



ACLARA RESOURCES INC.

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

The following management's discussion and analysis ("MD&A") has been prepared as of June 30, 2023, 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 consist of interests in: (i) REE Uno SpA ("REE Uno"), a wholly owned Chilean subsidiary that holds the Penco Module (as defined below), being Aclara's sole material mineral resource property; (ii) Prospecciones Greenfield SpA, a wholly owned indirect Chilean subsidiary that holds other exploration concessions located in Chile; (iii) Aclara Resources Peru S.A.C., a wholly owned Peruvian subsidiary that lends administrative services to Aclara and performs exploration activities in Peru; (iv) Aclara Resources Mineracao Ltda., a wholly owned indirect Brazilian subsidiary that performs exploration activities in Brazil; and (v) Fundacion de Beneficencia Publica, Medioambiental, Científica, Cultural y Social Queule, a wholly owned indirect Chilean subsidiary that performs charitable work through the implementation, promotion and support of initiatives and projects pertaining to environmental conservation, heritage rescue as well as Chilean cultural, social and scientific development.

This MD&A provides information concerning the Company's interim consolidated financial condition and results of operations for the six (6) months ended June 30, 2022, June 30, 2023 and the fiscal year ended December 31, 2022. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the notes thereto for the six months ended June 30, 2022 and June 30, 2023 (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").

As used in this MD&A, references to "Q2" are to the three (3) months ended June 30 of the referenced calendar year, references to "Q1" are to the three (3) months ended March 31 of the referenced calendar year, and references to "FY 2022" are to the twelve (12) months ended December 31, 2022. Unless as otherwise specified, the financial information contained in this MD&A is reported in thousands of United States Dollars ("\$" or "US\$"). Certain totals, subtotals, and percentages throughout this MD&A may not reconcile due to rounding. Additional cautionary statements regarding forward-looking information and mineral reserves and mineral resources can be found under the section of this MD&A entitled "*Cautionary Statements and Reader Advisories*".

COMPANY OVERVIEW

Aclara is a mining company engaged in the exploration and development of rare earth mineral resources, listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "ARA", beneficially holding an aggregate of (i) 179,985 hectares of mining rights, distributed in the Maule, Ñuble, and Biobío regions of Chile, and (ii) 395,989 hectares of mining rights in Brazil. The Company is focused on the development and on the future construction and operation of the Penco Module project (the "Penco Module"), which covers a surface area of approximately 600 hectares in the Biobío region of Chile and contains ionic clays rich in rare earth elements ("REE"). The Company expects the Penco Module to benefit from low estimated initial capital expenditures as a result of accessibility to nearby key infrastructure, including, among others, power, motorways, port and airport access, and a local professional workforce. 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”).

In addition to developing the Penco Module, the Company intends to identify additional opportunities to increase potential future REE production through its intensive greenfield exploration programmes in Chile, Brazil, and Peru and the development of additional project “modules” within the Company’s mining concessions.

BUSINESS DEVELOPMENT AND OVERALL PERFORMANCE

Penco Module and Future Outlook

On May 10, 2022, the Company announced an updated corporate strategy which highlighted the following objectives: (i) delivering a more robust Environmental Impact Assessment (the “Revised EIA”) for the Penco Module, (ii) strengthening and expanding relationships with local stakeholders, and (iii) prioritizing exploration activities to define new potential modules. Key items of the Company’s updated corporate strategy and the Company’s current efforts in meeting those strategic objectives are described in greater detail below.

- *Revised EIA.* On April 28, 2023, the Company filed the Revised EIA application with the Chilean Environmental Assessment Service (the “SEA”). Despite the continuous efforts made by the Company to deliver a more robust EIA application including only using recycled water, revegetating over 200 hectares with native species, a recreational park for the Penco community, among other commitments, the SEA decided to terminate the evaluation process on July 3, 2023. This decision was influenced by a request from the National Forest Corporation (“CONAF”) following the discovery of six (6) undisclosed citronella mucronata trees in the project area. The Revised EIA had not accounted for these six trees, which are considered a “vulnerable species”, and their presence in the local “native forest” reclassified the area as a “preservation forest”, which no longer can be impacted. This reclassification necessitates changes to the layout of the Penco Module, which are currently being addressed by the Company.
- *Social Licence.* During Q2 2023, the Company continued its efforts from 2022 to strengthen its relationship with the local community by maintaining an open dialogue and incorporating community feedback into its future plans for the Penco Module. In emphasizing the positive attributes of the Penco Module, such as recycled water usage and community co-design opportunities, the Company strived to demonstrate its commitment to transparency and open communication. The Company intends to continue to pursue its strategy in 2023, focusing on objectives that aim to foster strong connections with all stakeholders throughout the development of the Penco Module.
- *Feasibility Study and Pilot Plant.* The Company’s newly constructed pilot plant began operations in early June 2023, a month ahead of schedule. The pilot plant will be used for the following purposes: (i) to validate the process design at a semi-industrial scale; (ii) to produce concentrate samples for offtake negotiations; and (iii) to demonstrate the innovative features of the Company’s flowsheet process to the community, regulatory authorities, and other project stakeholders. In addition, the Company is in the early stages of developing a feasibility study for the Penco Module, which the Company intends to incorporate into an updated technical report, to be completed and issued in the first half of 2024, in accordance with NI 43-101 (as defined below).
- *Exploration.* The Company intends to advance its greenfield exploration strategy and objectives, which have been expanded to include additional exploration targets in Brazil and Peru, in addition to Chile. This expansion aligns with the Company’s overarching objective of accelerating the development of additional project modules in order to achieve future growth of the Company.
- *Commercial.* The Company is in commercial discussions with potential counterparties in respect of offtake agreements for the purchase and sale of the heavy rare earth concentrates projected to be produced from the Penco Module. Commercial efforts will continue during 2023 with the end-goal of supplying REE in a market currently monopolized by Chinese suppliers.

