ANACORTES MINING CORP.

MANAGEMENT DISCUSSION & ANALYSIS
For the three months ended March 31, 2023
(Expressed in Canadian dollars)

General

On October 6, 2021, the Company changed its corporate name from First Light Capital Corp. to Anacortes Mining Corp. The Company is listed on the TSX Venture Exchange under the symbol 'XYZ.V' and is a reporting issuer in Ontario, Alberta and BC. The Company is also listed on the OTC Markets Group (OTCQX) under the symbol 'XYZFF'.

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Anacortes Mining Corp. ("Anacortes" or the "Company") as at March 31, 2023 and December 31, 2022 and for the three months ended March 31, 2023 and 2022.

This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and the notes thereto as at and for the three months ended March 31, 2023. These unaudited interim consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Note that additional information relating to the Company is available on SEDAR at www.sedar.com. This MD&A contains forward-looking statements. Please refer to the cautionary language at the end of this document.

The effective date of this MD&A is May 30, 2023.

Contents of the MD&A

1. Highlights for the three months ended March 31, 2023

- On March 6, 2023, the Company entered into a binding letter of intent with Steppe Gold Ltd. ("Steppe Gold") pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of Anacortes by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), in an all-share transaction (the "Transaction").

- On May 8, 2023, the Company entered into an arrangement agreement with Steppe Gold to formalize the terms of the Transaction.

- During the three months ended March 31, 2023 ("Q1 2023"), the Company incurred a net loss of $377,029 compared to $634,991 in the three months ended March 31, 2022 ("Q1 2022").

- In Q1 2023, the Company spent $443,953 on its Tres Cruces Project in Peru, primarily on community relations activities, environmental monitoring and general maintenance of the Project.

- As at March 31, 2023, the Company had a cash position of $3,847,183 (December 31, 2022 - $4,827,272).

2. Overview

On October 6, 2021, the Company closed a transaction with New Oroperu Resources Inc. pursuant to a definitive arrangement agreement entered into by both parties on June 16, 2021 to combine and create Anacortes Mining Corp. As a result of the transaction, Anacortes owns a 100-per-cent interest in the Tres Cruces gold project located in Peru. Tres Cruces is one of the highest-grade undeveloped gold oxide deposits globally and hosts oxide plus sulphide indicated resources of 2,474,000 oz at 1.65 g/t gold, inclusive of 630,000 oz of high-grade leachable gold at 1.28 g/t gold and inferred resources of 104,000 oz at 1.26 g/t gold. The PEA on the leachable resource at Tres Cruces released earlier in 2022 indicates a robust open-pit, heap leach project.

On May 8, 2023, the Company entered into an arrangement agreement with Steppe Gold Ltd. pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of Anacortes by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), in an all share transaction (see Section 10 – Proposed transactions and subsequent events).

3. Tres Cruces Project

The Tres Cruces Oxide Project is strategically located in a highly prospective geological belt that hosts significant gold deposits such as Lagunas Norte (which is located within 10 km), Yanacocha and Pierina. Tres Cruces is underexplored with oxide and sulphide resource growth potential. It has not been drilled since 2008 when gold prices were approximately US$850/oz, and several of the best drill intercepts from the previous drilling campaign are below and outside of the current pit-constrained mineral resource.

The Company released its Preliminary Economic Assessment (PEA) on Tres Cruces in March 2022. Highlights of the PEA are:

PEA ASSUMPTIONS AND RESULTS		
Description	**Units**	
Net Present Value (NPV 5%) Pre-Tax	US$ (million)	$294.3
Net Present Value (NPV 5%) After-Tax	US$ (million)	$165.9
After-Tax Internal Rate of Return (IRR)	%	33.0
Payback Period	Years	2.1
LOM Cumulative Cash Flow	US$ (million)	$235.6
LOM All-In Sustaining Costs (AISC)	US$/oz	$786
Pre-Production CAPEX	US$ (million)	$125.2
Sustaining CAPEX (LOM)	US$ (million)	$5.2
Mine Life	Years	7
Average Processing Rate	Tonnes/day	5,800
LOM Strip Ratio		2.89:1
Average Gold Recovery	%	81.7
Average Annual Gold Production	Oz/year	68,000
Total LOM Gold Production	Ounces	481,000

This PEA was prepared in accordance with National Instrument 43-101 (“NI 43-101”) and evaluates the economics of mining the Tres Cruces Oxide Gold Deposit through conventional open pit mining and heap leach processing for gold recovery to doré. The study was prepared by M3 Engineering and Technology of Tucson, Arizona and Lima, Peru, in cooperation with Nilsson Mine Services of Pitt Meadows, BC, Transmin Ltd., of Lima, Peru, Advantage Geoservices Ltd. of Osoyoos, BC, and Jeffrey Rowe of Surrey, BC.

