Trek Mining Inc.

Management's Discussion and Analysis
June 30, 2017

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations is intended to supplement the unaudited condensed consolidated interim financial statements of Trek Mining Inc. (the "Company" or "Trek Mining") for the three- and six-month periods ended June 30, 2017 and the related notes thereto, which have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com.

This MD&A is prepared by management and approved by the Board of Directors as of August 28, 2017. This discussion covers the three- and six-month periods ended June 30, 2017 and the subsequent period up to the date of issue of the MD&A. All dollar amounts are in United States ("US") dollars, except where otherwise noted. The Company had a change in its functional currency on January 1, 2016 from the Canadian dollar to the US dollar.

Information on risks and uncertainties associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral reserves and resources, are contained in the Company's most recently filed technical report, "Feasibility Study on the Aurizona Gold Mine Project, Maranhão, Brazil" (the "Feasibility Study" or the "Technical Report") dated July 10, 2017.

This MD&A contains forward-looking statements. Readers are cautioned as to the risks and uncertainties related to the forward-looking statements and are directed to those risks and uncertainties discussed in the Joint Management Information Circular dated February 22, 2017 and the 2016 annual MD&A dated April 26, 2017, both of which are filed on SEDAR.

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Company overview

Trek Mining is a growth-focused mining company with a portfolio of production, near-production and exploration-stage projects in North and South America. The Company's principal assets are its past-producing, 100%-owned Aurizona gold project in Brazil ("Aurizona" or "Aurizona Project"), its 75% interest in the Koricancha gold milling operation in Peru ("Koricancha") and its 100%-owned Warintza copper-molybdenum exploration property in Ecuador ("Warintza"). The Company also holds 100% of the Ricardo copper-molybdenum exploration property in Chile ("Ricardo") and 100% of the resource-bearing Elk Gold project ("Elk Gold") in Canada, and is actively evaluating additional mineral properties. The Company is listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol "TREK".

Trek Mining was created on March 31, 2017 upon completion of a business combination with Luna Gold Corp. ("Luna Gold"), following which the Company changed its name from JDL Gold Corp. ("JDL Gold") to Trek Mining.

Interim MD&A quarterly highlights

Exploration and operations

- Confirmed extension of gold mineralization of deposit 300 metres west of existing reserve
- Sale of 2,545 ounces of gold from Koricancha

Summary

The Company's focus for Q2 2017 was advancing the Feasibility Study, the results of which were released in July 2017, commencing the Aurizona exploration program, and continuing with the ramp-up of Koricancha.

Exploration

In May and June 2017, the Company announced early, interim results of its 30,000-metre exploration drill program. Step-out holes located up to 300 metres west ("Piaba West") of the existing Piaba reserve confirmed the presence of gold mineralization continues along strike and at depth. Results in at Piaba West included an intersection of 3.90 grams per tonne gold ("gpt Au") over 11.0 metres.

In June 2017, an additional 13 shallow step-out and infill drill holes totalling 1,486 metres at Piaba West encountered multiple broad intersections of gold mineralization making, Piaba West a potential 900-metre long extension of the Piaba gold deposit.

Operations

Koricancha continued its gradual ramp-up, selling 2,545 ounces of gold during the three months ended June 30, 2017. See "*Selected quarterly information*" for further explanation of Koricancha's results of operations.

Recent developments

- Feasibility Study results released
- EPCM contract awarded for development of Aurizona Project

On July 31, 2017, the Company released the results of the Feasibility Study for the Aurizona Project, which is based on a new mine plan and mineral reserve estimate and outlines the design of an open-pit gold mine producing an average of 136,000 ounces of gold per year, with an initial 6.5-year mine life and significant exploration upside. Using a base case gold price of $1,250 per ounce, the Aurizona Project demonstrates strong financial returns with an after-tax internal rate of return ("IRR") of 34% ($1,350 per ounce – IRR of 42%) and a net present value ("NPV") using a 5% discount rate of $197 million ($1,350 per ounce – NPV of $254 million), which does not include additional conversion of resource ounces beyond proven and probable reserves or new discoveries. Initial capital costs are estimated at $130.8 million due to the Company's ability to leverage significant existing infrastructure, with life-of-mine sustaining capital estimated at $51.3 million, including closure costs. All-in sustaining costs are estimated at $754 per ounce of gold produced.

