Luna Gold Announces Results for the Third Quarter 2014

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VANCOUVER, BC--(Marketwired - November 13, 2014) - **Luna Gold Corp.** (TSX: LGC) (LMA: LGC) (OTCQX: LGCUF) ("Luna" or the "Company") today announced its operational and financial results for the third quarter ("Third Quarter") and nine-month period ("YTD") ending September 30, 2014. This news release should be read in conjunction with the unaudited interim consolidated financial statements and the Management's Discussion and Analysis dated September 30, 2014.

THIRD QUARTER 2014 RESULTS HIGHLIGHTS

- Revenue of $20.2 million, including sales to Sandstorm;
- Gold sales and production of 17,535 ounces and 20,188 ounces respectively;
- Total cash cost of production of $1,041, All-in sustaining cost of production of $1,118, All-in cost of $1,265 per ounce of gold produced;
- Cash flow from operating activities before changes in non-cash working capital of ($2.30) million ($0.02 per share);
- Net loss before impairment charge was ($8.35) million ($0.06 per share) and including the impairment charge was ($110.0) million ($0.83 per share); and
- As at October 31, 2014, Luna had a cash balance of approximately $22.3 million and 8,700 ounces of finished gold inventory, which was subsequently sold in November at $1,210 per ounce.

Third Quarter and YTD 2014 Highlights

		Q3 2014		YTD 2014
Gold production (ounces)		20,188		53,864
Gold sales, including sales to Sandstorm (ounces)		17,535		54,419
Finished gold inventory at September 30, 2014 (ounces)		8,437		8,437
Ratio of waste to ore		7.0		4.6
Net realized gold price received, including gold sales to Sandstorm (USD per ounce)	$	1,148	$	1,140
Total cash cost of production (USD per ounce)	$	1,041	$	969
All-in sustaining cost of production (USD per ounce)	$	1,118	$	1,069
All-in cost (USD per ounce)	$	1,265	$	1,222
Gross profit (USD millions)	$	(3.2)	$	5.9
Impairment of property, plant and equipment (USD millions)	$	(102.0)	$	(102.0)
Net loss (USD millions)	$	(110.4)	$	(102.8)
Loss per share - basic and fully diluted (USD)	$	(0.83)	$	(0.84)
Cash flow per share from operating activities before changes in non-cash working capital (USD)	$	(0.02)	$	0.04
Cash flow from operating activities before changes in working capital (USD millions)	$	(2.3)	$	4.3
Cash flow from operating activities after changes in working capital (USD millions)	$	(6.8)	$	(4.5)
Cash flow from financing activities (USD millions)	$	14.3	$	39.9
Cash payments on Phase I Expansion (USD millions)	$	(3.6)	$	(9.6)
Cash payments on sustaining capital (USD millions)	$	(1.1)	$	(3.0)
Cash payments for mineral property development (USD millions)	$	(0.5)	$	(2.4)
Cash balance at September 30, 2014 (USD millions)	$	22.2	$	22.2

Company Developments

- The Company completed a non-brokered private placement of 19,500,000 common shares priced at $1.02 per share, for gross proceeds of CAD $19.9 million as part of a strategic investment agreement with Sandstorm Gold Ltd. ("Sandstorm") which resulted in Sandstorm becoming the Company's largest shareholder. Pursuant to the Agreement, Sandstorm will have the right to maintain its ownership percentage through future private placements or public offerings and to appoint one member to the Company's Board of Directors if its ownership is greater than 15%. In connection with this transaction, David Awram, Senior Executive Vice President of Sandstorm, was appointed to the Company's Board of Directors. Mr. Luis ("Lucho") Baertl stepped down as Chairman of the Company's Board and was succeeded as Chairman by the Company's former Lead Independent Director, Mr. Steven Krause. Mr. Baertl remains a Director of the Company;
- The Company established a Special Committee (the "Special Committee") comprised of independent members of the Company's Board of Directors (Messrs. Wayne Kirk (Chairman), Steven Krause, Bill Lindqvist and Federico Schwalb) with a mandate to explore all strategic alternatives available to the Company to offer greater value to the Company's shareholders. The Special Committee has engaged Canaccord Genuity Corp. as its financial advisor and Blake, Cassels & Graydon LLP as its legal counsel to evaluate proposals and other alternatives and will provide advice and make recommendations to the Company's Board of Directors regarding any potential transactions;
- The Board of Directors adopted an advance notice policy regarding the nomination of directors (the "Advance Notice Policy") effective October 8, 2014. The purpose of the Advance Notice Policy is to provide shareholders, directors and management of the Company with direction on the procedure for shareholder nomination of directors. The Advance Notice Policy is the framework by which the Company seeks to fix a deadline by which registered or beneficial holders of common shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form. No person will be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy;
- Waste mining was a priority during Q3 2014 in order to properly develop the Piaba pit with enough width and operating room to expose sufficient tonnes of ore for Q4 2014 and enable the mine to build an ore stockpile of sufficient capacity for the 2015 rain season. This resulted in a ratio of waste to ore of 7.0 for Q3 2014. The Company plans to decrease the ratio of waste to ore during Q4 2014;
- The Company recognized an impairment charge of approximately $102.0 million related to the Aurizona Gold mine. The estimated net realizable value of the Aurizona Gold mine is based on the current and expected gold price over the foreseeable future and its estimated recoverable amount based on the latest operating parameters and assumptions, including an estimate of capital costs required to construct a hard rock processing circuit; and
- Peter Mah resigned from the positions of Executive Vice-President and Chief Operation Officer ("COO") of Luna Gold and the Company engaged JDS Energy and Mining Inc. ("JDS") to provide operational and technical support to address mining and processing deficiencies at the Aurizona Mine. JDS is a contract mining services firm providing engineering, construction, procurement and management solutions internationally.

