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

The following management's discussion and analysis ("MD&A") is prepared as of August 08, 2022, and is intended to assist readers in understanding the operational performance and financial condition of Aclara Resources Inc. (hereinafter, the "Company" or "Aclara"). The Company is, and will remain, a holding company and the only business of the Company is that of the business of its subsidiaries. The Company's material assets currently consist of interests in (i) Ree Uno SpA ("REE Uno"), a wholly owned Chilean subsidiary that holds the Penco Module, being Aclara's sole material mineral resource property and (ii) Prospecciones Greenfield SpA, an indirect wholly owned Chilean subsidiary that holds other exploration concessions located in Chile.

This MD&A provides information concerning the Company's consolidated interim financial condition and results of operations for the three months ended June 30, 2021, June 30, 2022 and the fiscal year ended December 31, 2021. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto for the three months ended June 30, 2021 and June 30, 2022 (collectively, the "Interim Consolidated Financial Statements"). The Interim Consolidated Financial Statements were prepared in accordance with IAS 34 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). Unless as otherwise specified, the financial information contained in this MD&A is reported in United States dollars.

COMPANY OVERVIEW

Aclara is a development-stage rare earth mineral resources company listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "ARA", beneficially holding approximately an aggregate of 451,185 hectares of mining rights, distributed in the Maule, Ñuble, Biobío and Araucanía regions of Chile. The Company's current emphasis is on the development of its resources through the Penco Module development project (the "Project" or "Penco Module"), which covers a surface area of approximately 600 hectares and contains ionic clays rich in rare earth elements ("REE"). The execution of the Project is expected to benefit from low estimated initial capital expenditures (driven by access to existing nearby key infrastructure including, among other things, power, motorways, port and airport access, and a local professional workforce). In parallel with the development of the Penco Module, the Company intends to define additional opportunities to increase potential future REE production via intensive greenfield exploration programmes and the development of additional project "modules" within the Company's concessions.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE

Acquisition of REE Uno and IPO

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

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

Penco Module and Future Outlook

On May 10, 2022, following the withdrawal of its application (the "Original EIA") for an environmental impact assessment ("EIA") of the Penco Module, the Company provided an update on its corporate strategy. The new strategy aims to position the Company to deliver a more robust EIA application relating to the Penco Module (the "Revised EIA"), strengthen and expand relationships with local stakeholders, and prioritize exploration activities to define new potential modules. The highlights of the updated strategy are the following:

Revised EIA Application

The main focus will be directed at continuing and expanding baselines studies related to flora and fauna to address the issues raised by the Environmental Assessment Authority (the "SEA") during the Original EIA process. As part of the new application process, the Company intends to engage in closer communications with the SEA and other relevant authorities to agree on key evaluation metrics as well as protection and compensation measures. The Company will use the work completed as part of the Original EIA to accelerate the completion of the required studies and aims to file a Revised EIA application during the second quarter of 2023.

Social License

The Company has defined a thorough plan to strengthen its relationship with the local community, which includes, among other things, increasing the company´s presence in the community by hiring locally based senior executives focused on corporate affairs and stakeholder communications and engaging a communication firm to better connect with local stakeholders. In addition, to enhance local communities' perception of the Project, the Company plans to increase its social contribution activities that both benefit and are desired by the local community.

Greenfield Exploration

The Company has increased its exploration budget from US$5.4 million to US$6.2 million in order to undertake a more aggressive drilling plan and schedule. The Company has incorporated a new brownfield exploration area - "Alexandra Poniente" - as part of the Project, which offers clear potential to increase the mineral resource base of the Project. Drilling results from the Company's Alexandra Poniente brownfield exploration campaign were press released on July 25, 2022, and will be included in an updated Mineral Resources Statement to be issued in the fourth quarter of 2022. Following completion of the Alexandra Poniente drilling campaign, the Company suspended further drilling in the Penco area pending receipt of requisite environmental permits in connection with the Penco Module.

The Company's efforts are currently directed towards identifying other greenfield drilling targets in order to diversify permitting risk in respect of any individual prospect or project. In an effort to define potential new modules, the Company will be carrying out drilling campaigns in two areas - "Veronica" and "Petronila" - and expects to announce exploration results towards the end of 2022. The drilling campaigns are expected to consist of 10,050 metres distributed across 335 drill holes.