In July 2017, the Company also appointed Ausenco Engineering Canada Inc. ("Ausenco") to provide engineering, procurement and construction management ("EPCM") services from Ausenco's Vancouver and Belo Horizonte offices for the expected development of the Aurizona Project.

Outlook

Aurizona Feasibility Study and development

The Company's primary focus is advancing Aurizona toward production, with the objective of pouring gold by year-end 2018. Early works activities are underway, including mobilization of contractors, demolishing unnecessary infrastructure and ordering some long-lead items. In Q3 2017 the Company expects to receive the necessary permit amendments required for mill expansion to 8,000 tonnes per day and also to arrange project construction financing, at which point Trek Mining's Board of Directors can approve the commencement of full-scale construction.

Aurizona exploration

During Q2 2017, the Company initiated a 30,000-metre diamond and reverse circulation drill exploration program. The purpose of the exploration program is to identify gold mineralization that can extend the Aurizona life-of-mine beyond what is included in the existing reserve of almost one million ounces. The program is focused on near-mine targets or 'brownfields exploration', immediately west of the existing Piaba pit and high-priority targets located along strike from existing reserves.

Concurrent with the Company's near-mine brownfields exploration program, the broader 'greenfields' Aurizona land package ("JV Greenfields") located outside of the Company's 100%-owned Aurizona Mine and brownfields concessions is being explored in a joint venture with AngloGold Ashanti Holdings plc ("AGA"). AGA has completed a 38,000 line-kilometre regional airborne magnetic survey over the entire land package and has mobilized a diamond drill rig with the expectation of drilling 18,000 metres on the JV greenfields in 2017. See "*Aurizona Gold Mine, Brazil*" for additional information regarding the AGA joint venture.

Koricancha operations

Koricancha processes ore purchased from small scale and artisanal miners throughout Peru. Operating activities resumed in late Q4 2016. The Company is implementing a number of strategies to increase its ore vendor base and gradually bring additional mineralized feed to the mill, with the objective of ultimately achieving the mill's processing capacity of 350 tonnes per day.

Warintza exploration

In recent months, the Company has been involved in discussions with various stakeholders regarding further exploration and development at Warintza. Trek Mining is expanding its local, regional and federal outreach programs, in cooperation with the government and the Shuar indigenous community, to establish the relationships and social support required to recommence Warintza exploration activities.

Business combination with Luna Gold

On March 31, 2017, the Company completed a business combination with Luna Gold (the "Luna Transaction"). Under the terms of the Luna Transaction, each outstanding share of Luna Gold was exchanged for 1.105 Trek Mining common shares (the "Luna Exchange Ratio") and holders of outstanding Luna Gold convertible securities are entitled to acquire common shares of Trek Mining based on the Luna Exchange Ratio.

The purpose of the Luna Transaction was to add a flagship, near-term production asset to the Company's portfolio of earlier stage assets. The combined company now has a strong cash position and a diverse portfolio of assets in the Americas, anchored by near-term production from Aurizona and increasing gold production from Koricancha. The key aspects of the Luna Transaction included the following:

1) Purchasing all the outstanding shares of Luna Gold and thereby acquiring its Aurizona gold project via the issuance of 48.4 million Trek Mining shares;
2) Raising $61.1 million, net of financing fees, in cash to fund exploration and development at Aurizona and to restructure the balance sheet. The cash was raised through the issuance of 41.7 million units(1), where each unit consists of one common share and one warrant(2).
3) Extinguishing all non-convertible debt of the combined company by:

a. Paying $20.8 million in cash to settle the short and long-term notes due to Pacific Road Resources Fund (“Pacific Road”); and

b. Issuing 19.5 million common shares and 8.5 million warrants[(2)] to settle a $25.5 million debt facility due to Sandstorm Gold Ltd. (“Sandstorm”).

(1) Each unit was priced at C$2.00. 31.7 million units were issued in a non-brokered private placement and 10.0 million units were issued via a brokered private placement.