OUTLOOK AND STRATEGY

Based on the nine months of 2014 gold production and average unit cash costs of production, the Company has revised its 2014 full year operating guidance as follows:

	2014 (new guidance)	2014 (previous guidance)
Gold production (oz)	73,000 - 78,000	75,000 - 80,000
Cash cost of production (USD/oz)	$925 - $975	$825 - $900
All-in Sustaining Cost (USD/oz)	$1,050 - $1,150	$915 - $1,010

Three and nine month All-In Sustaining Costs ("AISC") were $1,118 per ounce and $1,069 per ounce, respectively. At current gold prices of $1,165 per ounce and the Sandstorm gold stream of $404 per ounce, the Company receives an average of $1,035 per ounce of gold sold. These current negative operating margins are not sustainable in the long-term.

Accordingly, the Company has undertaken a process to determine the optimum production profile for sustained long life production at the Aurizona mine and prioritize allocation of its limited capital in order to right-size production in the current gold price environment. Many operational challenges require significant human and capital resources over the next several years. Technical challenges to stabilize and improve mining operations also include challenges with respect to the additional crushing and grinding circuit that will be needed to process the harder primary ore body in the future, the sustaining capital requirements to replace the aging plant and mining equipment and the need to recruit and retain qualified operational management at the site. Existing permits and licenses for the Aurizona operation and Luna Greenfields will require additional expenditures for renewal or updating to revise existing scope restrictions and, a number of new permits and licenses will be required to expand operations, including the hard rock circuit expansion, waste dumps, drilling and mining. The existing road to the village of Aurizona may require relocation to allow access to the western portion of ore body in the future, which will also require permitting and community support. The mine licence application for the Tatajuba ore body was submitted in March 2012 and remains under review by the Brazilian Mining Department. The Company is currently progressing the Environmental Impact Assessment for Tatajuba and is targeting to receive the mine licence in the second half of 2015.

Given the current state of gold markets and capital markets, the availability of the necessary financing to address these challenges being limited and the constraints imposed by time requirements, these challenges require a revision in the Company's strategic plan. Accordingly, the Board has approved the following strategy to address operational challenges in an economically sound manner in light of current market conditions with the objective of preserving and maximizing shareholder value:

- All non-essential capital programs have been halted. This includes the tailings dam raise, completion of Work Packages 1 and 2 of the Phase 1 expansion and refurbishment of mining equipment;
- Mining activity will be reduced from February 2015 onwards (to be determined by intensity of seasonal rains) to avoid the high costs associated with operating in the wet season. An ore stockpile, stored ahead of the plant, will be processed during the wet season. The target range for the stockpile is 485,000 to 630,000 tonnes of saprolite and transitional ore grading 1.2 grams per tonne; and
- Reductions in mine site personnel will be implemented to align the workforce to activities at the mine.

To address operational mining deficiencies, the Company engaged a mine management contractor from Canada and temporarily increased its contractor mine fleet. Improvements to pit access, main haulage and dump platforms increased productivity in all areas of the operation. Waste mining was a priority during the third quarter of 2014 in order to properly develop the Piaba pit with enough width and operating room to expose sufficient tonnes of ore for Q4 2014 and enable the mine to build an ore stockpile of sufficient capacity for the 2015 rain season. During the month of October, approximately 2.1 million tonnes of material was mined, of which 430,000 tonnes was ore, from the Piaba pit and 6,400 ounces of gold produced. The gold production target above is based on a mine plan designed to feed the existing plant with saprolite ore blend.