Feasibility Study and Pilot Plant

The Company achieved a positive preliminary economic assessment of the Penco Module's potential for REE development, the results of which are detailed in the technical report entitled "Amended and Restated NI 43-101 Technical Report – Preliminary Economic Assessment for Penco Module Project" dated effective September 15, 2021 (the "Technical Report"). Despite the positive outcome, the Company has decided to postpone engineering activities in connection with the feasibility study until the permitting process is more advanced and further optimizations are confirmed. The engineering team will shift its focus to delivering the engineering modifications needed to align with the permitting process.

In addition, the Company is designing a pilot plant aimed to improve recoveries and flowsheet and to demonstrate scalability of process. The Company also intends for the plant to provide the samples needed to supply internal and external separation trials.

OPERATIONAL AND FINANCIAL PERFORMANCE HIGHLIGHTS

During the second quarter of 2022, the Company continued to advance the development of the Penco Module and made consistent investments in respect of evaluation and exploration ("E&E") assets and property, plant and equipment ("PP&E") assets of US$3.799 million and US$0.005 million, respectively, as compared to a total spend of US$3.106 million and US$0.005 million, respectively, in the second quarter of 2021. Aggregate E&E and PP&E spend for the first half of 2022 totalled US$ 8.297 million and 0.041 million, respectively, as compared to an aggregate spend of US$6.312 million and US$0.054 million, respectively, in the second half of 2021.

Throughout the second quarter of 2022, the Company launched its updated corporate strategy, which principally aims to deliver a more robust EIA application for the Penco Module with a focus on including engineering modifications and improvements related to general engineering, mining and process design requirements. Further, the Company continued to advance new baselines studies for the Penco Module, which included seasonal baseline flora and fauna field studies to resolve existing concerns raised by the SEA. At the end of June, 2022, the autumn baseline campaign was finalized by successfully complying all field activities.

During the same quarter, the Company continued advancing process engineering and design activities in respect of the Penco Module, including, among other things, completion of the metallurgical recovery validation program that started in November 2021 at SGS Lakefield Canada. The program assessed 119 representative samples from the extraction zones of the Penco Module to understand and control the behavior of clays using various leaching solutions. At the end of June, 2022, the Company successfully completed its metallurgical recovery validation program and in doing so, validated metallurgical recovery estimates of the Project. The Company also continued studies related to the management of impurities in order to validate the technical feasibility of the closed-circuit flowsheet. The tests were successful, and the corresponding results reiterated the chemical stability of the residues, which allowed zero liquid and solid discharge along the processing flowsheet and made viable the recirculation of up to 95% of water used in the process.

Despite suspension of further drilling in the Penco area, chemical assays for the brownfield drilling campaign in Alexandra Poniente as well as for the infill drilling in Victoria North, Luna and Alexandra Oriente continued during the second quarter of 2022. On July 25, 2022, Alexandra Poniente exploration results were released confirmed that Alexandra Poniente is an extension of the Alexandra Oriente mineralization with similar grades and widths extending to the north and west; and also extending the depth of known mineralization.

With the release of the updated corporate strategy, the second most important line of work for the Company was to strengthen greenfield exploration activities. During the first quarter 2022, the Company had successfully identified new prospective targets throughout the Verónica, and Petronila districts. In the second quarter of 2022, the Company proposed 9 drilling areas comprising approximately 4,000 hectares in Petronila, which are pending the Company receiving private land owner authorization for drilling. In parallel, the Company initiated a sonic drilling programme in Veronica to test zones with evidence of REE mineralization.

As at June 30, 2022, the Company's cash balance totalled US$ 78.255 million, comprised of cash and cash equivalents of US$51.217 million and short-term investments (3-month term deposits) of US$ 27.038 million, as compared to cash and cash equivalents of US$1.500 million for the same period in 2021. The positive difference is as a result of net proceeds of US$93.154 million (approximately C$117.696 million) raised in connection with the Going Public Transaction. The Company is fully funded in terms of contemplated capital and operating expenditures including, among other things, permitting and environmental activities, piloting and the development of a feasibility study in respect of the Penco Module, and preliminary exploration activities in connection with defining potential new modules.

DISCUSSION OF RESULTS AND OPERATIONS UPDATE

Exploration Activities

Brownfield Exploration

In the first quarter of 2022, a new zone, "Alexandra Poniente", was the subject of a drilling campaign comprised of a total of 2,315 metres drilled over 72 holes, and the results from which confirmed the continuity of the underlying mineralisation to be classified as Measured and Indicated Mineral Resources. In the second quarter of 2022, the Company confirmed the Alexandra Poniente deposit as an extension of the Alexandra Oriente mineralization. The drill holes were intended to infill the central Alexandra Poniente deposit and extend the known mineralization to the east, west, north and at depth. The Drilling results showed that the mineralized zone remains open in all directions and at depth, which supports the possibility for further resource growth.