For more information on the PEA, including gold price sensitivity analysis, please see the press release dated March 8, 2022. The complete PEA can also be found on SEDAR and the Company’s website.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no guarantee that the inferred mineral resources can be categorized as Indicated or Measured mineral resources or mineral reserves, and as such there is no guarantee that the project and the economics of that project as described in this report can be achieved.

(Expressed in Canadian dollars)

The Company released the results of its first four drill holes on July 19, 2022 and on August 4, 2022. The following is a tabular summary of those results. For more information, please refer to the above-dated news releases.

Hole	Azimuth / dip (degrees) / Final depth (m)	From (m)	To (m)	Interval (m)	Lithology / Alteration	Gold (g/t)
ATC-500	10° / -55° / 150.0 m	8.00 m	43.90 m	35.90 m	Andesite / Massive Silica	0.64
ATC-500		49.20 m	73.00 m	23.80 m	Andesite / Argillic	1.75
ATC-500		85.00 m	150.00 m	65.00 m	Andesite / Argillic	0.66
ATC-501	270°/ -85°/ 496.30 m	28.35 m	110.90 m	82.55 m	Andesite / Massive Silica	1.62
ATC-501		115.50 m	238.60 m	123.10 m	Andesite / Argillic	2.11
ATC-501		326.10 m	330.50m	4.40 m	Andesite / Argillic	0.70
ATC-501		415.75 m	418.60 m	2.85 m	Andesite / Argillic	0.50
ATC-501		454.20 m	458.65 m	4.45 m	Andesite / Argillic	0.34
ATC-502	165° / -60° / 120.0 m	0.90 m	9.90 m	9.00 m	Dacite and Andesite / Massive Silica	0.44
ATC-502		15.85 m	19.30 m	3.45 m	Dacite / Silica	0.55
ATC-502		44.10 m	46.85 m	2.75 m	Andesite / Argillic	0.52
ATC-504	0°/ -90°/ 256.80 m	40.50 m	183.40 m	142.90 m	Dacite and Andesite / Massive Silica and Argillic	1.43
ATC-504		190.0 m	192.35 m	2.35 m	Andesite / Argillic	0.92
ATC-504		194.20 m	233.60 m	39.40 m	Andesite / Argillic	1.45

(Expressed in Canadian dollars)

4. Results of Operations for the three months ended March 31, 2023

	Three months ended Mar 31,	
	2023	2022
Expenses		
Transaction costs	$ **68,293**	$ -
Consulting fees	**33,470**	22,002
Directors' fees	**28,750**	28,750
General and administration	**4,384**	3,338
Salaries and benefits	**198,623**	200,157
Insurance	**7,813**	7,813
Legal and audit	**6,797**	55,231
Property investigations	**-**	35,265
Regulatory fees	**18,451**	33,751
Travel	**-**	8,526
Shareholder communications	**44,856**	101,885
Share-based payments	**11,800**	172,706
	(423,237)	(669,424)
Other		
Interest income	**46,630**	13,399
Foreign exchange gain (loss)	**(422)**	21,034
Net loss	$ **(377,029)**	$ (634,991)
Other comprehensive income (loss)		
Gain (loss) on foreign currency translation	$ **(8,503)**	$ 394,530
Net loss and other comprehensive loss for the period	$ **(385,532)**	$ (240,461)
Basic and diluted loss per share	$ **(0.01)**	$ (0.02)

The Company's net loss for the three months ended March 31, 2023 (“Q1 2023”), was $377,029 (three months ended March 31, 2022 (“Q1 2022”) - $634,991). The loss for Q1 2023 was comprised primarily of salaries and benefits of $198,623, transaction costs of $68,293, and shareholder communications costs of $44,856, offset by interest income of $46,630.

