Management's Discussion and Analysis

Third Quarter Ended September 30, 2015

(Expressed in millions of United States dollars, except per share amounts and where otherwise noted)

November 12, 2015

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated financial statements ended September 30, 2015 and the audited consolidated financial statements for the year ended December 31, 2014 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). For further information on the Company, reference should be made to its continuous disclosure (including its most recently filed annual information form ("AIF"), which are available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.lunagold.com. Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material property, including information about mineral resources, are contained in the Company's most recently filed AIF and technical reports.

THIRD QUARTER 2015 HIGHLIGHTS

	Q3 2015	YTD 2015
Gold production (ounces)	**9,872**	**41,492**
Gold sales, including sales to Sandstorm (ounces)	**10,560**	**50,310**
Finished gold inventory at September 30, 2015 (ounces)	**2,405**	**2,405**
Net realized gold price received, including gold sales to Sandstorm (USD per ounce)	**$ 968**	**$ 1,075**
Total cash cost of production [1] (USD per ounce)	**$ 870**	**$ 810**
All-in sustaining cost of production [1] (USD per ounce)	**$ 1,023**	**$ 874**
All-in cost [1] (USD per ounce)	**$ 1,192**	**$ 1,005**
Gross profit (USD millions)	**$ (0.3)**	**$ 8.6**
Net loss (USD millions)	**$ (0.2)**	**$ (6.3)**
Loss per share - basic and fully diluted (USD)	**$ (0.00)**	**$ (0.03)**
Cash flow per share from operating activities before changes in non-cash working capital [1] (USD)	**$ (0.01)**	**$ (0.01)**
Cash flow from operating activities before changes in working capital [1] (USD millions)	**$ (1.6)**	**$ (1.5)**
Cash flow from operating activities after changes in working capital [1] (USD millions)	**$ (1.1)**	**$ 6.8**
Cash flow from financing activities (USD millions)	**$ (0.2)**	**$ 5.0**
Cash flow from investing activities (USD millions)	**$ 0.3**	**$ (3.7)**
Cash balance at September 30, 2015 (USD millions)	**$ 10.7**	**$ 10.7**

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

On June 30, 2015, the Company completed a financing transaction with Pacific Road Resources Fund ("Pacific Road") and a transaction with Sandstorm Gold Ltd. ("Sandstorm") to restructure an agreement whereby the Company was obligated to sell 17% of its gold production from the Aurizona Mine to Sandstorm at $400 per ounce (the "Gold Stream") and the Sandstorm Debt Facility (the "Sandstorm Stream Restructure").

Pacific Road transaction

Pacific Road provided the Company with CA$20 million in cash in exchange for a CA$20 million senior secured note bearing interest at a rate of 10% per annum (the "Pacific Road Note"), payable quarterly in cash or shares and 200 million common share purchase warrants, exercisable for a term of 5 years at CA$0.10 per common share (the "Class B Warrants"). At Pacific Road's election, the Company may pay the quarterly interest in shares with the number of shares determined based on the amount of interest due divided by the volume weighted average trading price of the Company's common shares for the 5 trading days immediately prior to the date of the payment. The Class B Warrants contain an embedded foreign currency derivative and were recognized as a derivative liability at their fair value of $6.6 million with the remainder of the proceeds of $9.5 million allocated to the Pacific Road Note.

Pacific Road also acquired 100 million units in the capital of Luna ("Units") at a price of CA$0.10 per Unit in a non-brokered private placement (the "Private Placement") for proceeds of CA$10 million. Each Unit consists of one common share and one common share purchase warrant ("Class A Warrants"). The Class A Warrants have an exercise price of CA$0.125 per common share and are exercisable for a term of 5 years. Sandstorm also participated in the Private Placement by subscribing for 24.7 million Units for proceeds of CA$2.47 million. The Class A Warrants contain an embedded foreign currency derivative and were recognized as a derivative liability at their fair value of $3.6 million with the remainder of the proceeds of $6.4 million allocated to the common shares.