Furthermore, during the first quarter and at the beginning of the second quarter 2022, the Company executed a drilling campaign to convert inferred mineral resources of approximately 2Mt, as reported in the Technical Report, into Measured and

Indicated Mineral Resources in respect to the Penco Module. This resulted in a total of 636.8 meters drilled in 24 holes, 268 meters drilled in 8 holes and 963 meters drilled in 31 holes distributed over Victoria North, Luna and Alexandra East, respectively. The Company will aim to deliver an updated Mineral Resource Statement (including Alexandra Poniente results) during the fourth quarter of 2022.

Greenfield Exploration

Based on the mapping and sampling works performed at end of the fourth quarter, 2021, the Company identified the presence of regolith formations and REE mineralization within Veronica, Catalina and Petronila districts. The initial success of the mapping exploration works was complemented by a multi-element geophysics radiometry and magnetometry fly-over that covered most of the Company´s mining concessions (6017 km^2). The survey took place over certain districts preliminarily identified as being potentially viable for REE mineralization (including, the Verónica, Josefa, Catalina, Petronila, and Amparito districts) with the objective of creating a ternary Red-Green-Blue map by using variables such as uranium, thorium, and potassium to link lithology with radiometry for the purposes of identifying structural controls in geomorphology and regolith formation. Corresponding survey results were delivered at the end of the first quarter of 2022 and resulted in the generation of new prospective targets throughout the Verónica, Penco, and Petronila districts.

In the second quarter of 2022, further geological and regolith mapping was carried out in the Petronila zone, where 4,000 hectares of mining concessions were assessed for the presence of mineralization. This is associated with the systematic collection of superficial samples, analyzed from a geochemical point of view, that evidenced new areas of interest for a sonic drilling campaign. In Petronila, a total of 9 targets have been proposed for sonic drilling. The Company is in the process of seeking consent to access drilling areas from affected private land owners. In Veronica, a 143 holes sonic drilling programme is underway to test zones with evidence of REE mineralization. The preliminary information indicates continuity of the mineralization with drill hole spacing from 200 metres to 300 metres (a total of 21 holes have already been drilled). The goal is to demonstrate the presence of heavy rare earth grades that have the potential to support the discovery of a new deposit.

Development Activities

The following section of this MD&A provides an overview of the activities carried out in support of the continued development of the Penco Module for the three months ended June 30, 2022.

General Engineering

In the second quarter of 2022, several activities were undertaken primarily to elaborate plans and information associated to water supply, electrical supply and infrastructure for the processing plant required by the Revised EIA that is under development. These activities are being carried out in collaboration with Ausenco, CDM Smith and Reich and include studies associated with the operation, construction and closure levels.

In addition, a trade off analysis of different water supply alternatives proximate to the Penco Module was performed, which subsequently allowed the selection of four alternatives to advance to the conceptual engineering level. The alternatives under study are: Sea Water, Brackish Water, Potable Water and Grey Water. The scope considers the treatment to water according to the conditions required by the designed plant process.

During this period, physical stability tests of the spent clays were completed, which led to the validation of the designs of the Project's dumping areas, in terms of slope, compaction ratio, type of equipment needed, among others. These results will act as certain bases required for the processing plant’s basic engineering design.

Furthermore, the Company is in the process of preparing a master plan in respect of the Project with the main objectives of defining planning pertaining to a feasibility study, detailed engineering, procurement construction and commissioning, and which is expected to be completed during the third quarter of 2022.

Mining Study

Mining studies conducted during the second quarter of 2022 included the development of a discrete event simulation model focused on mine haulage operations. The simulation model has been built using open-source tools and it seeks to represent some of the very distinctive operational characteristics of the Penco Module including, among other things, an analysis of local historic rainfall data to provide a probabilistic characterization of the types of events (light, moderate, heavy, violent rain) and their expected intensity and frequency. In addition to other features, this model aims to analyse the operational impact of having different ore stockpiles capacities. Also, the model can be used to produce a ranking for the different road segments based on their predicted impact on mine productivity, by shutting off each road segment one by one, the required transportation needs are re-routed, and the overall resulting productivity assessed and compared with a base case scenario. This is expected to provide insights and input for the upcoming engineering studies, that should look into the allocation of resources on those road segments scoring the highest negative impact on productivity.

