C.	Related parties - Subsidiary of Shareholder	Perú	Intercompany administrative services

(b) Compensation of key management personnel of the Company

	As at March 31, 2022 US\$000	As at March 31, 2021 US\$000
Compensation of key management personnel		
Shared-based payments	150	-
Short-term employee benefits	612	222
Total compensation paid to key management personnel	612	222

Number of key management of the Company was five at March 31, 2022 and two at March 31, 2021.

18 Notes to the statement of cash flows

	As at March 31, 2022 US\$000	As at March 31, 2021 US\$000
Reconciliation of loss for the period to net cash generated from operating activities		
Profit (Loss) of the period	(847)	208
Adjustments to reconcile Company loss to net cash inflows from operating activities		
Depreciation and amortization of the period	85	67
Other movements that do not represent flows	(160)	(41)
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade debtors and other accounts receivable	(603)	(89)
Accounts receivable to related entities	(1)	-
Trade accounts payable and other accounts payable	(550)	(946)
Accounts payable to related entities	143	949
Other provisions	(820)	-
Cash generated from operations	(2,753)	148

19 Contingencies

a) Taxation:

As at March 31, 2022 and December, 31 2021, the Company is not subject to any contingencies.

b) Guarantees:

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

c) Litigations:

The main litigation currently affecting the Penco Module is an arbitration proceeding initiated by Madesal SpA ("Madesal") before the arbitrator Mr, Roberto Guerrero del Rio. The case is followed in the CAM with Role A-4367-2020. The grounds for this claim are an alleged violation of an agreement executed between the parties in 2014 and 2015 (the "MOU and its Addendum") by way of which Madesal would have been granted by the former owner of the Penco Module the status of "strategic partner" in the future development of the project in the Madesal's property called "Fundo El Cabrito". Nevertheless, 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 is seeking specific performance of the obligations allegedly derived from the MOU and its Addendum, plus damages, Requested damages amount to approximately US\$30 million.

Unaudited Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements (Continued)

The Company is currently defending the case and maintains that the MOU and its Addendum were merely preparatory contracts for the execution of two legal mining easements: one for exploration and the other for exploitation in Fundo El Cabrito and that these activities were always subject to the results of the respective economic, technical and environmental studies, which eventually led to the decision to continue the development of the project elsewhere. No other contractual relationship or joint venture is considered to have arisen from these agreements and since they and the respective mining easements have terminated, Madesal has no right or expectation over any future development of the Penco Module. No provision has been booked because an unfavorable outcome is not considered probable.

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. As at December 31, 2021 and March 31, 2022, 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 March 31, 2022 to a +/- 10% change in the US dollar exchange rate, with all other variables held constant, is +/- US\$9,303,000 for Canadian dollars, and US\$594,000 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 is not exposed to credit risk as 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.

		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
	Note					
As at March 31, 2022						
Trade and other payables	14	1,583	89	—	—	1,672
Trade and other payables related parties	17	149	—	—	—	149
Total		1,732	89	-	-	1,821
As at December 31, 2021						
Trade and other payables	14	2,144	78	—	—	2,222
Trade and other payables related parties	17	6	—	—	—	6
Total		2,150	78	-	-	2,228

(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.

Notes to the Interim Consolidated Financial Statements (Continued)

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. Therefore, the Company determined that it is in its best interests and those of the Project to take the additional time required to fully understand and resolve the remaining issues and resubmit a Revised EIA application. 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. However, there can be no assurances as to the timing of a Revised EIA application, the length of delay in obtaining an approval or whether or not such approval will be issued.

21 Subsequent events

On March 31, 2022 the closing date of the interim consolidated financial statements, and their date of presentation, no significant events of a financial-accounting nature have occurred that could affect the Company's net worth or the interpretation of the interim consolidated financial statements.