The proceeds received by the Company from the issuance of the above instruments was required to be used to repay in full an existing loan facility with a group of financial institutions, to complete infill drilling on the Piaba target of the Aurizona Project and for working capital purposes including (i) updating the mine plan for the Aurizona project; (ii) completing updated engineering studies on the Aurizona Project, and (iii) completing all necessary and appropriate permit applications for the Aurizona Project.

The Company also incurred transaction costs totalling $1.2 million, of which $0.5 million was included in the carrying value of the Pacific Road Note, $0.2 million was included in the carrying value of the common shares and $0.5 million related to the Class A Warrants and Class B Warrants were expensed. Transaction costs were allocated to each instrument pro-rata based on their assigned values.

Sandstorm Stream Restructure

Sandstorm and the Company agreed to restructure the Gold Stream. The Gold Stream was terminated in exchange for the issuance of a $30 million debenture (the "Sandstorm Debenture") and two net smelter return royalties (the "Aurizona Project NSR" and the "Greenfields NSR"). The Aurizona Project NSR covers all future production from the Aurizona Project processed through the Aurizona mill. The Aurizona Project NSR requires the Company to pay Sandstorm a sliding scale royalty based on the price of gold as follows:

3% if the price of gold is less than or equal to $1,500 per ounce;

4% if the price of gold is between $1,500 per ounce and $2,000 per ounce; and

5% if the price of gold is greater than $2,000 per ounce.

The Greenfields NSR covers approximately 200,000 hectares of exploration properties held by the Company and requires the Company to pay Sandstorm a royalty of 2% on production from these properties. The Company has the right to purchase one-half of the Greenfields NSR for $10 million at any time prior to achieving commercial production. If the Company exercises this right, the royalty rate is reduced to 1%.

If the Company abandons the properties subject to the Aurizona Project NSR or Greenfields NSR, Sandstorm has the right to accept an assignment of the properties.

The Sandstorm Debenture bears interest at a rate of 5% per annum and is repayable in three equal annual tranches of $10 million plus accrued interest beginning June 30, 2018. The Company has the right to repay the principal and interest owing on each repayment date with common shares of the Company. The number of common shares to be issued is determined based on the principal and interest to be paid divided by the higher of CA$0.10 per share and the 20 day volume weighted average CA$ trading price of the Company's common shares (the "Conversion Price") provided that Sandstorm owns less than 20% of the outstanding common shares of the Company (the "Sandstorm

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

Q3 2015 MD&A (table amounts expressed in millions of US Dollars, except per share amounts and where otherwise noted) www.lunagold.com

Ownership Limitation"). The Company can choose to postpone the payment of any instalment until a point when the issuance of shares would not exceed the Sandstorm Ownership Limitation. The Company also has the right to convert up to $5 million of the Sandstorm Debenture quarterly at the Conversion Price subject to the Sandstorm Ownership Limitation.

The Sandstorm Stream Restructure also included amendments of a $20 million existing Sandstorm Debt Facility to extend the maturity date from June 30, 2017 to June 30, 2021 and to reduce the interest rate from 12% to 5% per annum, payable in cash on the maturity date. In addition, a completion guarantee provided to Sandstorm was terminated and Sandstorm is no longer required to pay an amount receivable related to its obligation to fund certain capital expenditures.

The Sandstorm Debenture was recognized at its fair value of $20.7 million based on the future cash flows discounted at a market rate of interest of 15%. The amended Sandstorm Debt Facility was accounted for as a substantial modification resulting in the de-recognition of the old instrument with a carrying value of $23.7 million and the recognition of a new instrument at its fair value of $13.2 million based on the future cash flows discounted at a market rate of interest of 15%. No value was assigned to the conversion option because the Company is not able to currently exercise the option due to the Sandstorm Ownership Limitation. Royalties will be recognized when they are paid in the future.