Estimated Budget for 2023

The Company's forecasted budget for fiscal year 2023 is \$27.0 million, which is comprised of estimated costs relating to the development of the Penco Module and exploration activities to identify potential new modules. Key aspects of the 2023 budget include approximately (i) \$10.0 million allocated to engineering and piloting activities (\$6.8 million), permitting and ESG-related expenditures (\$2.9 million), and surface land purchase and mining concession expenses (\$0.4 million) in respect of the Penco Module; (ii) \$7.8 million allocated to exploration and mining concessions in connection with potential new modules; and (iii) \$9.2 million in administrative expenses, personnel and for general corporate and working capital purposes.

OPERATIONAL AND FINANCIAL PERFORMANCE HIGHLIGHTS

During Q2 2023, the Company continued to advance the development of the Penco Module and made consistent investments in respect of evaluation and exploration assets ("E&E") and property, plant and equipment assets ("PP&E"). In the same quarter, the Company invested \$3.442 million and \$0.937 million in E&E and PP&E, respectively. For comparison, the Company invested \$3.799 million and \$0.005 million in E&E and PP&E, respectively, in Q2 2022 and \$8.297 million and \$0.041 million in E&E and PP&E, respectively, in FY 2022.

Penco Module Development

Environmental and Social License

On April 28, 2023, the Company filed the Revised EIA study with the SEA. The Revised EIA included new seasonal baseline studies related to flora and fauna, a 100% recycled water source for the entire Penco Module operation, as well as contributions such as revegetating over 200 hectares with native species, a recreational park for the Penco community, and a breeding center for the Pudu (a local deer), among others. Despite the efforts made to deliver an improved EIA study, on July 3, 2023, the SEA decided to terminate the environmental impact assessment of the Penco Module following the request for termination from CONAF. The request was based on findings that there are six (6) undisclosed citronella mucronate, popularly known as "naranjillo" trees, located in the area of the Penco Module. Naranjillo trees are considered "vulnerable species". Specifically, the Revised EIA did not include information relating to the naranjillo trees in question, of which five (5) were found near the location of an existing access road that would require modification, and another was found within a local "native forest" in the area of the Penco Module. Given the presence of such vulnerable species within the native forest, the forest would be considered a "preservation forest", restricting such trees from being cut down and thus requiring a change to the contemplated disposal area of the project. This reclassification implied changes to the layout of the Penco Module, which currently are being addressed by the Company. While there can be no assurance regarding the outcome of the environmental impact assessment process, the Company believes that amendments can be made to address the issues raised to date. The Company, together with its technical consultants and other advisors, will work together with the relevant authorities with a view to comprehensively addressing the initial observations at this early stage of the Revised EIA process.

The Company's community relations efforts have focused on strengthening its relationship with the local community in anticipation of the citizen participation process as part of the SEA's review of the Revised EIA. After filing the Revised EIA on April 28, 2023, the Company delivered, for a second time, door-to-door information to approximately 7,750 households in Penco and its surroundings, highlighting the attributes of the Penco Module as well as pointing out the main differences from the previous EIA ("Original EIA"). On June 13, 2023 the Company held the first meeting of the Citizen Participation process, which resulted in productive discussions both to explain and clarify the declared impact of the Penco Module. Despite the termination of the Revised EIA evaluation process, the Company will continue the digital communications campaign, maintain an open dialogue with the Penco community, incorporate feedback from stakeholders, and expand its social relationships in the Biobío region. In FY 2022, the Company's community efforts were recognized by the central government of Chile, and the Company was invited to present on the Penco Module at key legislative commissions in Santiago and to various meetings held during Q1 and Q2 2023 with Chilean ministries and government institutions, including the Ministry of Mining, Energy, Environment, Agriculture, Economy and Treasury, CONAF and InvestChile.

Technical Development

During Q2 2023, the Company completed the construction of its pilot plant, which began operating in early June 2023, a month ahead of schedule. The Company is also in the process of developing a feasibility study for the Penco Module with Pares & Alvares ("P&A"), an engineering firm with 28 years of experience in the design and construction of similar mining and industrial projects, located in both Chile and abroad. An updated technical report is expected to be completed and issued in the first half of 2024, in accordance with NI 43-101.

Greenfield and Brownfield Exploration Activities

During Q2 2023, the Company continued to advance its greenfield exploration activities in efforts to identify REE mineralization and potential new modules for further development. The Company incurred total expenses of \$1.457 million in Q2 2023 in connection with its greenfield exploration activities, as compared to \$0.237 million incurred in Q2 2022.

In Brazil, the Company has finalized its phase 1 auger drilling campaign, including 723 meters within 127 drill holes, at one of its high-priority targets. The phase 1 drilling campaign served to identify a regolith mineralized with REE absorbed in ionic clays; however, it was insufficient in depth to intercept the entire mineralized body, suggesting that the mineralization remains open to depth and extends laterally. This information has prompted a further auger drilling campaign to adjust the drilling spacing in areas where the mineralized orebody was evident. The phase 2 drilling campaign, which includes 2,000 meters of drilling within 96 auger drill holes, has commenced and is projected to be completed during Q3 2023. This second drilling campaign is expected to be the base to generate a resource statement report for the project. The first high-priority target being drilled is subject to the terms of the Company's earn-in agreement with a third-party Brazilian mining company, which provides the Company with certain acquisition rights in respect of this target. The Company intends to continue its superficial sampling and mapping activities across Brazil to initiate exploratory drilling campaigns in relation to its additional seven (7) high-priority exploration targets.

In Chile, the Company initiated drilling works in the Verónica and Petronila districts, utilizing an auger-type rig completing a total of 3 and 5 holes, respectively, in these districts. The auger drilling reached depths of up to 14 meters, validating the prospectivity of areas that had been previously identified through superficial mapping and sampling works. The Company is currently waiting to receive chemical assays in order to analyse the results.