Regarding the mineral resources area, the methodology used for the mineral resource estimate conducted in 2021 has been reviewed, and some minor improvements are now being introduced for the upcoming Mineral Resources Statement update (to be released in the fourth quarter of 2022).

During the same quarter, the Company reviewed its methodology used for its 2021 mineral resource estimate in order to include and introduce minor improvements for the purposes of the contemplated Mineral Resource Statement update, and furthered mine planning activities, including defining methodology and activities for engineering studies, a feasibility study and early economic assessments, for the purposes of the Revised EIA.

Process Design

In the second quarter of 2022, recovery validation has been carried out through an extensive and comprehensive testing program at SGS Lakefield, Canada. This program begun in November 2021 and was finalized at the end of June 2022. The test works were designed based on a series of geo-metallurgical criteria, which assessed 119 representative samples from the extraction zones of the Project. Through mineralogical and chemical analyses, the behavior of clays we assessed against various leaching solutions. The results validated current recovery metrics and gives robustness to the economic indicators of the Project. Furthermore, management of impurities has been studied with the support of BQE Water, with whom, after months of work and tests carried out in La Serena, Chile and Vancouver, Canada, a closed-circuit flowsheet was proven successful. The results ensure the chemical stability of residues, which allowed zero liquid and solid discharge along the processing flowsheet and made viable the recirculation of up to 95% of water to the leaching processes. To achieve this important accomplishment, the process incorporated ion exchange resin technologies, purification with greensand filters, the use of nanofiltration membranes and reverse osmosis, among other technologies.

The activities mentioned above will be demonstrated at larger semi-industrial scale during the operation of the pilot plant, which is planned to start by the second quarter of 2023. The design and operation of the pilot plant will be supported by Promet101, BQE Water, University of Concepción, University of Toronto, among other collaborating companies committed to the sustainability of the Project. The pilot plant is expected to operate all process units continuously in order to demonstrate that the proposed recovery method is metallurgically robust and environmentally friendly. The resulting residue is expected to evidence success in spent clay revegetation and will also act as a sample for interested parties.

Environmental, Social and Governance

Environment and Permits

During the three months ended March 31, 2022, the Company focused on advancing the environmental permitting process. As part of the Original EIA, the Company, on January 31, 2022, completed and submitted a third Addendum to the SEA. Management expected an evaluation report to be issued by the SEA in advance of and as a requirement to the decision-making process of the relevant environmental permitting evaluation committee, which was required to render its decision in respect of the environmental permit by April 19, 2022. Notwithstanding that over the course of the Original EIA approval process, the Company had addressed many key aspects relating to the Penco Module, the Company was unable to satisfy the SEA in relation to two technical aspects in particular, which related to the protection of particular species of 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. 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.

In the second quarter of 2022, new seasonal baseline field studies were commissioned in accordance with new legal requirements and consideration being given to other environmental factors including, water quality and hydrology. These activities are conducted by consultants specialized in the identification of flora using the methodology of “plots” and direct observation, fauna observation designs by considering “trap cameras” and water flow rates estimation considering direct measures by whirligig. In July 2022, the autumn base line field studies were completed successfully.

Occupational Health and Safety

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

In the second quarter of 2022, health and safety main activities were related to safety measures training, site visits, and climate alerts management, all of which served to ensure the most suitable field conditions for the ongoing greenfield drilling campaigns, as well as other field activities from the engineering and sustainability teams.

Following the sanitary measures implemented in the first quarter of 2022, only one positive case of Covid-19 was reported in the second quarter of 2022.

Social License

During the second quarter of 2022, the Company defined a thorough plan to strengthen its relationship with the community and local stakeholders. First, a new team composed by renown communication consultants such as Azerta, Periodistas Asociados and Greenpoint has been formed. Second, a new local corporate affairs manager is being recruited to lead the relationships of the Company locally. Third, a perception study was carried out to understand the opinions and principal motivations of the community and local stakeholders in relation to the Penco Module project. The perception study considered focus groups with 24 community members as well as 15 local opinion leaders such as academics, authorities, guild businessmen, among others. The results will serve to direct Company´s efforts to social contribution that both benefit and are desired by the local community. Finally, a thorough communication plan is being executed starting by a digital campaign that intends to educate and highlight the attributes of the project.