The net impact of the Sandstorm Restructure resulted in an increase in mineral property, plant and equipment of $0.8 million on June 30, 2015 as follows:

Fair value of Sandstorm debenture	$	**20.7**
Fair value of new Sandstorm Debt Facility		**13.2**
Write off of Sandstorm Phase I expansion receivable		**1.7**
De-recognition of old Sandstorm Debt Facility		**(23.7)**
De-recognition of other liabilities related to Gold Stream		**(7.0)**
De-recognition of Sandstorm Phase I completion guarantee		**(4.1)**
	$	**0.8**

Transaction costs of $0.5 million were expensed.

Management and Director Changes

There were a number of director changes that occurred in 2015. Mr. Greg Smith, Mr. Rob Pease, P.Geo., Mr. Dan Wilton and Mr. Felipe Alves have been added to the Board while Mr. Luis Baertl, Mr. Wayne Kirk and Dr. Bill Lindqvist have stepped down.

Also, Mr. Duane Lo, has stepped down as Executive Vice President and Chief Financial Officer and Mr. Brad Blacketor has been appointed to the role of Chief Financial Officer during the year.

OVERVIEW

Luna Gold Corp. (the "Company") is a publicly listed company on both the TSX in Canada trading under the symbol "LGC," and the OTCQX in the United States under the symbol "LGCUF". The Company is in the business of operating, exploring, and developing gold properties. The Company currently has one gold mine in care and maintenance, brownfield exploration projects and greenfield exploration projects located in northeast Brazil.

The Company's main focus is the Aurizona gold mining operation ("Aurizona" or the "Aurizona Project") located in the state of Maranhão, northeast Brazil. Aurizona consists of an open pit mine and gold processing plant and currently has been placed in care and maintenance. Aurizona includes the Piaba, Boa Esperança, Ferradura and Conceição gold deposits and several near-mine gold exploration targets. The land position covers approximately 15,500 hectares and consists of a mining license and three gold exploration licenses, one of which includes the Tatajuba gold resource.

The Luna Greenfields exploration property ("Luna Greenfields") is located next to Aurizona and consists of an extensive landholding of 22 exploration licenses in various stages of exploration totalling approximately 200,000 hectares. The project area encompasses over 100 artisanal gold workings.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

OUTLOOK AND STRATEGY

Aurizona Operation

The Company finished processing the remaining ore stockpile at the Aurizona mine at the end of August 2015 and placed the facilities and equipment on care and maintenance. Cleaning and repairs to the processing facility and equipment are underway. Recovery of gold contained in the processing circuit continued during September and October resulting in an additional 2,900 ounces of gold recovered from the circuit.

As a result of the suspension of mining and processing operations, the Company is required to obtain and has applied for a care and maintenance permit for the Aurizona mine. The anticipated future restart of operations at Aurizona will reflect a new mine plane and require the Company to amend its existing and/or obtain new Federal and State operating permits and licenses.

The timing of and the milestones outlined below are management's proposed planned targets only. Certain milestones are dependent on earlier targeted milestones being achieved. These targets are forward looking in nature and subject to the Company completing the required studies and technical report and obtaining all applicable approvals and meeting various other conditions and securing the required financing. There is no assurance that these targeted milestones will be achieved on time or at all. See "Forward Looking Statements".

The Company is using proceeds from the June 2015 Pacific Road and Sandstorm Gold transactions to fund a work program that involves producing an updated prefeasibility study, infill and exploration drilling, updating the geological model, calculating a new mineral resource estimate, preparing a new mine plan and mineral reserve estimate, and continuing the on-going licensing and permitting process to ultimately secure the required permits to restart the Aurizona mine.

The planned drilling program is expected to include 20,000 meters of drilling, of which 15,400 meters will be infill core drilling in the Piaba open pit area that will be used to update the mineral resource estimate for the Aurizona mine, and is expected to be completed in the first quarter of 2016. The remaining 4,600 meters of drilling will be reverse circulation drilling and will include condemnation drilling in areas of potential new mine infrastructure and exploration drilling to test the Jenipapo target.