The mine management contractor has also been engaged to assist the Company's team to implement a water management program for the 2015 wet season. This water management program should be completed by the end of 2014.

The Company commenced its brownfield exploration program to expand resources and reserves, specifically targeting new saprolite mineralization and to improve its understanding of high grade mineralization controls and to sterilize footprints for future plant expansion, tailings and waste storage areas. To date, 6,930 metres in 76 holes have been drilled. The Company expects to spend $1.2 million in exploration in the fourth quarter of 2014.

Work on the Aurizona Phase II Expansion Prefeasibility Study ("PFSII") and the Aurizona NI 43-101 Resource and Reserve update ("Resource and Reserve Update") is continuing. The PFSII study will identify the Company's options to address the additional crushing and grinding circuit that will be needed to process the harder primary ore body in the future. The Resource and Reserve Update will utilize a lower gold price and incorporate improved geological modelling and information which are likely to result in changes to the previous Aurizona NI 43-101 Resource and Reserve estimates. Although additional work is required to finalize and publish the updated resource and reserves estimates, the improved modelling and lower gold price assumptions will result in a decrease to the Company's mineral resource and reserve estimates. The Company is working towards publishing its up-dated resource and reserve statement prior to April 30, 2015.

The Company and Sandstorm are in continuing consultations related to the potential modification of the Aurizona gold stream. The focus of the discussions is to explore opportunities that will increase long term value for both Sandstorm and the Company's shareholders in light of the challenging gold price environment. The goal is to improve the Company's access to capital, accelerate production and cash flow to both Sandstorm and the Company and advance the highly prospective brownfields and greenfields exploration targets. The Company is also in preliminary discussions with its corporate lenders Société Générale and Mizuho Corporate Bank.

During the quarter, the Company established a Special Committee comprised of independent members of the Company's Board of Directors with a mandate to explore all strategic alternatives, including the terms thereof, available to the Company to offer greater value to the Company's shareholders. The Special Committee will evaluate proposals and other alternatives and will provide advice and make recommendations to the Corporation's Board of Directors regarding any such potential transactions. Messrs. Wayne Kirk (Chairman), Steven Krause, Bill Lindqvist and Federico Schwalb have been appointed as members of the Special Committee.

There can be no assurance that this exploration process will result in any transaction. The Company does not currently intend to disclose further developments with respect to this process, unless and until its Board of Directors approves a specific transaction or otherwise concludes the review of strategic alternatives.

AURIZONA GOLD MINE - MARANHAO STATE, BRAZIL

Third Quarter and YTD Operating Results

	Three months ended September 30				Nine m		
(tabled monetary amounts are expressed in thousands of US dollars)	2014		2013		2014		
Mined waste - tonnes	3,498,544		1,287,572		5,467,097		
Mined ore - tonnes	500,081		499,383		1,193,375		
Ratio of waste to ore	7.0		2.6		4.6		
Ore grade mined (g/t)	1.38		1.28		1.48		
Cost per tonne mined (USD)	$ 3.09		$ 2.49		$ 3.78		$
Processed ore - tonnes	582,040		540,194		1,475,023		
Average grade processed (g/t)	1.30		1.32		1.29		
Average recovery rate %	88%		90%		88%		
Gold produced (ounces)	20,188		20,997		53,864		
Gold sales (ounces)	17,535		19,812		54,419		
Cash costs of production	USD per ounce	USD per tonne processed	USD per ounce	USD per tonne processed	USD per ounce	USD per tonne processed	
Mining	$ 561	$ 21	$ 233	$ 10	$ 447	$ 17	$
Processing	364	11	416	15	400	14	
Administration	89	3	67	3	90	3	
Refining and transport	20	1	22	1	21	1	
Royalties	7	1	13	1	11	-	
Total cash costs of productio(1)	$ 1,041	$ 37	$ 751	$ 30	$ 969	$ 35	$
Sustaining capital	55		90		56		
Brownfield exploration	22		-		44		
All-in sustaining costs	$ 1,118		$ 841		$ 1,069		$

Mining production

During the three and nine month periods ended September 30, 2014, total material mined (ore and waste) increased from the comparative periods of 2013 by 124% and 12%, respectively, primarily due to increased waste mining activities. The Company engaged a mine management contractor from Canada and temporarily increased its contractor mine fleet. Improvements to pit access, main haulage and dump platforms resulted in increases in operation efficiencies and productivity in all areas of the mine. Waste mining was a priority during Q3 2014 in order to properly develop the Piaba pit with enough width and operating room to expose sufficient tonnes of ore for Q4 2014 and enable the mine to build an ore stockpile of sufficient capacity for the 2015 rain season.