OPERATIONAL PERFORMANCE

Source of Funds

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

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

As at December 31, 2021, the Company had a cash balance of US$64.185 million and short-term investments in term deposits of US$27.000 million, totalling a cash availability of US$91.185 million. As at June 30, 2021, the Company had a cash balance of US$1.500 million and nil in short-term investments in term deposits, totalling a cash availability of US$1.500 million. As at June 30, 2022, the Company had a cash balance of US$51.217 million and short-term investments in term deposits of US$27.038 million, totalling a cash availability of US$78.255 million. The Company is expected to be able to fully fund its liabilities and ongoing capital and operating expenditures for the next eighteen months.

Overview of Operating Expenditure and Costs

During the three months ended June 30, 2022, the Company incurred a loss of US$1.758 million in connection with its operating expenditures and costs, compared to a loss of US$0.110 million during the three months ended June 30, 2021. The Company’s operating expenditures and costs arising from its continued operations include exploration expenses, administrative expenses, finance costs, finance income and loss or gain resulting from exchange rate fluctuations.

(in thousands of US$)	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Exploration expenses	237	79	473	107
Administration expenses	1,480	4	2,314	57
Other (expenses) income	-	26	-	(264)
Financial costs	4	1	9	2
Financial income	(88)	-	(99)	-
Exchange differences	125	-	58	-
Loss from continuing operations before income tax	**1,758**	**110**	**2,755**	**(98)**

Exploration Expenses

The breakdown of exploration expenses incurred by the Company for the six months ended June 30, 2022, three months ended June 30, 2022, six months ended June 30, 2021 and the three months ended June 30, 2021 are as follows:

(in thousands of US$)	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Personnel expenses	9	-	22	-
Mining rights	-	-	50	-
Rental	-	1	6	1
Analysis & technical	51	25	93	25
Studies	43	-	104	-
Technology and system	-	12	20	12
Exploration Supplies	-	11	-	11
Contractors and Services	129	46	172	48
Other	5	10	6	10
Total	**237**	**105**	**473**	**107**

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

During the three months ended June 30, 2022, the Company continued superficial mapping and soil sampling works, resulting in personnel expenses of US$9 thousand, chemical assays considered as analysis and technical costs of US$51 thousand, and other costs related to renting of geology equipment of US$5 thousand. Comparatively, during the three months ended June 30, 2021, the Company incurred in chemical assays considered as analysis and technical costs of US$25 thousand, expenses related to exploration samples of US$11 thousand, rental of US$1 thousand and other costs of US$ 10 thousand.

During the three months ended June 30, 2022, the Company carried out socio-environmental screening study of Petronila and Catalina concessions resulting in US$43 thousand. During the three months ended June 30, 2021, the Company incurred in technology and systems cost related to a geology software of US$12 thousand.

Finally, during the three months ended June 30, 2022, the Company incurred in contractor and services of US$129 thousand, comprised in machinery rental expenses of US$54 thousand and geological studies of US$75 thousand compared to US$46 thousand related to sample analysis and topographical studies during the three months ended June 30, 2021.

Other (Expenses) Income

The breakdown of other (expenses) income incurred by the Company for the six months ended June 30, 2022, three months ended June 30, 2022, six months ended June 30, 2021 and the three months ended June 30, 2021 are as follows:

(in thousands of US$)	Three months ended June 30 2022	2021	Six months ended June 30 2022	2021
Analysis & technical	-	-	-	(256)
Rental	-	-	-	(8)
Total	**-**	**-**	**-**	**(264)**

During the six months ended June 30, 2021, the Company had other (expenses) income, due to a negative exploration "cost" as a result from a reversal of a provision of US$264 thousand made in 2020.

Administration Expenses

The breakdown of administrative expenses incurred by the Company for the six months ended June 30, 2022, three months ended June 30, 2022, six months ended June 30, 2021 and the three months ended June 30, 2021 are as follows:

	Three months ended June 30		**Six months ended June 30**	
(in thousands of US$)	**2022**	**2021**	**2022**	**2021**
Personnel expenses	689	-	1,229	-
Professional fees	11	(14)	105	23
Depreciation and amortization	63	18	148	37
Contractors and services	623	-	738	-
Permit	45	-	45	-
Other expenses	49	-	49	(3)
Total	**1,480**	**4**	**2,314**	**57**

The increase in overall administration expenses is primarily a result expenses incurred in connection with the Going Public Transaction and the demerger from Hochschild Mining, as the Company operates now as an independent entity. Personnel expenses of US$689 thousand arise with the new management team, which includes the Company's current Chief Executive Officer, Chief Operating Officer, and an assistant to the CEO.