(2) One warrant entitles the warrant holder to purchase one common share at a strike price of C$3.00. The warrants are publicly traded on the TSX-V under the ticker symbol TREK.WT and expire October 6, 2021.

In total, Trek Mining issued 109.6 million shares and 78.2 million warrants in connection with the Luna Transaction, related financing and debt repayments.

At the close of the Luna Transaction on March 31, 2017, and after settlement of the above-noted debts, Trek Mining’s balance sheet included $85.6 million in cash, cash equivalents and available-for-sale investments, and a convertible debenture due to Sandstorm of $26.8 million. The debenture is convertible at Trek Mining’s election based on the higher of C$0.90 and the 20-day volume weighted average price prior to conversion. See Note 10(a) of the Q2 2017 unaudited condensed consolidated interim financial statements for a description of the debenture.

Mineral and other projects

Aurizona Gold Mine, Brazil

Aurizona consists of a developed mine camp, past-producing open-pit operation, process plant and associated infrastructure. Aurizona constitutes a large land package totaling approximately 223,160 hectares that includes the Aurizona mining license, brownfields exploration properties close to the Aurizona mine site and earlier-stage greenfields exploration properties that are subject to an earn-in agreement with AGA. The brownfield properties, including the Piaba deposit, are subject to a graduated net smelter returns royalty (“NSR”) to Sandstorm that ranges from 3% to 5%, depending on the price of gold.

Aurizona produced a total of 329,042 ounces of gold over a period of five years from 2010 to 2015 at an average grade of 1.28 grams per tonne (“g/t”) gold and average recoveries of 88%. Mining operations ceased in February 2015 because the processing plant did not have a crusher and therefore could not economically process the transition and hard-rock material contained in the mineral reserves. Luna Gold finished processing available ore stockpiles and placed Aurizona on care and maintenance in Q3 2015. Since Q3 2015, Luna Gold was focused on redevelopment of Aurizona with the objective of restarting operations. Concurrent with decommissioning and care and maintenance of the processing plant, Luna Gold completed 15,142 metres of oriented core drilling, 3,264 metres of reverse circulation drilling and extensive metallurgical and technical work to gain a refined understanding of the ore body and a new 4D structural geology model. Luna Gold released the results of a Pre-feasibility Study for Aurizona in September 2016.

On July 31, 2017, Trek Mining released the results of the Feasibility Study. The Feasibility Study is based on a new mine plan and mineral reserve estimate and outlines the design of an open-pit gold mine producing an average of 136,000 ounces of gold per year, with an initial 6.5-year mine life. The re-engineered mine plan for Aurizona includes an entirely new crushing and grinding circuit that will allow all known types of mineral bearing rock at Aurizona to be processed through the Company’s gold recovery plant. Processing capacity will also be increased from 5,500 tonnes per day to 8,000 tonnes per day. All major mine elements are already in place, including a tailings facility and waste dumps, a dedicated power line, camp offices and accommodations, water supply, roads and communications. While the majority of the back-end of the processing plant is fit for use following a refurbishment program, the new mine plan requires upgrades to the power substation, some upgrades to existing infrastructure and installation of the new crushing and grinding circuit, all of which is captured in the $130.8 million capital cost estimate. The Company is also in the process of modifying its permits to allow for the increased throughput.

The Company will require additional capital to fund the redevelopment of Aurizona and achieve gold pour by year-end 2018. Management is in discussions with project finance lenders who could provide the additional capital that will be required to re-construct Aurizona.

Proven and probable mineral reserves for Aurizona were estimated in the Feasibility Study at 971,000 ounces of gold at an average grade of 1.52 g/t gold, with 392,000 ounces of gold in the Proven category contained in 8.4

million tonnes at a grade of 1.44 g/t gold and 579,000 ounces of gold in the Probable category contained in 11.4 million tonnes at a grade of 1.58 g/t gold. Measured mineral resources are estimated at 415,000 ounces of gold contained in 8.9 million tonnes at a grade of 1.46 g/t gold, with additional Indicated mineral resources estimated at 1,016,000 ounces of gold contained in 19.4 million tonnes at a grade of 1.63 g/t gold. Measured and Indicated mineral resources are inclusive of mineral reserves. Aurizona hosts additional inferred resources in the open pit of 45,000 ounces of gold contained in 880,000 tonnes at a grade of 1.61 g/t gold and underground inferred resources of 490,000 ounces of gold contained in 5.1 million tonnes at a grade of 2.99 g/t gold.