For the nine month period ended September 30, 2014, increased operational mining efficiencies and waste mining in Q3 2014 were partially offset by above average rainfall during Q2 2014 and lower than planned equipment availability, due to delays in receiving equipment maintenance parts from suppliers. This resulted in significant downtime on some of the mine fleet and the mine operation in general during the rain season. In contrast, total material mined for the comparative nine month period in 2013 benefited from drought conditions experienced at the Aurizona mine, which allowed for an opportunity to increase mine production in dry conditions.

The average ore grade mined in the three month and nine month period ended September 30, 2014 was higher than the comparative period of 2013 due to better and deeper access to the main area of the Piaba pit.

After adjusting for foreign exchange, cost per tonne mined were approximately 24% and 71% higher for the three and nine month periods ended September 30, 2014, respectively, compared to the same periods of 2013. Q3 2014 costs included costs associated with dewatering the pit and building proper water management systems to improve pit access during rainy periods. In addition, mining costs for the three and nine month periods were higher due to repairs and rebuilds on the mine equipment as all the mine equipment had achieved their maximum usage hours and required rebuilds to maintain operations.

Mill processing
Gold production during the three and nine month periods ended September 30, 2014 was 4% and 6% lower than the comparable periods of 2013. The decrease was due to lower grade ore processed through the mill and lower recovery.

Ore throughput for the three month period ended September 30, 2014 was higher than the comparable periods of 2013 due to process plant maintenance improvements resulting in higher plant availability. Ore throughput for the nine month period ended September 30, 2014 was higher than the comparable period in 2013 as the drought conditions that positively impacted mine operations in Q1 2013 had the opposite impact on processing ore due to a lack of water available for ore processing. There were no water shortage issues in Q1 2014 resulting in the increase in process plant availability. In addition, the ore stockpile was drawn down and processed through the mill in 2014.

The average ore grade processed for the three and nine month periods ended September 30, 2014 was lower than the comparable periods in 2013 due to the blending and processing of the lower grade ore stockpile. Recoveries in the three and nine month periods ended September 30, 2014 were lower due to an increase in the processing of laterite and transitional ore blends, resulting in additional lime requirements in the production process. Ore throughput in the process plant was also intermittent due to a lack of steady feed from the mine and increases in waste being processed. A combination of these items resulted in a negative impact to recoveries.

Cash costs of production
The Company's results are subject to seasonal variation, in particular the wet season in Northeastern Brazil. The wet season generally starts in January and continues through June, with the heaviest rainfall normally experienced in the months of March to May. As a result of the wet season, pit access and the ability to mine ore will be lower in this period than other periods of the year and the unit cost of production will also be higher. To address this issue, the Company mines ore and waste at higher elevations within the pit in the wet season and stockpiles ore in the dry season ahead of the wet season for processing.

The total cash cost of production was 38% and 28% higher for the three and nine month periods ended September 30, 2014 compared to the same periods in 2013. For the three month period ended September 30, 2013, foreign exchange movements between the US dollar and the Brazilian Real had a negative impact of approximately $6 per ounce compared to the 2013 period. For the nine month period ended September 30, 2014, the strengthening of the US dollar in relation to the Brazilian Real had a positive impact on the total cash costs for nine month period ended September 30, 2014 of approximately $78 per ounce compared to the 2013 period.

After adjusting for foreign exchange movements, the mining costs per ounce produced in the three and nine month periods ended September 30, 2014 were higher by approximately 139% and 111%, respectively compared to the same periods of 2013. Higher costs associated with increased waste mining activities, such as hauling and loading costs, stockpile and waste dump management costs, contractor mining costs, equipment rental and mobile maintenance costs and water management activities all led to the increase in costs. Waste mining was a priority during Q3 2014 in order to properly develop the Piaba pit with enough width and operating room to expose sufficient tonnes of ore for Q4 2014 and enable the mine to build an ore stockpile of sufficient capacity for the 2015 rain season.