Professional fees of US$11 thousand for the three months ended June 30, 2022, correspond to accounting services and auditing services hired for the annual auditing process for the 2021 fiscal year whereas, comparatively during the three months ended June 30, 2021, the Company only incurred accounting expenses in the amount of US$12 thousand. In addition, the Company reclassified sample analysis expenses of US$26 thousand to exploration expenses.

The Company incurred depreciation and amortization expenses of US$63 thousand for the three months ended June 30, 2022 whereas comparatively during the three months ended June 30, 2021, the Company only incurred depreciation and amortization expenses of US$18 thousand. The change is largely driven by the amortization of exploration mining concessions following the expiration schedule of each concession. The comparative increase in amortization expenses resulted from the contribution of certain exploration concessions from REE Uno to Prospecciones Greenfield SpA, and accordingly, for the purposes of accounting, Prospecciones Greenfield SpA was required to amortize the capitalized expenses as it does not otherwise operate a corresponding mining project.

During the three months ended June 30, 2022, new contractor and services expenses of US$623 thousand are explained by director fees of US$119 thousand, communication initiatives of US$58 thousand, recruiting expenses of US$175 thousand and accounting, legal and filing expenses to comply with continued disclosure obligations as a Canadian reporting issuer and TSX-listed company of US$271 thousand.

Finally, during the three months ended June 30, 2022, the Company incurred in permit expenses of US$45 thousand and other expenses of US$49 thousand, mainly explained by administrative costs for renewal of current concessions and miscellaneous expenses related to offices, rent, telephones, auditing, and transportation, respectively.

Financial Income and Costs

During the three months ended June 30, 2022, finance income and finance costs incurred were associated with investments in short-term deposits and interest-bearing bank accounts, and bank commissions, respectively. During the three months ended June 30, 2021, finance income was nil due to bank accounts not being remunerated and finance costs were related to bank commissions.

Evaluation and Exploration Assets

In accordance with accounting principles under IFRS of the capitalization of E&E assets, costs of mineral properties are capitalized as E&E assets on a project-by-project basis. As at June 30, 2022, the Company's principal business included the development of the Penco Module. The Company capitalizes expenses related to brownfield exploration and infill drilling, metallurgical testing and process design, engineering of the mine, processing plant and project infrastructure, permitting and administration activities and services.

The following table sets out an overview of the Company's capitalized E&E assets for the six months ended June 30, 2022, three months ended June 30, 2022, six months ended June 30, 2021 and the three months ended June 30, 2021 are as follows:

(in thousands of US$)	**Total**
Balance at January 1, 2021	**70,929**
Additions	6,312
Foreign exchange effect	(1,682)
Balance at June 30, 2021	**75,559**
Additions	5,349
Foreign exchange effect	(10,775)
Balance at December 31, 2021	**70,132**
Additions	8,297
Foreign exchange effect	(7,556)
Balance at June 30, 2022	**70,873**
Accumulated amortisation and impairment	
Balance at January 1, 2021	**8**
Additions	-
Foreign exchange effect	-
Balance at June 30, 2021	**8**
Additions	-
Foreign exchange effect	(1)
Balance at December 31, 2021	**7**
Additions	100
Foreign exchange effect	(11)
Balance at June 30, 2022	**96**
Net book value as at June 30, 2021	**75,551**
Net book value as at December 31, 2021	**70,125**
Net book value as at June 30, 2022	**70,777**

The total investments in E&E assets in the Penco Module for the six months ended June 30, 2022, six months ended June 30, 2021 and for the fiscal year ended December 31, 2021 are detailed below:

	Six months ended June 30		**Year ended December 31**
(in thousands of US$)	**2022**	**2021**	**2021**
Personnel expenses	1,463	1,049	2,530
Professional fees	70	607	933
Environmental impact study	550	305	997
Geochemical study	-	150	192
Diamond drilling	-	807	867
Engineering services	273	637	1,003
Mining rights	565	310	493
Feasibility studies	7	924	1,693
Rent building, vehicles, others	202	154	349
Analysis & technical	1,220	339	830
Contractors and Services	3,695	833	1,317
Other	252	197	457
Total	**8,297**	**6,312**	**11,661**