The current reserve and resource model for Aurizona outlines a 6.5-year mine life. The Company believes the mine life can be extended with exploration success. The current mineral reserves are contained within the Piaba and Boa Esperança deposits, both of which remain open along strike and to depth. The Piaba West target is an approximately 900-metre long westerly extension of the Piaba pit. The Tatajuba target is situated on the same structure as the Piaba deposit and represents a potential additional four-kilometre extension along the Piaba Trend. The Company plans to drill up to 30,000 metres at near-mine targets in 2017 with the objective of expanding the Aurizona resource base and extending the mine life.

In addition to the near-mine targets, surface mapping and sampling and limited drilling have identified a number of promising drill targets and more than 50-kilometre of cumulative strike of structures with anomalous to high-grade soil and rock geochemistry, which provide exploration opportunities longer term.

The broader Aurizona land package is being explored in a joint venture with AGA. As per the joint venture agreement, AGA can earn a 70% interest in the 191,400-hectare JV Greenfields land package by spending $14.0 million on exploration expenditures over a four-year period, with a minimum $2.0 million commitment in the first year. AGA commenced exploration in August 2016 and has exceeded its year-one minimum expenditure commitment. A regional airborne magnetic survey (38,000 kilometres total) was completed in March over the entire land package, including Trek Mining's brownfields properties and the Aurizona Mine, and processing of the data is currently underway. In parallel, work programs have focused on environmental permitting for the drilling program, geologic mapping of drill targets and regional soil geochemistry. Two drill rigs were mobilized in March 2017 with plans to complete 18,000 metres of drilling in 2017. Trek Mining will receive all data from AGA's exploration activities, which will focus drilling for Trek Mining's near-mine and brownfields exploration programs.

The JV Greenfields are also subject to a 2% NSR to Sandstorm, subject to the Company's right to reduce the NSR to 1% for $10.0 million prior to commercial production. The Aurizona Mine license and brownfields properties are subject to a gold price dependent sliding scale 3% to 5% NSR to Sandstorm.

Koricancha, Peru

The Company holds a 75% interest in Koricancha and also owns an 8% cost of goods sold royalty. Costs of goods sold includes all direct and indirect costs associated with operation of the mill. The remaining 25% interest in Koricancha is held by the Company's joint venture partner, EMC Green Group, S.A. ("EMC"), a private Peruvian company. Koricancha processes gold bearing material purchased from small scale and artisanal miners in Peru at a discount to the prevailing market price. The gold and silver produced is then sold at spot prices for Koricancha's account. Subsequent to the acquisition of Koricancha in October 2016, the Company resumed ramping up operations and intends to gradually increase throughput.

The Company has a precious metals sales agreement to sell a portion of refined gold produced by Koricancha (the "Gold Sales Agreement"). In exchange for delivering 3.5% of gold ounces that are milled and processed by Koricancha, the Company received an upfront deposit totaling $5.0 million (the "Upfront Deposit"). In addition to the Upfront Deposit, the Company receives a payment equal to $100 per ounce of gold delivered pursuant to the Gold Sales Agreement. Once the gold ounces delivered pursuant to the agreement multiplied by the difference between the market price and $100 per ounce ("gold sales cash flow") exceeds $6.0 million, the percentage of gold ounces delivered will be reduced from 3.5% to 2.1%.

Warintza Property, Ecuador

Warintza is located in southeastern Ecuador, in the province of Morona Santiago, 40 kilometres north of the Mirador copper-gold development project. Warintza is a 100%-owned copper-molybdenum porphyry deposit consisting of mineral concessions (the "Warintza Concessions") that cover a total of 26,777 hectares. 10,000 hectares of the Warintza Concessions are subject to a 2% NSR held by Billiton Ecuador B.V.