General Administrative Expenses and Cash Balance

In Q2 2023, the Company incurred \$1.821 million in administrative expenses, which was mainly comprised of (i) management compensation, (ii) continuous public disclosure and marketing activities, and (iii) ancillary activities undertaken to further the development of the Penco Module and greenfield exploration. In comparison, in Q2 2022, the Company incurred \$1.480 million in administrative expenses.

As at June 30, 2023, the Company's cash balance totalled \$52.186 million. Comparatively, the Company's cash and cash equivalents and short-term investments in term deposits were \$51.217 million and \$27.038 million, respectively, in Q2 2022, totalling an overall cash availability of \$78.255 million in Q2 2022. The Company's cash and cash equivalents totalled 66.886 million as at year end FY 2022. 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

Greenfield Exploration – Brazil

During Q1 2023, the Company explored 723 metres across 127 auger drillholes in a high-priority target within the concessions contemplated in the Company's earn-in agreement with the Brazilian mining company. The phase 1 drilling campaign will serve to: (i) trace the high-grade domain of the ionic clays by providing information with respect to the lithological, analytical, and topographic controls of the orebody; (ii) provide additional information to define the drilling spacing for the phase 2 reverse circulation drilling campaign; and (iii) provide additional geological information to support the development of 3-D geological models for resource estimations and geostatistical variograms.

During Q2 2023, assay results from the drilling campaign were received and analyzed, with the bulk geochemistry integrated with geological mapping. This comprehensive dataset facilitated the redefinition of geological domains, which were subsequently modeled using 3D geological software. This preliminary exercise identified a regolith mineralized with REE absorbed in ionic clays. The auger drilling campaign was insufficient in depth to intercept the entire mineralized body, suggesting that the mineralization remains open to depth and extends laterally. The entire regolith profile was recognized in a relevant part of the area, indicating that the mineralized body, rich in REE-absorbed ionic clay, is preserved.

This information has prompted a further auger drilling campaign to adjust the drilling spacing in areas where high-grade desorbable REE was evident. This campaign, which includes 2,000 meters of auger drilling within 96 drill holes, has commenced and is projected to be completed during Q3 2023. This second drilling campaign is expected to be the base to generate a resource statement report for this project. An evaluation is currently underway for a deeper drilling campaign using reverse circulation drill holes to investigate the total thickness of the mineralized body.

Fieldwork is underway in other high-priority targets through superficial mapping and sample collection to prepare for future auger drilling campaigns.

Greenfield Exploration - Chile

In Q1 2023, the Company announced drilling results following its recent drilling activities in the Verónica district (125 holes and 2,905 metres completed), which evidenced the following attributes: (i) the presence of REE mineralization, occurring mainly in the first 15 metres below surface with an economic horizon of approximately 7 metres; (ii) that the REE sampled are highly adsorbed into ionic clays, which indicates a comparatively higher percentage of REE exchangeable fraction recovery; and (iii) attractive recovery rates of dysprosium and terbium (heavy REE) and neodymium and praseodymium (light REE). The results from Verónica Norte indicate that mineralization remains open on its lateral extents at different topographic levels, providing new drilling target zones which will be explored in 2023.

The Company acquired an auger drilling machine, which is currently being used to test prospective areas up to 10 meters in depth. Auger drilling is a method used to drill minor depths through loose rock or soils. The machine is versatile and can travel on poorly maintained roads.

During Q2 2023, the Company initiated auger drilling operations in the Verónica and Petronila districts, completing a total of 3 and 5 holes in these districts, respectively. The auger drilling reached depths of up to 14 meters, validating the prospectivity of areas that had been previously identified through exploration activities. These areas demonstrated promising turbidity values, and the Company is currently awaiting laboratory results.

During the same period, a reassessment of the priority of drilling targets was carried out based on geochemical results and geological mapping. This resulted in a total of 19 targets with geological resource potential.

For comparison, during Q1 2022, based on the mapping and sampling works performed, the Company identified the presence of regolith formations and REE mineralization within Verónica, 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 km²). Corresponding survey results were delivered at the end of Q1 2022 and resulted in the generation of new prospective targets throughout the Verónica and Petronila districts.

During Q2 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 and a total of 9 targets proposed for drilling. In Verónica, a 143-hole sonic drilling programme was being executed to test zones with evidence of REE mineralization.

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 (3) and six (6) months ended June 30.

General Engineering

During Q1 2023, the company awarded a contract involving the proposed commissioning of a feasibility study in respect of the Penco Module (the "Penco Feasibility Study") to P&A. The scope of the Penco Feasibility Study contract is expected to encompass matters related to process plant, mine infrastructure and mine services. Pursuant to the contract, P&A will also be responsible for preparing the associated technical report in accordance with NI 43-101. In the same period, Aclara secured a recycled water supply for the operation, which is expected to fulfill 100% of the water requirements of the Penco Module. The recycled water will be provided by Essbio S.A., which will collect and treat urban industrial water before discharging into the environment. The achievement of this sustainability milestone is a result of the collaborative efforts between Aclara and Essbio S.A. to preserve the area's hydric resources, and to develop the first fully-recycled water supply project in the Biobío region.

During Q2 2023, the Company, in collaboration with Pares & Alvarez, made significant strides in the development of the Penco Feasibility Study. The focus was primarily on the creation of process and mechanical discipline-related documents and drawings, including process flow diagrams, equipment dimensions, layouts, and piping and instrumentation diagrams. Simultaneously, the engineering team dedicated their efforts to the design of operational roads for mining and the exploration of potential access points to the Itata Route highway. The Company also completed the conceptual engineering for the mine infrastructure and oil pipeline, laying a solid foundation for the upcoming feasibility design.