The Company incurred personnel expenses of US$1.463 million for the six months ended June 30, 2022 compared to US$1.049 million during the six months ended June 30, 2021, due to the incorporation of 9 staff members, given the increase in activity. The headcount as of June 30, 2022 was 53 compared to 44 as of June 30, 2021 and 46 as of December 31, 2021

Each of the Company's categories of costs related to its investment in the Penco Module for the six months ended June 30, 2022 have been discussed elsewhere in this MD&A. In particular, expenses related to the development of the Penco Module are comprised of costs related to engineering services, feasibility studies, analysis and technical and contractor and services, each of which are discussed above under the section of this MD&A titled "*Brownfield Exploration*" and "*Development Activities*". Comparatively, during the six months ended June 30, 2021, expenses comprised in the above-mentioned categories of costs as well as costs related to geochemical study and diamond drilling were in respect of the development of the Technical Study, which included engineering activities as well as brownfield and infill drilling activities.

During the six months ended June 30, 2022, expenses related to permitting activities were comprised of costs relating to the environmental impact study and are as described above under the section of this MD&A titled "*Environmental, Social and Governance*". The environmental impact study expenses for the six months ended June 30, 2022 were of US$550 thousand, compared to US$305 thousand as at the six months ended June 30, 2021. During the six months ended June 30, 2021, the Company began the development of the second Addendum which was submitted to the SEA on October 29, 2021.

During the six months ended June 30, 2022, expenses related to mining rights were comprised of costs relating to exploration and exploitation concessions of the Company. As at June 30, 2022 there were 451,185 hectares compared to 220,485 hectares as at June 30, 2021.

Lastly, during the six months ended June 30, 2022, fixed expenses related to professional fees, and rent, building, vehicles and others corresponding to legal fees, capital leases and leased property of the Company, increased in comparison to the six months ended June 30, 2021. The main reason was related to the renting of a new warehouse to store mineral and soil cores obtained from the drilling campaigns and geology equipment and due to the increase of foreign travel expenses related to board meetings and industry conferences.

SUMMARY OF QUARTERLY RESULTS

(in thousands of US$)	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net income (loss) from continuing operations	(1,758)	(997)	(1,435)	(172)
Net income (loss) and comprehensive income (loss)	(1,758)	(997)	(1,435)	(172)

(in thousands of US$)	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net income (loss) from continuing operations	(109)	208	520	(461)
Net income (loss) and comprehensive income (loss)	(109)	208	520	(461)

During the three months ended June 30, 2022, the Company incurred higher net losses from continuing operations compared to the two previous quarters mainly explained by an increase in administrative comprised of accounting, legal and communications expenses related to disclosure obligations as a Canadian reporting issuer and TSX-listed Company. The increase of the net loss from continuing operations since the three months ended December 31,2021, is related to the result of the Going Public Transaction and the demerger from Hochschild Mining, which assumed increasing expenses related to the management team to operate independently.

FINANCIAL INSTRUMENTS

Nature and Extent

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

The Company's consolidated financial instruments for the six months ended June 30, 2022, for the six months ended June 30, 2021, and for the fiscal year ended December 31, 2021 are as follows:

	Six months ended June 30		Year ended December 31
(in thousands of US$)	2022	2021	2021
Cash and cash equivalents			
Current demand deposit accounts	51,217	1,500	64,185
Total Cash and cash equivalents	**51,217**	**1,500**	**64,185**

As at June 30, 2022, the Company held a six-month term deposit (with three months remaining) as an investment in Banco Scotiabank for a value of US$27.038 million. As at December 31, 2021, the Company held the same term deposit of US$27 million. As at June 30, 2021, the Company had no time deposits nor mutual funds as the Company aimed to maintain cash in the current demand deposit accounts.

Financial Instrument Risks

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

Foreign Currency Risk

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

Credit Risk

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

Liquidity Risk

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

LIQUIDTY AND CAPITAL RESOURCES

Working capital requirements

The Company has working capital needs of US$1.612 million as at June 30, 2022. This requirement will be largely covered by current cash and cash equivalent position of US$51.217 million.

Off-Balance Sheet Commitments

The Company has no off-balance sheet commitments.

The Company's contractual obligations as at June 30, 2022 that need to be satisfied with cash and their approximate timing of payment are as follows:

	Q3 & Q4	**FY**	**FY**	**FY**	**FY**
(in thousands of US$)	2022	2023	2024	2025	2026
Office leases	46	45	45	23	-
Vehicles lease	17	17	17	3	-
Warehouse leases	61	16	-	-	-
Land acquisition	220	6,000	1,300	1,300	1,300
Total Contractual Obligations	343	6,078	1,362	1,326	1,300

Cash and Liquidity

The Company did not have any commercial debt as at June 30, 2022.