Over the past several months the government of Ecuador has been increasing efforts to encourage sustainable and responsible mining in the country. The Company has been involved in a number of discussions with various stakeholders to allow for further exploration and development of the project.

Ricardo Property, Chile

The Company holds a 100% interest in Ricardo, an exploration-stage porphyry copper prospect located in the Chuquicamata mining district of Northern Chile. The project is located along the West Fissure Fault, a crustal structure that extends for 5,000 kilometres from Chile through Peru and hosts numerous world-class porphyry deposits including Chuquicamata, Escondida and Zaldivar. Collectively, the Chuquicamata mining district hosts more than 130 million tonnes of copper in current resources and past production. The Ricardo claim block consists of approximately 16,000 hectares and is 25-35 kilometres south of Chuquicamata, which has produced more than 50 billion pounds of copper and has been in production since 1915. Geological evidence suggests that missing segments of Chuquicamata may have been displaced southward along the West Fissure Fault into the southern portion of the Ricardo Property.

While Ricardo presents a compelling exploration opportunity, the Company will likely seek a partner to fund further exploration of this project.

Elk Gold Property, Canada

Elk Gold, located near Merritt, BC, is within the Similkameen Mining District and consists of 27 contiguous mineral claims and one mining lease covering 16,566 hectares.

Approximately 51,500 ounces of gold were produced from Elk Gold between 1992 and 1995 from a test pit and underground mining exploration. In 2014, a total of 6,597 tonnes of mineralized material with an average grade of 16.7 gpt gold was extracted from a bulk sample pit, for total production of 3,696 troy ounces of gold. The existing bulk sample permit allows for the extraction of 11,000 tonnes of mineralized material. Thus far 6,710 tonnes have been removed, leaving a permitted allowance of 4,290 tonnes of mineralized material.

The Company believes that Elk Gold has production and exploration potential and is considering its options to bring value from this project.

Financial results for the three- and six-month periods ended June 30, 2017

Selected unaudited consolidated results for the three- and six-month periods ended June 30, 2017 and 2016 are summarized below:

$ in millions, except per share amounts	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue	$ 3.2	$ -	$ 5.8	$ -
Cost of sales	3.8	-	(6.8)	-
Gross margin (loss)	(0.6)	-	(1.0)	-
Care and maintenance expenses	3.1	-	3.1	-
Exploration expenses	2.5	0.2	3.0	0.6
Corporate administration	2.3	0.1	3.3	0.3
Loss from operations	(8.5)	(0.3)	(10.3)	(0.9)
Other income (expenses)	20.0	(0.6)	24.4	(0.9)
Net income (loss)	11.5	(0.9)	14.1	(1.8)
Other comprehensive income (loss)	-	-	0.3	0.4
Comprehensive income (loss)	11.5	(0.9)	14.4	(1.4)
Net income (loss) per share attributable to Trek Mining shareholders:				
Basic	$ 0.07	$ (0.05)	$ 0.12	$ (0.13)
Diluted	0.03	(0.05)	0.06	(0.13)

As a result of two business combinations, one in Q4 2016 and the Luna Transaction in Q1 2017, variances between the financial results for the three- and six-month periods ended June 30, 2017 and 2016 are not readily comparable. The comparison of quarter-by-quarter variances included in the following section is more relevant.

Selected quarterly information

The following tables set out selected unaudited consolidated quarterly results for the last eight quarters through June 30, 2017:

$ in millions, except per share amounts	June 30, 2017	March 31, 2017	December 31, 2016[1]	September 30, 2016
Revenue	$ 3.2	$ 2.6	$ 1.1	$ -
Cost of sales	3.8	3.0	2.3	-
Gross margin (loss)	(0.6)	(0.4)	(1.2)	-
Care and maintenance expenses [2]	3.1	-	-	-
Exploration expenses	2.5	0.4	0.2	0.2
Corporate administration	2.3	1.0	0.7	0.2
Loss from operations	(8.5)	(1.9)	(2.1)	(0.4)
Other income (expenses)	20.0	4.4	1.9	(0.3)
Net income (loss)	11.5	2.6	(0.2)	(0.7)
Other comprehensive income (loss)	(0.0)	0.4	0.3	(0.1)
Comprehensive income (loss)	11.5	3.0	0.1	(0.8)
Net income (loss) per share attributable to Trek Mining shareholders:				
Basic	$ 0.07	$ 0.04	$ 0.01	$ (0.05)
Diluted	0.03	0.02	0.01	(0.05)