For comparison, in Q1 2022, the Company carried out pre-feasibility engineering activities relating to process plant equipment selection and layout optimization, which included the development of civil, mechanical, structural, electrical and instrumentation, control engineering, and the definition of a reduced layout surface area. In addition, the Company executed studies and geotechnical test work in efforts to discover fresh water and power supply alternatives and to confirm the structural stability of spent clay deposition zones. Finally, the Company developed an updated, high-resolution topography map of the Penco Module site through an aerial LIDAR survey, which was used to further define the mine waste quantities, road designs, deposition zone capacities and process plant bulk earthworks and concrete volumes.

During Q2 2022, several activities were undertaken primarily to develop and elaborate upon plans and information associated with water supply, electrical supply and infrastructure for the processing plant required by the Revised EIA development. During this period, physical stability tests of the spent clays were also completed, which led to the validation of the designs of the Penco Module's dumping areas, in terms of slope, compaction ratio, and type of equipment needed, among others.

Mining Study

During Q1 and Q2 2023, two (2) hydrogeology holes were planned and executed in Victoria Sur and Victoria Norte to enhance the geotechnical study. The results of the field campaign to measure phreatic levels led to the

development of hydrogeological models for Victoria Sur, Victoria Norte, Luna and Maite and served as inputs for geotechnical stability analysis, in conjunction with the current detailed pit designs. In addition, the Company is in the process of developing the feasibility level design of rainfall water management for Victoria Norte, Maite and Luna (initial Extraction Zones), which is expected to be completed during Q3 2023.

During the same period, as part of the pilot plant program, the Company developed geostatistical estimation of grade block models, for both total and desorbable grades, for each of the 15 REE. Based on these models, an operative excavation was designed and executed for Victoria Sur and Victoria Norte. The piloting extraction program is currently underway for Luna.

During Q1 2023, several mining studies were conducted (some of which are still in progress) to support the definition of the base case for the Penco Feasibility Study. At the end of Q1 2023, the contract in respect of the mining feasibility study was awarded to B Mining, a local engineering firm with previous experience working on the Penco Module and developing the mining engineering for the Technical Report under Ausenco's supervision.

During Q2 2023, the Company initiated the mining studies for the Penco Feasibility Study and completed key activities such as:

- the estimation of economic pit shells for all six Extraction Zones, incorporating surface constraints such as the Native Preservation Forest;
- the selection of mining pushbacks;
- the execution of detailed pit design;
- the definition of the mining sequence; and
- the formulation of the mine schedule.

Comparatively, during Q1 and Q2 2022, mining studies carried out by the Company included the preparation of a roadmap for further development of the geotechnical aspects of the Penco Module as well as optimization studies for the purposes of scoping the starter pit and the waste management facilities. Based on the pit shells from the Technical Report, preliminary pit designs for the Penco Module were produced. Aiming to reduce haulage cost and environmental impact, a conceptual design for the backfilling of the Victoria Norte pit was completed. A refined mine-cost model was produced which is expected to be used for further mining studies. In addition, the preparation of a simulation model for mining haulage was undertaken, which was aimed to facilitate the optimization of the mine traffic network and the associated haulage operating costs. This simulation model was used to represent some of the very distinctive operational characteristics of the Penco Module, including, among other things, an analysis of local historical 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 stockpile capacities. Also, the model was 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 served to provide insights and input for the upcoming engineering studies.

Process Design

Penco Module

During Q1 2023, the Company made significant progress with respect to the construction and future operation of the pilot plant located in Concepcion, Chile. All of the equipment was successfully installed and the electrical implementation and piping connection process started. Furthermore, the staff in charge of the plant's operation was hired and trained for the process operation.

During Q2 2023, the Company marked a significant milestone with the completion of the pilot plant construction, after successfully commissioning the process with water and clays from the Penco Module. At the beginning of June 2023, the operation officially started with material from the Victoria Sur pit. The plant has garnered positive feedback from a diverse range of visitors, including potential customers, investors, academics, Penco residents, students,

and authorities. The main commentaries were centered around the plant's clean performance, the absence of disruptive noise, the lack of high-temperature processes, and the production of high-purity osmosis water that is recirculated back to the process.

For comparison, during Q1 and Q2 2022, the Company advanced its process engineering and design related to the Penco Module. A metallurgical recoveries validation was carried out through an extensive and comprehensive testing program at SGS Lakefield, Canada. This program began 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 Penco Module. Through mineralogical and chemical analyses, the behavior of clays was assessed against various leaching solutions. The results validated current recovery metrics from the Technical Report and gave robustness to the economic indicators of the Penco Module. Furthermore, management of impurities was 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.

Environmental, Social and Governance

Environment and Permits

In Q1 2023, the Company completed the environmental baseline studies for the Revised EIA application. The Company also focused on addressing other critical issues, including chemical stability, indigenous baseline studies and new guidelines in the SEIA, such as climate change, biodiversity, and noise and vibrations in fauna. The Revised EIA was submitted on April 28, 2023. The Revised EIA included a 100% recycled water source for the entire Penco Module operation, revegetation over 200 hectares with native species, a recreational park for the Penco community, a reproduction center of the Pudu (a local deer), among others.

At the end of Q1 2023, the Company held town hall expositions to finalize the anticipated citizen participation process (PACA). These events were held in Penco, Lirquén, and Concepción, in which the Company presented to the community on the Penco Module and key topics forming the Company's submissions to the SEA. The presentations received positive responses and addressed questions related to the process and crucial issues of the project, including those related to flora, fauna, and water supply.

During Q2 2023, on April 28, 2023, the Company submitted the Revised EIA and the SEA declared it admissible, officially initiating the evaluation process on May 8, 2023. On June 1, 2023, a comprehensive technical visit to the project field was conducted, involving multiple evaluation services and stakeholders. The main discussions were around the water supply, management of spent clays, and physical and chemical stability. At the end of June, 19 evaluation services had submitted their observations to the EIA.