In Q1 2023, the Company incurred transaction costs of $68,293 which is comprised mostly of legal and due diligence costs in connection with the Company’s proposed transaction with Steppe Gold (see section 10 – Proposed transactions and subsequent events). The Company and Steppe Gold entered into a binding letter of intent on March 6, 2023 and an arrangement agreement on May 8, 2023.

Salaries and benefits of $68,293 were paid in Q1 2023 to Canadian officers and employees of the Company, which amount is consistent with Q1 2022.

Legal and audit expenses decreased from $55,231 in Q1 2022 to $6,797 in Q1 2023. Q1 2022 amounts were higher as a result of additional audit and tax work in connection with the Company’s transaction with New Oroperu Resources Inc. in October 2021.

Shareholder communications costs decreased from $101,885 in Q1 2022 to $44,856 in Q1 2023 as the Company embarked in numerous investor relations activities, including speaking engagements and conferences, in the months following the October 2021 transaction with New Oroperu.

(Expressed in Canadian dollars)

The Company recorded interest income of $46,630 in Q1 2023 compared to $13,399 in Q1 2022. Interest income increased each quarter since Q1 2022 due to hikes in the interest rate earned on deposits. However, this has been offset by a decrease in the Company's cash balances.

In Q1 2023, the Company incurred $11,800 in share-based payment expense in respect of stock options granted in 2021 and 2022 that vest over certain periods. In Q1 2022, $172,706 of share-based payments were recorded as a result of options granted in February 2022.

Expenditures at Tres Cruces

Drilling activities at Tres Cruces was suspended in August 2022. In Q1 2023, the Company spent $443,953 (Q1 2022 – $894,441) at Tres Cruces, primarily on community relations activities, environmental monitoring and general maintenance of the Project. All of these costs were capitalized in exploration and evaluation properties.

5. Selected Annual and Quarterly Information

The following selected financial data has been prepared in accordance with IFRS. This table should be read in conjunction with the Company's audited consolidated financial statements.

	2022	**2021**	**2020**
Loss for the year	(3,137,356)	(19,424,280)	(1,369,678)
Basic and diluted loss per share	($0.07)	($0.63)	($0.05)
Total assets	14,938,357	16,396,616	2,244,142
Total liabilities	517,364	274,784	125,368
Total shareholders' equity	14,420,993	16,121,832	2,118,774

Results for the eight most recent quarters ending with the last quarter ended March 31, 2023:

For the quarterly periods ending	March 31 2023	December 31 2022	September 30 2022	June 30 2022
Loss for the quarter	(377,029)	(1,596,454)	(315,864)	(590,047)
Basic loss per share	($0.01)	($0.04)	($0.01)	($0.01)
For the quarterly periods ending	March 31 2022	December 31 2021	September 30 2021	June 30 2021
Loss for the quarter	(634,991)	(18,268,870)	(578,372)	(327,497)
Basic loss per share	($0.02)	($0.44)	($0.02)	($0.01)

Quarterly Results - General Trend

In August 2022, the Company temporarily suspended drilling operations at Tres Cruces in an effort to conserve cash while discussions with third parties regarding a potential transaction were advanced. In December 2022, the Company further reduced its expenditures at Tres Cruces and does not anticipate an increase in expenditures at Tres Cruces until further drilling is planned. For 2023, corporate expenses are expected to be consistent with or slightly lower than prior quarters as certain cost cutting measures were also implemented at head office. Transaction costs are expected to increase as a result of the Company entering into an arrangement with Steppe Gold Ltd. on May 8, 2023.

6. Liquidity and Capital Resources

During the quarter ended March 31, 2023, the Company's cash position decreased by $980,089 mainly as a result of funding outstanding year-end payables, funding community relations activities and general maintenance at its Tres Cruces project, and funding corporate expenses, including costs incurred with the transaction with Steppe Gold Ltd. As at March 31, 2023, the Company's cash position was $3,847,183 (December 31, 2022 – $4,827,272) and its working capital was $3,914,300 (December 31, 2021 – $4,723,481).

The Company commenced its Phase I drilling program at Tres Cruces in May 2022. The drilling program was designed to support a feasibility study on the Tres Cruces Oxide Project as well as to test the depth potential of the underlying sulphides, where many holes drilled by Barrick, the previous operator, ended in promising gold and silver mineralization. The drilling program was put on hiatus in August 2022 in an effort to conserve cash while discussions regarding a potential transaction were advanced.