$ in millions, except per share amounts	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Exploration expenses	$ 0.2	$ 0.4	$ 0.4	$ 1.6
Corporate administration	0.1	0.2	0.3	0.2
Loss from operations	(0.3)	(0.6)	(0.5)	(1.9)
Other (expenses) income	(0.6)	(0.3)	0.1	(0.1)
Net loss	(0.9)	(0.9)	(0.4)	(2.0)
Other comprehensive (loss) income	(0.0)	0.3	(0.3)	(0.6)
Comprehensive loss	(0.9)	(0.6)	(0.7)	(2.6)
Net loss per share attributable to Trek Mining shareholders basic and diluted	$ (0.05)	$ (0.08)	$ (0.07)	$ (0.23)

(1) There are no comparative results for revenue, cost of sales and gross margin (loss) prior to Q4 2016 as Koricancha was acquired in Q4 2016.

(2) There are no comparative results for care and maintenance expenses as Aurizona was acquired on March 31, 2017.

Revenue for Q2 2017 was $3.2 million on sales of 2,545 ounces of gold, compared to revenue of $2.6 million for Q1 from the sale of 2,117 ounces of gold.

Koricancha purchases all mill feed that it processes from third-party vendors. During the three months ended June 30, 2017, it purchased 5,662 tonnes, compared to 3,524 tonnes purchased in the preceding three months. Ore sourcing during the three months ended March 31, 2017 was negatively impacted by higher than normal rainfall in Peru that affected the ability of its vendors to mine and transport material. The focus for the remainder of 2017 is to increase purchases of mineralized feed that will allow for increased throughput in the plant and greater gold production and sales.

Cost of sales reflect expenditures by Koricancha to purchase mineralized mill feed, processing costs and general and administration expenses at Koricancha incurred in the production of gold and silver. The majority of these costs are comprised of mineralized mill feed purchase costs and consumption materials such as fuel, reagents and spares. Plant and administrative payroll and contracts for various services on site make up the remaining balance.

Cost of sales also includes amortization associated with the Koricancha plant. Cost of sales before inventory adjustments can vary on a quarter-by-quarter basis, subject to throughput, changes in input costs and foreign currency fluctuations. Koricancha gold sales started in December 2016. All start-up expenditures incurred in Q4 2016 were expensed.

Corporate administration in Q2 2017 increased to $2.3 million from $1.0 million in Q1 2017. The Company experienced the following quarter-on-quarter increases from Q1 to Q2: $0.5 million in salary and wages for additional staff from the Luna Transaction; $0.2 million in marketing and travel; $0.2 million in TSX-V listing fees and various corporate overheads such as professional fees and software licensing; and $0.2 million in share-based compensation expenses.

During Q2 2017, the Company recorded a non-cash $20.2 million gain on change in fair value of derivative liabilities that is recorded in other income. The Company's share purchase warrants are considered derivatives as they are to be settled in Canadian dollars and the US dollar is the Company's functional currency. Accordingly, the Company's share purchase warrants are classified and accounted for as derivative liabilities at fair value through profit or loss. The fair value of the warrants is determined using the Black Scholes option pricing model at the period-end date or the market price on the TSX-V for warrants that are trading. The gain for the quarter results primarily from a decrease in the Company's share price at June 30, 2017 for those warrants that were issued and outstanding as of March 31, 2017 and June 30, 2017.

Other comprehensive loss in Q2 2017 is related to an decrease in the fair value of available-for-sale investments as at June 30, 2017 as compared to March 31, 2017.

Liquidity and capital resources

Working capital

At June 30, 2017, Trek Mining had $74.2 million in cash and marketable securities, consisting of $68.7 million in cash and cash equivalents and $5.5 million in available-for-sale investments, an increase from $40.6 million and $0.8 million, respectively, as at December 31, 2016. These balances include $1.7 million of cash and cash equivalents and $4.0 million of available-for-sale investments acquired from Luna Gold as part of the Luna Transaction.