On July 3, 2023, the SEA decided to terminate the environmental impact assessment of the Penco Module. The termination resulted from a request submitted by CONAF based on its findings that there are six (6) undisclosed citronella mucronate, popularly known as "naranjillo" trees, located in the area of the Penco Module. Naranjillo trees are considered "vulnerable species". Specifically, the Revised EIA did not include information relating to the naranjillo trees in question, of which five (5) were found near the location of an existing access road that would require modification, and another was found within a local "native forest" in the area of the Penco Module. Given the presence of such vulnerable species within the native forest, the forest would be considered a "preservation forest", restricting such trees from being cut down and thus requiring a change to the contemplated disposal area of the project. This reclassification implied changes to the layout of the Penco Module, which currently are being addressed by the Company. The Company believes that all inputs and observations presented to date, including those by CONAF, can be addressed and do not constitute fatal flaws to securing a successful path forward for the development of the Penco Module. The Company, together with its technical consultants and other advisors, will work together with the relevant authorities with a view to comprehensively address the initial observations at this early stage of the Revised EIA application and review process.

For comparison, during Q1 2022, the Company completed and submitted a third addendum in respect of the Original EIA to the SEA. Despite addressing many key aspects relating to the Penco Module over the course of the Original EIA evaluation process, the Company was unable to satisfy the SEA on technical aspects related to the protection

of local flora and fauna within the mandated regulatory timetable for the Original EIA. 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 subsequently began the development of new baseline studies for the Penco Module, which included flora and fauna studies to resolve the outstanding issues raised by the SEA.

During Q2 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 were conducted by consultants specialized in the identification of flora using plots and direct observation methodologies, fauna observation using trap cameras and estimation of water flow rates considering direct measures by whirligig.

Social License

During Q1 2023, the Company's community relations team progressed with the third stage of the early citizen participation process, which focused on the collection and incorporation of community opinions. Throughout this period, nine (9) events were held in early February 2023 to promote open dialogue with the community. These engagements improved communication and assisted the Company in gaining a deeper understanding of the concerns and aspirations of the local community.

With respect to communication activities, the Company's efforts were concentrated on reinforcing the positive attributes of the Revised EIA application, such as the use of recycled water, and the emphasis on co-designing the application with the community. In addition, the Company has circulated didactic material to explain major changes from the Original EIA to the one recently presented.

The Company also signed a contract with INACAP, the largest educational institution in Chile, to provide technical training for 20 residents of the local Penco community. In addition, the Company hired 60 employees from Penco and Concepcion to operate the pilot plant. These employees were trained to start the commissioning process of the pilot plant at the end of April 2023.

During Q2 2023, the Corporate Affairs & Social Value team of the Company continued to prioritize community relations, presenting Aclara's pilot plant operation of its innovative "Circular Mineral Harvesting" process to a variety of stakeholders, including regional authorities, academic institutions, and the Penco community. The Company further strengthened its collaborations with universities in the Biobío region and formalized partnerships with the Universidad del Biobío and the Universidad del Desarrollo. The main objective of these alliances is aimed to drive innovation challenges focused on repurposing the spent clays that will be produced by the Penco Module.

In relation to communication activities, the Company continued to emphasize the circular economy attributes of the Penco Module. This included the use of recycled water, revegetation with native species, and the co-design of the project with the community.

For comparison, during Q1 2022, on February 27, 2022, the Municipality of Penco held a non-binding consultation to poll local residents on the development of the Penco Module. Of the 42,186 eligible registered voters of Penco and Lirquen, 7,548 people turned out to vote (representing a turnout of 17.89%) in the consultation, of which 7,474 people voted against the installation of the proposed project. As a response to this development, during the end of Q1 and Q2 2022, the Company defined a thorough plan to strengthen its relationship with the community and local stakeholders. First, a new team was formed, composed of renowned communication consultants such as Azerta, Periodistas Asociados and Greenpoint. Second, a new local corporate affairs manager was 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. Finally, a thorough communication plan was executed, starting with a digital campaign which focuses on highlighting the attributes of the project.

Occupational Health and Safety

During Q2 2023, the Company maintained a strong focus on occupational health and safety, resulting in no events with lost workdays. Consequently, key performance indicators relating to safety, such as frequency and severity indices, reported nil values.

Similarly, during Q2 2022, key performance indicators relating to safety, including frequency and severity indices, reported nil values, with no accidents recorded during the period.

Overview of Operating Expenditure and Costs

During Q2 2023, the Company incurred US\$2.519 million in losses in connection with exploration expenses, administration expenses, other income, finance costs, finance income and loss/gain resulting from exchange rate fluctuations, as compared to Q2 2022, in which the Company incurred losses of \$1.758 million.

(in thousands of US\$)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Exploration expenses	1,457	237	2,580	473
Administration expenses	1,821	1,480	2,914	2,314
Other income	-	-	(33)	-
Financial costs	7	4	13	9
Financial income	(690)	(88)	(1,460)	(99)
Foreign exchange differences	(75)	125	(87)	58
Loss from continuing operations before income tax	2,520	1,758	3,927	2,755

Exploration Expenses

The breakdown of exploration expenses incurred by the Company for the Q2 2023 and Q2 2022 periods are as follows:

(in thousands of US\$)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Personnel expenses	519	9	853	22
Professional fees	113	-	218	-
Mining rights	-	-	-	50
Rental	143	-	215	6
Repair and maintenance	4	-	10	-
Analysis & technical	101	51	180	93
Studies	1	43	183	104
Technology and system	8	-	36	20
Contractors and Services	317	129	518	172
Travel expenses	161	-	215	-
Other	88	5	152	6
Total	1,457	237	2,580	473

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

During Q2 2023, the Company conducted superficial mapping and soil sampling, resulting in personnel expenses of \$519, professional fees of \$113, nil in mining rights, costs related to renting of geology equipment of \$143, costs related to repair and maintenance of \$4, chemical assays resulting in analysis and technical costs of \$101, expenses related to technology and systems of \$8, and other study related expenses of \$88. Comparatively, during Q2 2022, the Company incurred personnel expenses of \$9, nil in professional fees and mining rights, nil in rentals, nil in repair and maintenance costs, chemical assays resulting in analysis and technical costs of \$51, nil in expenses related to technology and systems and other study related expenses of \$5.