In August 2022, the Company commenced meaningful discussions with a certain party (the "Counterparty") regarding a possible transaction that could provide several strategic benefits to Anacortes, including a logical fit of quality assets, near-term production and cash flow generation, and a stronger financial position to fund the development of Tres Cruces. A non-binding letter of intent (the "LOI") was executed with the Counterparty, which included a commitment for Anacortes to deal exclusively with the Counterparty. Given the compelling terms of the LOI, the Company agreed to enter into exclusive negotiations for a limited period of time and to conduct extensive due diligence and negotiate a definitive agreement.

Execution of the definitive agreement and closing of the transaction, as contemplated in the LOI, was conditional upon the resulting issuer securing the necessary working capital to advance its assets upon closing. The Counterparty worked diligently with various capital providers to obtain a favourable financing commitment, but by December 2022, given the length of engagement with the Counterparty, the Company decided to let the exclusivity period lapse in order to investigate other alternatives that also have the potential to provide Anacortes shareholders with meaningful value-generating opportunities.

On March 6, 2023, the Company entered into a binding letter of intent with Steppe Gold Ltd. ("Steppe Gold") pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of Anacortes by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), in an all-share transaction (the "Transaction"). On May 8, 2023, the Company entered into an arrangement agreement (the "Arrangement Agreement") with Steppe Gold to formalize the terms of the Transaction. Under the terms of the Arrangement Agreement, Anacortes shareholders will receive 0.4532 of a Steppe Gold common share (each, a "Steppe Common Share") for each Anacortes Common Share, which represents consideration of approximately C$0.48 per Anacortes Common Share and a premium of 36% based on the closing prices of the Anacortes Common Shares on the TSX Venture Exchange (the "TSXV") and the Steppe Common Shares on the Toronto Stock Exchange (the "TSX"), each as of the close of trading on March 3, 2023, the date that the Transaction was publicly announced.

There is no assurance that the transaction with Steppe Gold will close. The Company is currently sufficiently capitalized to cover its current corporate and Tres Cruces expenditures through at least the end of 2023, but as Tres Cruces is not in commercial production, it does not generate cash from operations and the Company does not have other sources of income other than interest on its cash holdings. The Company does not have sufficient funds to fully develop Tres Cruces, achieve commercial production and produce gold and other metals economically. Although the Company was successful in raising gross proceeds of over $22 million in July 2021, there can be no assurance that future funding will be available to the Company when needed or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may not be able to develop Tres Cruces and achieve commercial production. Even if adequate funds are available, there is no guarantee that Tres Cruces will achieve commercial production and generate positive future cash flows.

(Expressed in Canadian dollars)

7. Outstanding Share Data

There were 42,582,118 common shares outstanding at March 31, 2023 and as of the date of this report.

Stock Options

The following stock options are outstanding and exercisable as of March 31, 2023 and as of the date of this report:

Number of Options		Exercise	Expiry Date	Contractual Life of Options Remaining
Outstanding	**Exercisable**	**Price**		**in Years** (at Mar 31, 2023)
1,800,000	1,762,500	$2.40	October 12, 2026	3.54
225,000	225,000	$2.40	February 2, 2027	3.85
1,950,000	1,800,000	$0.40	December 23, 2027	4.73
3,975,000	3,787,500			

Warrants

The following warrants are outstanding as of March 31, 2023 and as of the date of this report:

Number of Warrants	Exercise Price	Expiry Date	Contractual Life of Warrants Remaining in Years (at March 31, 2023)
1,744,500	$0.52	August 8, 2023	0.36
815,138	$0.88	May 7, 2023	0.10
4,591,354	$3.30	July 21, 2023	0.31
550,668	$2.40	October 5, 2023	0.52
354,166	$3.30	October 5, 2023	0.52
8,055,826			

8. Related Party Transactions

During the three months ended March 31, 2023 and 2022, the Company's related parties consisted of executive officers and directors ("Key Personnel") and private companies owned by Key Personnel. The following table represents the details of related party transactions paid or accrued to the above companies and to Key Personnel for the three months ended March 31, 2023 and 2022:

		Three months ended	
	Note	**March 31, 2023**	March 31, 2022
Exploration and evaluation properties	(i)	**-**	75,972
Salaries and benefits		**133,168**	135,248
Share based payments		**-**	97,820
Directors' fees		**28,750**	28,750
		$ 161,918	$ 337,790

(i) During the three months ended March 31, 2022, $75,972 was paid to the President of Aurifera Tres Cruces as salary in connection with the Company's Tres Cruces project.