As at June 30, 2022, the Company had a cash balance of US$51.217 million and short-term investments in term deposits of US$27.038 million, totalling cash availability in the aggregate amount of US$78.255 million. The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next eighteen months.

RELATED PARTY TRANSACTIONS

Key Management Compensation

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

For the six months ended June 30, 2022, the remuneration of the Company's key management totalled US$1.368 million compared to the six months ended June 30, 2021, where remuneration of the Company's key management totalled US$0.405 million. The increase of the Company's key management remuneration is as a result of the establishment of an independent management team as part of the Going Public Transaction including, hiring costs incurred in respect of the Company's current Chief Executive Officer and Chief Operating Officer.

	Six months ended June 30		**Year ended December 31**
(in thousands of US$)	**2022**	**2021**	**2021**
Shared-based payments	350	-	-
Short-term employee benefits	1,018	405	643
Total compensation paid to key management personnel	**1,368**	**405**	**643**

Related Party Transactions

The Company was subject to the following related-party balances and transactions for the six months ended June 30, 2022, for the six months ended June 30, 2021 and for the fiscal year ended December 31, 2021:

	Accounts payable		
	Six months ended June 30		Year ended December 31
(in thousands of US$)	2022	2021	2021
Hochschild Mining Holdings Ltd	-	3,500	-
Compañia Minera Ares S.A.C.	17	1,109	-
Minera Hochschild Chile SCM	33	274	6
Total	**50**	**4,883**	**6**

	Accounts receivable		
	Six months ended June 30		Year ended December 31
(in thousands of US$)	2022	2.021	2.021
Hochschild Mining Holdings Ltd	-	-	12
Total	**-**	**-**	**12**

Minera Hochschild Chile SCM and Compañía Minera Ares S.A.C., as members of Hochschild Mining group, are both related parties and have granted intercompany administrative services since 2019. During the six months ended June 30, 2022, account payables with related parties were incurred pursuant to the transitional service agreement between Hochschild Mining PLC and the Company. The services agreement includes the provision of ongoing services by Hochschild Mining to the Company such as information technology, technical advice, and accounting advice and ad hoc services such as legal, sustainability, internal auditing and human resources. These services are provided by Compañía Minera Ares S.A.C. and Minera Hochschild Chile SCM on behalf of Hochschild Mining. For a more fulsome description of the Transitional Services Agreement, please see Aclara's most recent annual information form, and Aclara's other filings with securities and regulatory authorities which are available on SEDAR at www.sedar.com.

Comparatively, during the six months ended June 30, 2021, the Company held US$3.500 million in interest-free loan from HM Holdings, which was capitalized on September 8, 2021. Other accounts payables with Compañía Minera Ares S.A.C. and Minera Hochschild Chile SCM of US$1.109 million and US$274 thousand, were related to administrative support and mining consultancies from Hochschild Mining.

OUTSTANDING SHARE DATA

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

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

In Units	As at June 30, 2022	As at June 30, 2021
RSUs issued for the Management team	**750,228**	**-**
Vesting Period		
December 10, 2022	250,076	-
December 10, 2023	250,076	-
December 10, 2024	250,076	-
RSUs issued for the Board Members	**448,728**	
Vesting Period		
December 31, 2022	448,728	-
Total RSUs issued	**1,198,956**	**-**

SIGNIFICANT ACCOUNTING POLICIES

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

SIGNIFICANT EQUITY INVESTEE

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (collectively referred to herein as "forward-looking statements") and are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". All statements other than statements of historical fact are forward-looking statements and in particular, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances and similar words suggesting future outcomes or statements regarding an outlook. All statements in this MD&A that address events or developments that the Company expects to occur in the future are forward-looking statements and include, but are not limited to, statements with respect to matters pertaining to the Revised EIA including timeline, process, requirements and expectations as to outcomes; local community engagement; the identification of other greenfield drilling targets and the expected drilling campaigns to be undertaken in connection therewith; the pilot plant and expectations as to resulting improvements and scalability of process; implementation of Aclara's updated corporate strategy; continued development activities in respect of the Penco Module; the environmental permitting process; budget plans, use of budget and contemplated expenditures in the near and long fiscal terms of the Company.

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

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

APPROVAL

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

ADDITIONAL INFORMATION

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