In addition, the Company carried out socio-environmental screening studies of the Petronila and Catalina concessions, resulting in \$1 in study-related expenses, as compared to \$43 in Q2 2022. Finally, in Q2 2023, the Company incurred contractors and services expenses of \$317, which was comprised of \$18 in sample expenses and studies, \$289 in exploration licenses expenses and \$10 in additional study related expenses, as compared to \$129 in Q2 2022.

Administration Expenses

The breakdown of administration expenses incurred by the Company for the Q2 2023 and Q2 2022 periods are as follows:

(in thousands of US\$)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Personnel expenses	772	689	1,331	1,229
Professional fees	360	11	450	105
Depreciation and amortization	229	63	375	148
Contractors and services	322	623	462	738
Permit	(4)	45	2	45
Travel expenses	80	-	160	-
Other	62	49	134	49
Total	1,821	1,480	2,914	2,314

In Q2 2023, the Company incurred personnel expenses of \$772, as compared to \$689 in Q2 2022. These expenses were incurred by the Company to support its management and administration team, which includes the Company's current Chief Executive Officer and his assistant, the Chief Operating Officer and the Chief Financial Officer.

Professional fees of \$360 thousand incurred during Q2 2023 were comprised of accounting services and auditing services hired for the Company's annual auditing process for the 2022 fiscal year, as compared to professional fees rendered for a similar purpose of \$11 thousand incurred by the Company in Q2 2022.

In Q2 2023, the Company incurred depreciation and amortization expenses of \$229, as compared to \$63 in Q2 2022. This increase is largely driven by the amortization of exploration mining concessions following the expiration schedule of each concession.

In Q2 2023, the Company incurred contractor and services expenses of \$322. These expenses are comprised of, among others, \$143 in board fees, \$56 in consulting fees, \$26 market surveillance, \$23 which related to information technology services, \$19 in digital campaigns, and \$28 in other related expenses, as compared to \$623 in contractor and services expenses incurred in Q2 2022.

In Q2 2023, the Company incurred travel expenses of \$80, permit and other expenses of \$58, which are principally comprised of administrative costs for the renewal of current concessions and miscellaneous expenses related to offices, marketing, lease contracts, communication, auditing, and transportation.

Financial Income and Costs

In Q2 2023, the Company's net financial income and costs amounted to \$683 and were associated with the Company's investments in short-term deposits, interest-bearing bank accounts and bank commissions, as compared to net financial income and costs of \$84 in Q2 2022.

(in thousands of US\$)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Financial costs	7	4	13	9
Loss from continuing operations before income tax	7	4	13	9

(in thousands of US\$)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Financial income	(690)	(88)	(1,460)	(99)
Loss from continuing operations before income tax	(690)	(88)	(1,460)	(99)

Evaluation and Exploration Assets

In accordance with IFRS accounting principles regarding capitalization of E&E assets, costs of mineral properties are capitalized on a project-by-project basis. As at June 30, 2023, 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 asset balance as follows:

(in thousands of US\$)	Total
Balance at January 1, 2022	70,132
Additions	8,297
Foreign exchange effect	(7,556)
Balance at June 30, 2022	70,873
Additions	5,848
Foreign exchange effect	6,703
Balance at December 31, 2022	83,424
Additions	7,386
Foreign exchange effect	5,505
Balance at June 30, 2023	96,315
Accumulated amortisation and impairment	
Balance at January 1, 2022	7
Additions	100
Foreign exchange effect	(11)
Balance at June 30, 2022	96
Additions	184
Foreign exchange effect	159
Balance at December 31, 2022	439
Additions	224
Foreign exchange effect	29
Balance at June 30, 2023	692
Net book value as at June 30, 2022	70,777
Net book value as at December 31, 2022	82,985
Net book value as at June 30, 2023	95,623

The total investments in the Penco Module capitalized as E&E as at six months ended 2023, six months ended 2022 and FY 2022 are as detailed below:

(in thousands of US\$)	Six months ended June 30		Year ended December 31
	2023	2022	2022
Personnel expenses	1,592	1,463	2,694
Professional fees	1,493	70	596
Environmental impact study	762	550	1,445
Engineering services	-	273	455
Mining rights	137	565	457
Feasibility studies	-	7	7
Rent building, vehicles, others	275	202	405
Analysis & technical	460	1,220	1,678
Contractors and Services	1,940	3,695	5,565
Other	727	252	843
Total	7,386	8,297	14,145

During the first half of 2023, the Company incurred personnel expenses of \$1,592, as compared to the same period in 2022, in which the Company incurred personnel expenses of \$1,463. The Company's employee headcount as at Q2 2023 is 58, as compared to 53 as at Q2 2022.

Each category of the Company's costs in relation to its investment in the Penco Module in the first half of 2023 have been discussed elsewhere in this MD&A. In the first half of 2023, expenses related to the technical development of the Penco Module were comprised of costs related to engineering services, feasibility studies, and analysis, technical and contractor services, each of which are discussed under the sections entitled "*Development Activities*" and "*Exploration Activities*" above. Comparatively, in the first half of 2022, expenses related to the Penco Module were comprised of the above-mentioned categories of costs as well as costs related to geochemical study and diamond drilling, which were carried out for the purpose of developing the Technical Report.