As at March 31, 2023, $37,268 (December 31, 2022 – $3,329) was due to related parties. Any amounts payable to related parties are non-interest bearing and due on demand.

9. Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements during 2022 and 2023 and up until the date of this report.

10. Proposed Transactions and Subsequent Events

On May 8, 2023, the Company entered into an arrangement agreement (the "Arrangement Agreement") with Steppe Gold Ltd. ("Steppe Gold") pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of Anacortes (the "Anacortes Common Shares") by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), in an all share transaction (the "Transaction").

Under the terms of the Arrangement Agreement, Anacortes shareholders will receive 0.4532 of a Steppe Gold common share (each, a "Steppe Common Share") for each Anacortes Common Share, which represents consideration of approximately C$0.48 per Anacortes Common Share and a premium of 36% based on the closing prices of the Anacortes Common Shares on the TSX Venture Exchange (the "TSXV") and the Steppe Common Shares on the Toronto Stock Exchange (the "TSX"), each as of the close of trading on March 3, 2023, the date that the Transaction was publicly announced. On the closing of the Transaction, shareholders of Steppe Gold and Anacortes will own approximately 81.3% and 18.7% of the combined company, respectively, on a basic basis.

The Transaction requires the approval of at least 66 2/3% of the votes cast by the shareholders of Anacortes present or represented by proxy at a special meeting of Anacortes shareholders scheduled for June 19, 2023 to consider the Transaction, and separate approval of at least a simple majority by Anacortes shareholders, excluding votes from certain shareholders, including Steppe Gold, as required by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. The Transaction does not require Steppe Gold shareholder approval.

In addition to the approval by Anacortes' shareholders, the Transaction is subject to the receipt of certain court and stock exchange approvals and the satisfaction of customary conditions precedent in transactions of this nature, as well as certain other specified conditions precedent set out in the Arrangement Agreement.

11. Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management in the preparation of these consolidated financial statements that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model, which incorporates market data and involves the input of highly subjective assumptions, including the volatility of share prices, and changes in subjective input assumptions which can materially affect the fair value estimate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiaries. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence by the subsidiary on the Company for financial support.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material adverse uncertainties related to future events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Exploration and evaluation properties

Management is required to make judgments on the status of each mineral property, the future plans with respect to finding commercial reserves, and indicators of impairment. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

12. Financial Instruments

As at March 31, 2023 and December 31, 2022, the Company's financial instruments are comprised of cash, trade payables and accrued liabilities and due to related parties. The carrying amount reported in the consolidated statements of financial position for these financial instruments approximate fair value due to the short-term maturities of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to concentration of credit risk with respect to its cash; however, the risk is minimized as cash is placed with major Canadian financial institutions.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to plan that it will have sufficient assets and cash flows to meet liabilities when due. As at March 31, 2023, the Company had working capital of $3,914,302 (December 31, 2022 - $4,723,481). As at March 31, 2023, the Company had trade payables and accrued liabilities of $332,607 (December 31, 2022 - $517,364).

c) Market Risk

Market risk is the risk that the fair value of future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and equity prices. Management closely monitors individual interest rate and foreign currency movements to determine the appropriate course of action to be taken by the Company.

d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant interest rate risk.

e) Foreign currency risk

The Company has certain assets and liabilities denominated in United States dollars that expose it to currency risk, as follows:

		March 31, 2023		December 31, 2022
Cash	**$**	**66,674**	$	357,497
Accounts payable		**(40,483)**		(189,519)
Net foreign exposure to US dollars	**$**	**26,191**	$	167,978

The Company's exposure to foreign currency risk arises primarily from fluctuations between the Canadian dollar and the US dollar. Cash held in US dollars as at March 31, 2023 is $66,674 and liabilities denominated in US dollars are $40,483. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

Based on the above net currency exposure as at March 31, 2023 and assuming all other variables remain constant, a 10% strengthening or weakening of the US dollar against the Canadian dollar would result in $3,544 increase/decrease of foreign exchange gain or loss in the Company's consolidated statements of loss and comprehensive loss.

f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any significant price risk.