Working capital was $66.0 million, up from $44.6 million as at December 31, 2016. The primary reason for the increase in cash and working capital was the completion of the non-brokered and brokered private placements in conjunction with the Luna Transaction.

As at June 30, 2017, accounts receivable and deposits were $6.5 million (December 31, 2017 - $3.4 million) and composed of $3.5 million of value-added taxes receivable from the Peruvian government, $0.6 million of income taxes receivable from the Brazilian government, $0.2 million in miscellaneous receivables and $2.2 million of advances and prepaid expenses.

Inventory at June 30, 2017 totalled $2.5 million, up from $1.2 million at December 31, 2016. As at June 30, 2017, there was supplies inventory of $0.5 million, work-in-process of $1.5 million, and finished goods of $0.6 million (December 31, 2016 - $0.1, $1.1 and $nil million, respectively).

Included in current liabilities at June 30, 2017 is the current portion of the Company's convertible debenture of $13.1 million (December 31, 2016 - $nil). The amount is convertible at the Company's election and is due on June 30, 2018 and subject to a 19.9% ownership limitation by Sandstorm.

The Company has sufficient cash and working capital to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. However, the Company will require additional capital beyond the next 12 months to fund construction of new and expanded infrastructure at Aurizona and other activities to achieve a planned mine restart at Aurizona in late 2018. The Company's ability to continue as a going concern in the longer term is dependent on successful execution of its business plan, obtaining new debt or equity financing for Aurizona construction and ultimately generating net income and positive cash flow from mining and milling operations.

Cash flow

Operating cash outflows for Q2 2017 were $9.6 million (Q2 2016 - $0.4 million). The increase in cash outflows over the comparative quarter in 2016 is due to expenditure on care and maintenance for Aurizona, completion of the Feasibility Study, expenditures associated with the Aurizona exploration program, and an increase in corporate overheads due to the Luna Transaction. The Company was not involved in any of these activities in Q2 2016.

Cash flow used in investing activities for the three months ended June 30, 2017 was $1.2 million (three months ended June 30, 2016 – outflow of $nil) and relates to purchases of property and equipment at Aurizona.

In Q2 2017, the Company spent $1.3 million (Q2 2016 - $nil) in investing activities on property, plant and equipment.

There were no cash flows from financing activities in Q2 2017 (Q2 2016 - $nil).

Cash flows provided by financing activities in Q1 2017 totalled $40.6 million, compared to $1.8 million provided in Q1 2016. Financing activities during Q1 2017 included the brokered and non-brokered private placements that were completed in conjunction with the Luna Transaction that raised a combined $61.4 million, net of financing fees. Offsetting the funds raised from the private placements was the cash settlement of $20.8 million of debt acquired as part of the Luna Transaction. In addition, $0.3 million of warrants were exercised in Q1 2017.

Share capital transactions

See *"Business combination with Luna Gold"* for a description of the share capital issued in conjunction with the Luna Transaction.

The fair value of the warrants issued in conjunction with the Luna Transaction was calculated using the market price on the TSX-V. Of the total proceeds of $62.6 million, $14.1 was allocated to the warrants and $48.5 was allocated to common shares.

Commitments and contingencies

At June 30, 2017, the Company had the following contractual obligations outstanding:

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4–5 years	Thereafter
Convertible debenture	$ 30,000	$ 10,000	$ 10,000	$ 10,000	$ -	$ -	$ -
Interest on convertible debenture	6,357	4,827	1,019	511	-	-	-
Accounts payable and accrued liabilities	3,464	3,464	-	-	-	-	-
Lease commitments	687	305	242	107	33	-	-
Total	$ 40,508	$ 18,596	$ 11,261	$ 10,618	$ 33	$ -	$ -

The Company is a defendant in various lawsuits and legal actions, principally for alleged fines, taxes and labour related matters in Brazil. Management regularly reviews these lawsuits and legal actions with outside counsel to assess the likelihood that the Company will ultimately incur a material cash outflow to settle the claim. To the extent management believes it is probable that a material cash outflow will be incurred to settle the claim, a provision for the estimated settlement amount is recorded. As of June 30, 2017, the Company recorded a legal provision for these items totaling $1.5 million.