During the first half of 2023, expenses relating to permit-related activities were comprised of costs associated with the environmental impact study and are described in greater detail under the section entitled "*Environmental, Social and Governance*" above. The environmental impact study expenses totalled \$762 as at the six months ended 2023, as compared to \$550 for the same period in 2022.

Expenses related to mining rights, which consisted of costs relating to exploration and exploitation of the Company's concessions, totalled \$137 as at the six months ended 2023, as compared to \$565 for the same period in 2022. As at the six months ended 2023, the Company's concessions were comprised of 179,985 hectares, as compared to the same period in 2022, in which the Company's concessions were comprised of 451,985 hectares. Fixed expenses related to professional fees, office rent and buildings, Company vehicles, and other costs totalled \$2,495 million as at the six months ended 2023, compared to \$524 for the same period in 2022. The primary reason for the increase is in relation to the construction of the pilot plan during 2023.

SUMMARY OF QUARTERLY RESULTS

	June 30, 2023 US\$000	March 31, 2023 US\$000	December 31, 2022 US\$000	September 30, 2022 US\$000
Revenue	-	-	-	-
Net income (loss) from continuing operations	(2,520)	(1,407)	(3,164)	(2,436)
Net income (loss) and comprehensive income (loss)	(2,520)	(1,407)	(3,164)	(2,436)
Basic and diluted net income (loss) (per share)	(0.02)	(0.01)	(0.02)	(0.01)

	June 30, 2022 US\$000	March 31, 2022 US\$000	December 31, 2021 US\$000	September 30, 2021 US\$000
Revenue	-	-	-	-
Net income (loss) from continuing operations	(1,758)	(997)	(1,432)	(173)
Net income (loss) and comprehensive income (loss)	(1,758)	(997)	(1,432)	(173)
Basic and diluted net income (loss) (per share)	(0.01)	(0.01)	(0.01)	(0.00)

During Q2 2023, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of \$728, exploration expenses of \$334 and exchange rate expenses of \$50. The increase in administrative expenses is explained by higher legal and professional expenses of \$306, board of directors' expenses of \$158, personnel expenses of \$214 and other expenses of \$50. The increase in exploration expenses is explained by additional exploration works in Brazil resulting in higher chemical assays and drilling services of \$137, travel expenses of \$194 other expenses of \$3.

During Q1 2023, the Company incurred lower net losses from continuing operations compared to Q4 December 2022, primarily due to a decrease in administrative expenses of \$846 and exploration expenses of \$501, partially offset by an increase in financial income of \$510. The decrease in administrative expenses is explained by lower legal and professional expenses of \$207, board of directors' expenses of \$53, personnel expenses of \$243, insurance expenses of \$146, and depreciation and amortization of \$197. The decrease in exploration expenses is primarily explained by a reduced scope in exploration works in Chile compared to the previous quarter, resulting in lower chemical assays of \$195 and drilling services of \$306. In addition, the increase in financial income is primarily explained by higher interests received from short-term investments of \$510.

During Q4 2022, the Company incurred higher net losses from continuing operations compared to the previous quarter, primarily due to an increase in administrative expenses of \$806 and exploration expenses of \$233, partially offset by a positive exchange rate difference of \$339. The increase in administrative expenses is explained by higher legal and professional expenses of \$122, insurance expenses of \$146, personnel expenses of \$189, depreciation and amortization expenses of \$304 and other expenses of \$45. The increase in exploration expenses is explained by the drilling works in Veronica exploration project in Chile, resulting in higher chemical assays and drilling services of \$233.

During Q3 2022, the Company incurred higher net losses from continuing operations compared to Q2 2022, primarily due to an increase in exploration expenses of \$1,154 and exchange rate expenses of \$71, partially offset by a decrease in administration expenses \$347 and an increase in financial income of \$200. The increase in exploration expenses is explained by the drilling works in the Veronica exploration project in Chile, resulting in higher chemical assays and drilling services of \$807.

During Q2 2022, the Company incurred higher net losses from continuing operations compared to Q1 2022, primarily due to an increase in administrative expenses of \$646 and exchange rate expenses of \$115. The increase in administrative expenses is explained by a higher legal and professional expenses of \$172, personnel expenses of \$149, recruitment expenses of \$175, board of directors' expenses of \$53, investor relation expenses of \$62 and other expenses of \$35.

During Q1 2022, the Company incurred lower net losses from continuing operations compared to Q4 2021, primarily due to a decrease in exploration expenses of \$295 and exchange rate expenses of \$545, partially offset by an

increase in administrative expenses of \$424. The increase in administrative expenses is explained by higher personnel expenses of \$379 and other expenses of \$45.

During Q4 2021, the Company incurred higher net losses from continuing operations compared to Q3 2021, primarily due to an increase in administrative expenses of \$379, exploration expenses of \$392 and exchange rate expenses of \$478. The increase in administrative expenses is explained by the expenses of the Going Public Transaction of \$379. The increase in exploration expenses is explained by the start up of the greenfield exploration program in Chile of \$392.

The company is in the development phase of the project, conducting exploration, feasibility, and technical studies discussed under the sections entitled “*Development Activities*” and “*Exploration Activities*” above. As a result, the Company has not generated any operating income as at June 30, 2023.

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 2023, six months ended 2022 and FY 2022 are as follows:

	Six months ended June 30		Year ended December 31
	2023	2022	2022
Cash and cash equivalents			
Current demand deposit accounts	52,186	51,217	66,886
Total Cash and cash equivalents	52,186	51,217	66,886

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 \$27.038 million.

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 United States 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 currently 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.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Requirements

The Company has working capital needs of \$1.857 million as at Q2 2023. This requirement will be largely covered by its current cash and cash equivalent position of \$52.186 million.