13. Risk Factors

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. The following are the risk factors most applicable to the Company.

13.1 Financial

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. As at March 31, 2023, the Company has incurred losses since inception and has an accumulated operating deficit of $59,003,869. The continuation and long-term viability of the Company remains dependent upon its ability to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations.

13.2 *Industry*

Exploring and developing mineral resource projects bears a high potential for a variety of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is not feasible or practical to proceed.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

13.3 Metal Prices

The principal activity of the Company is the exploration and development of gold resource properties. The feasible development of such properties is highly dependent upon the price of gold. A sustained and substantial decline in commodity gold prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors which could affect gold commodity prices in order to assess the feasibility of its resource projects.

13.4 Political Risk

The resource properties on which the Company is pursuing its exploration and development activities are all located in Peru, South America. The political climate is considered by the Company to be generally stable but it is currently going through a period of uncertainty. To alleviate such risk, the Company funds its Peru operations on an as-needed basis. The Company does not presently maintain political risk insurance for its foreign exploration projects.

13.5 Environmental and Governmental Regulations

The current and future operations of the Company, including development activities, construction and commercial production of its Tres Cruces project, may require permits from various state and local governmental authorities in Peru. Such operations are and will be governed by laws and regulations governing development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. The Company may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

The Company believes it is currently in substantial compliance with all material laws and regulations that currently apply to its activities, particularly those in the Quiruvilca Mining District where Tres Cruces is located. There can be no assurance, however, that all permits which the Company may require for the conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in the imposition of fines or issuance of clean up orders in respect of the Company or its projects. Such legislation may be changed to impose higher standards and potentially more costly obligations. The Company endeavours to operate in such a manner to ensure it conforms to the standards and government regulations required for each jurisdiction in which it operates.

13.6 Financing

As the Company does not have production activities, the ability to fund ongoing exploration is affected by the availability of financing. Due to market uncertainty and volatility, the Company may be restricted in its ability to raise additional funding.

The impact of these factors on the Company is still not determinable. However, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. In particular, there may be heightened risk of mineral property impairment and going concern uncertainty.

14. Forward-looking Statements

This MD&A contains forward-looking statements which constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. All statements included herein, other than statements of historical fact, are forward-looking statements and are subject to a variety of known and unknown risks, uncertainties and other factors, many of which are beyond the ability of the Company to control or predict and which could cause actual events or results to differ materially from those expressed or implied in the forward-looking statements. These risks include changes in general economic conditions and financial markets; political risks; risks relating to the current and potential adverse impacts of the COVID-19 pandemic on the economy, financial markets and the Company’s operations; and risks inherent in mineral exploration and development. Accordingly, the reader should not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A may include, without limitation, statements about the Company’s belief that Tres Cruces has exceptional exploration potential at depth, its intent to advance the development of the oxide resource, its expectation that its proposed drill programs can test the extent of the deposit and increase confidence in the resource, the design of the project as contemplated in the PEA, the Company’s plans to conduct an extensive metallurgical program and its expectation that such a program would confirm recovery and, finally, the Company’s intent to advance Tres Cruces through feasibility and to production under a heap leach open-pit scenario. Often, but not always, these forward-looking statements can be identified by the use of words such as “anticipated”, “estimated”, “potential”, “open”, “future”, “assumed”, “projected”, “used”, “detailed”, “has been”, “gain”, “planned”, “reflecting”, “will”, “containing”, “remaining”, “to be”, or statements that events “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking statements may also relate to future outlook and anticipated events, such as the consummation and timing of the transaction between Anacortes and Steppe Gold (the “Transaction”); the required shareholder and regulatory approvals; the satisfaction of the conditions precedent to the Transaction; the strengths, characteristics and potential of the resulting company; and discussion of future plans, projections, objectives, estimates and forecasts and the timing related thereto.

Forward-looking statements are based on information available at the time those statements are made and/or management’s good faith belief as of that time with respect to future events. Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, the Company assumes no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

15. Approvals

The technical content of this MD&A has been reviewed and validated by James (“Jim”) Currie, P. Eng., a qualified person as that term is defined in National Instrument 43-101. Mr. Currie is the President and CEO of Anacortes Mining Corp.

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

16. Additional Information

Additional information about the Company may be found on the SEDAR website at www.sedar.com.