Outstanding share data

As at the date of this report, the Company had 177,948,248 common shares, 3,338,180 common shares issuable under stock options, 113,999,894 common shares issuable under share purchase warrants and 2,950,349 common shares issuable under restricted share units. The fully diluted outstanding share count is 298,236,671.

Related party transactions

Pacific Road and Sandstorm are shareholders and related parties of the Company. The long-term debt that was held by Pacific Road and Sandstorm and settled in conjunction with the Luna Transaction, as described in "*Business combination with Luna Gold*", were related party transactions.

Financial instruments, risks and uncertainties

Descriptions of financial instruments and types of risks and uncertainties that the Company is exposed to, and its objectives and policies for managing such risks, are included in the Company's Joint Management Information Circular dated February 22, 2017 and 2016 Annual MD&A dated April 26, 2017, which are available on SEDAR at www.sedar.com.

Critical accounting policies and estimates

The Company's unaudited condensed consolidated interim financial statements are prepared in accordance with IFRS as issued by the IASB. The significant accounting policies applied and recent accounting pronouncements are described in Note 3 and Note 4 to the Company's 2016 annual audited consolidated financial statements, respectively.

In preparing the unaudited condensed consolidated interim financial statements in accordance with IAS 34, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Revisions to estimates and the resulting effects on the carrying values of the Company's assets and liabilities are accounted for prospectively. For a description of the critical judgements in application of accounting policies and information about assumptions and estimation uncertainties, refer to the Company's MD&A for the year ended December 31, 2016, which is available on SEDAR at www.sedar.com. Additional critical judgements applied in the preparation of the unaudited condensed consolidated interim financial statements include determining that the acquisition of Luna Gold is a business combination and that Trek Mining is the acquirer for accounting purposes, and determining the preliminary fair values of the assets and liabilities acquired as part of the Luna Transaction.

Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, the Company's management cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Recent accounting pronouncements

There were no changes in accounting policies during the three months or six months ended June 30, 2017. Several new and revised standards have been issued but are not yet effective. Please refer to Note 3 of the 2016 annual audited consolidated financial statements for details.

Forward-looking statements

This MD&A includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws ("forward-looking statements" and "forward-looking information" are collectively referred to as "forward-looking statements", unless otherwise stated). These statements appear in a number of places in this MD&A and include statements regarding the Company's intent, or the beliefs or current expectations of the Company's officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "believe", "anticipate", "estimate", "project", "intend", "expect", "may", "will", "plan", "should", "would", "contemplate", "possible", "objective", "anticipates", "seeks" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements may relate to the Company's future outlook and anticipated events, such as the Company's ability to achieve the results anticipated in the Aurizona Feasibility Study, planned development activities at Aurizona and timing of the anticipated restart of production, the Company's ability to complete the financing required to construct Aurizona, receipt and completeness of Aurizona permits, exploration results at Aurizona and the Company's ability to expand the resource base and extend the Aurizona mine life, Koricancha production and operations, and other statements regarding the Company's assets and the Company's future financial position, business strategy, budgets, litigation, projected costs, financial results, exploration results, taxes, plans and objectives. The Company has based these forward-looking statements largely on the Company's current expectations and projections about future events and financial trends affecting the financial condition of the Company's business. These forward-looking statements were derived using numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities that could cause the Company's actual results to differ materially from those in the forward-looking statements. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Accordingly, readers are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. 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, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. To the extent any forward-looking statements constitute future-oriented financial information or financial outlooks, as those terms are defined under applicable Canadian securities laws, such statements are being provided to describe the current anticipated potential of the Company and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions. 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. If the Company updates any one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect to those or other forward-looking statements. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

Technical information

David Laing, BSc, MIMMM, Trek Mining's COO, and Scott Heffernan, MSc, P.Geo. Trek Mining's EVP Exploration, are the Qualified Persons under National Instrument 43-101 for Trek Mining and have reviewed, approved and verified the technical content of this document.