Off-Balance Sheet Commitments

The Company has no off-balance sheet commitments.

The Company's contractual obligations as at Q2 2023 that must be satisfied with cash, and its approximate timing of payment, are as follows:

(in thousands of US\$)	Q3, Q4 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	After 2028
Office leases	262	119	27	-	-	-	-
Vehicles lease	48	79	43	-	-	-	-
Warehouse leases	135	114	-	-	-	-	-
Land acquisition	6,000	1,300	1,300	1,300	-	-	-
Total Contractual Obligations	6,445	1,612	1,370	1,300	-	-	-

Cash and Liquidity

The Company did not have any commercial debt as at June 30, 2023. As at June 30, 2023, the Company had a cash balance of \$52.186 million. The Company's present cash resources are sufficient to meet all its current liabilities and administrative and overhead expenses for the next 18 months.

Capital Resources

The Company's focus in fiscal year 2023 is the continued advancement and development of the Penco Module and any potential future modules located in the concessions beneficially held by the Company.

The primary use of capital resources in 2023 are expected to include:

(in thousands of US\$)	2023
Activities in connection with the Penco Module	10,022
Feasibility study and piloting	6,757
Permitting and ESG-related expenditures	2,868
Surface land purchase and mining concessions	397
Exploration, permitting processes and engineering activities in connection with potential new modules	7,771
Administrative expenses and general corporate purposes	9,224
TOTAL	27,017

As the Company does not currently generate cash flow from operating activities, the Company will be relying on further equity and/or debt financing, or a strategic partnership, as the most likely sources of additional funds for the development of the Penco Module and any potential future modules, to the extent necessary.

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.

As at the six months ended 2023, the remuneration of the Company's key management totalled \$2.205 million, as compared to the same period in 2022 in which remuneration of the Company's key management totalled \$1.368 million.

(in thousands of US\$)	Six months ended June 30		Year ended December 31
	2023	2022	2022
Shared-based payments (1)	356	350	696
Short-term employee benefits	1,849	1,018	1,742
Total compensation paid to key management personnel	2,205	1,368	2,438

(1) Amortized shared-based payment expenses due to restricted stock units granted to management.

Related Party Transactions

The Company was subject to the following related-party balances and transactions as at June 30, 2023, June 30, 2022 and as at December 31, 2022:

(in thousands of US\$)	Accounts receivable		
	Six months ended June 30		Year ended December 31
	2023	2022	2022
Compañía Minera Ares S,A,C,	-	-	-
Hochschild Mining Holdings Ltd	-	-	-
Total	-	-	-

(in thousands of US\$)	Accounts payable		
	Six months ended June 30		Year ended December 31
	2023	2022	2022
Compañía Minera Ares S.A.C.	4	17	25
Minera Hochschild Chile SCM	-	33	-
Total	4	50	25

Minera Hochschild Chile SCM and Compañía Minera Ares S.A.C., as members of Hochschild Mining, are both related parties and have provided intercompany administrative services since 2019 pursuant to the terms of a transition services agreement that has since expired.

Accounts payables with Compañía Minera Ares S.A.C. amounted to \$4 for Q2 2023, compared to accounts payables of \$17 and \$25 for Q2 2022 and FY 2022, respectively. In addition, accounts payables with Compañía Minera Hochschild Chile SCM for Q2 2023 were nil, compared to \$33 and nil for Q2 2022 and FY2022, respectively. These accounts payables were related to the administrative support of 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 163,223,177 common shares.

During December 2022, an aggregate of 624,015 restricted share units of the Company ("RSUs") were vested in the ordinary course. Of the total, 250,075 common shares were issued from treasury to members of the Company's management and 373,940 common shares were issued from treasury to the directors of the Company on January 9, 2023 and January 12, 2023, respectively.

As of the date of this MD&A, the Company's issued and outstanding convertible share capital is comprised of an aggregate of 1,250,380 RSUs which are issued and outstanding in accordance with the terms of the Company's omnibus long-term incentive plan.

	As at June 30, 2023	As at December 31, 2022	Total
RSUs issued for the Management team	750,228	500,152	1,250,380
Vesting Period			
May 31, 2023	88,262	-	88,262
December 10, 2023	250,076	250,076	500,152
December 10, 2024	205,945	250,076	456,021
December 10, 2025	205,945	-	205,945

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 notes 2 and 16 to the Interim Consolidated Financial Statements.

CAUTIONARY STATEMENTS AND READER ADVISORIES

Cautionary Note Regarding Forward-Looking Information

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

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, but are not limited to: operating in a foreign jurisdiction (including local political and socioeconomic issues); dealing with changes to local laws and regulations; compliance with laws; failure to obtain necessary permits and licences or to renew them; permits and third party consents (as may be required) timing and requirements; impact of social and environmental activism; relations and agreements with local communities;

government regulation of mining operations; environmental compliance; expected production, capital and operating costs; price volatility of rare earth elements; 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 rare earth elements; 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; 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 its 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.

Cautionary Note Regarding Mineral Reserves and Mineral Resources

This M&DA was prepared in accordance with Canadian standards for reporting of mineral resource estimates and the requirements of the securities laws in effect in Canada. In particular, and without limiting the generality of the foregoing, the terms "mineral reserve", "proven mineral reserve", "probably mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" as may be used or referenced in this MD&A are Canadian mineral disclosure terms as defined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"), adopted by the CIM Council, as amended. Such terms used but are not otherwise defined herein have the meanings ascribed to them in the CIM Standards.

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 its other continuous disclosure materials, including the annual information form, annual management's discussion and analysis and audited annual financial statements, consolidated financial statements, and notice of annual meeting of shareholders and management information circular is available on Aclara's website at www.aclara-re.com and on SEDAR at www.sedar.com.