After adjusting for foreign exchange movements, processing costs per ounce produced in the three month period ended September 30, 2014, were approximately 13% lower than the comparative period of 2013. During Q3 2013, there was a one-time non-recurring consumable inventory write-off of approximately $0.8 million having an impact of approximately $38 per ounce as well as higher plant maintenance costs. After adjusting for foreign exchange movements, processing costs per ounce produced in the nine month period ended September 2014 were approximately 5% higher than the comparative period of 2013. The increase in the average process cost per ounce produced was due to the processing of the lower grade stockpile and lower recoveries due to higher leaching costs related to the increase in laterite and transitional ore processed as well intermittent ore throughput due to a lack of steady feed from the mine in Q2 2014.

The administration cost per ounce produced for the three and nine month periods ended September 30, 2014 was higher than the comparative periods of 2013 primarily due to lower gold production and inflation related salary increases.

Refining and transportation costs were lower due to a change in gold refineries in 2014.

Royalty costs for the three and nine month periods ended September 30, 2014 are lower compared to the same periods in 2013 as a result of a lower average realized gold price.

The total all-in sustaining cost of production was higher by 33% and 17% for the three and nine month periods ended September 30, 2014, as compared with the same periods of 2013. The higher AISC was the result of higher cash cost of production and higher brownfield exploration activities partially offset by deferring all non-essential sustaining capital projects to the future on an as-needed basis.

After adjusting for foreign exchange, total cost per tonne processed was 21% and 16% higher in the three and nine month periods ended September 30, 2014, respectively, compared to the same periods of 2013. This was generally due to the higher mining costs associated with higher waste mining activity which were partially offset by a higher volume of ore tonnes processed through the mill.

On a cost per tonne processed basis, the total cost per tonne processed was higher than the comparative periods in 2013 due to the increased waste stripping and the cost per tonne mined. However, processing costs were lower due to improvements in maintenance of the plant, increased plant availability and lower consumable prices and administration costs remained similar period on period.

Exploration

The Company commenced brownfields drilling activities for condemnation and new resource discovery programs. The objectives of this drilling program are to expand resources and reserves, specifically targeting new saprolite mineralization, to better understand high grade mineralization controls, and to sterilize footprints for future plant expansion, and for tailings and waste storage areas.

Condemnation drilling was completed on areas required for near term waste dump solutions with results confirming the areas were not mineralized and suitable for waste storage.

Resource discovery drilling commenced with 6,930 metres in 76 holes being drilled to date. Drill hole samples have been sent off site for assaying and results are expected in Q4. The Company expects to spend $1.2 million in exploration in the fourth quarter of 2014.

Permitting

The mine licence application for the Tatajuba claim was submitted in March 2012 and remains under review by the Brazilian Mining Department. The Company is currently progressing the Environmental Impact Assessment ("EIA-RIMA") and is targeting to receive the mine licence in the second half of 2015.

CONFERENCE CALL DETAILS

The Company will also host a conference call at 9:00 a.m. Pacific Time on Friday November 14 2014, where Management will review the financial and operational results for the Third Quarter.

Conference Call Dial-In Details

Toll Free (North America):	+1 800 396 7098
Toronto Local and International:	+1 416 695 6616
Webcast:	www.gowebcasting.com/5934

A replay of the call will be available on Luna's website, www.lunagold.com.

About Luna Gold Corp.

Luna is a gold production company engaged in the operation, expansion, and exploration of gold projects in Brazil.

On behalf of the Board of Directors

Luna Gold Corp.
Geoff Chater - President and CEO

Forward-Looking Statements
This release contains certain "forward looking statements" and certain "forward looking information" as defined under applicable Canadian and U.S. securities laws. Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue", "plans" or similar terminology. Forward-looking statements include, but are not limited to, statements with respect to future gold production and/or the results of analysis on gold production. Forward-looking statements are based on forecasts of future results, estimates of amounts not yet determinable and assumptions that while believed by management to be reasonable, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are subject to various risks and uncertainties concerning the specific factors identified in Luna Gold Corp.'s periodic filings with Canadian Securities Regulators. These factors include the inherent risks involved in the mechanical completion and commissioning of the Aurizona Phase I expansion, preparation and delivery of the Aurizona Phase II expansion prefeasibility study, exploration and development of mineral properties, the uncertainties involved in interpreting drill results and other exploration data, the potential for delays in exploration or development activities, the geology, grade and continuity of mineral deposits, the possibility that future exploration, development or mining results will not be consistent with the Company's expectations, accidents, equipment breakdowns, title matters, labor disputes or other unanticipated difficulties with or interruptions in production and operations, fluctuating metal prices, unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, regulatory restrictions, including environmental regulatory restrictions and liability, competition, loss of key employees, and other related risks and uncertainties. The Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

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