The Company will require additional capital to construct a hard rock processing facility, expand capacity of the tailings storage facility, and for general working capital purposes to achieve our goal of restarting the Aurizona mine in late 2017. A prefeasibility study that reflects these capital requirements is expected in the fourth quarter of 2015. The updated mineral resource estimate, along with updated operating cost parameters will be the basis for a new mineral reserve estimate and mine plan, and life-of-mine economic model for the Aurizona mine. This work is expected to be completed by the end of the first quarter of 2016. Management intends to pursue debt and equity financing to secure the funding required to restart operations at the Aurizona mine. Although the Company has been successful at raising capital in the past, there can be no assurance that we will be able to do so on terms that are acceptable to us, if at all.

NATURE OF OPERATIONS AND GOING CONCERN

Luna Gold Corp. (the "Company") is engaged in the operation, exploration, acquisition and development of gold properties. The Company currently holds its past producing Aurizona gold mine, several brownfields exploration projects and several exploration projects located in the Luna Greenfields district in northeast Brazil.

The Company's primary listing is on the Toronto Stock Exchange ("TSX"). The Company's registered office is at 800 – 543 Granville Street, Vancouver, BC, V6C 1X8, Canada.

The condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able 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 business.

The Company has ceased mining and processing operations at the Aurizona mine and placed the mine on care and maintenance. With the successful closing of the Pacific Road and Sandstorm Gold transactions (note 3), the Company is using the available proceeds to fund a work program which involves infill and exploration drilling, updating the geological model, calculating a new mineral resource estimate, formulating a new mine plan, producing

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

an updated prefeasibility study and mineral reserve estimate, and continuing the on-going licensing and permitting process to ultimately secure the required permits to restart the Aurizona mine in the last half of 2017.

The Company will require additional capital within the next twelve months continue to achieve our goal of restarting the Aurizona mine. Although the Company has been successful at raising capital in the past, there can be no assurance that we will be able to do so on terms that are acceptable to us, if at all. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption is not appropriate. If the going concern assumption is not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities, and the reported expenses and the balance sheet classifications used. Such adjustments could be material.

AURIZONA GOLD MINE – MARANHAO STATE, BRAZIL

The Aurizona gold mine is wholly owned by the Company and is situated in the municipality of Godofredo Viana in Maranhão State, Brazil, near the coast of the Atlantic Ocean. Aurizona includes the Piaba, Boa Esperança, Ferradura and Conceição gold deposits, in addition to several near-mine gold exploration targets including Tatajuba. The land position covers approximately 15,500 hectares and consists of a mining license (Piaba Boa Esperança, Ferradura and Conceição gold deposits), one mining license application (Tatajuba) and one Exploration License Extension (Jenipapo). The mine was placed on care and maintenance during the third quarter of 2015 and an application was filed with regulatory authorities to change the mine’s status from operating to non-operating.

(1) Refer to “Non-IFRS Financial Measures” on Page 14.

Operating results

(tabled monetary amounts are expressed in thousands of US dollars)	Three months ended September 30 **2015**	Three months ended September 30 **2014**	Nine months ended September 30 **2015**	Nine months ended September 30 **2014**
Mined waste – tonnes	**-**	3,498,544	**396,784**	5,467,097
Mined ore – tonnes	**-**	500,081	**432,128**	1,193,375
Ratio of waste to ore	**-**	7.0	**0.9**	4.6
Ore grade mined (g/t)	**-**	1.38	**1.49**	1.48
Cost per tonne mined (USD)	**-**	$ 3.09	**$ 5.37**	$ 3.78
Processed ore – tonnes	**231,612**	582,040	**1,010,295**	1,475,023
Average grade processed (g/t)	**1.16**	1.30	**1.34**	1.29
Average recovery rate %	**90%**	88%	**89%**	88%
Gold produced (ounces)	**9,872**	20,188	**41,492**	53,864
Gold sales (ounces)	**10,560**	17,535	**50,310**	54,419

Cash costs of production [1]	**USD per ounce** (Q3 2015)	**USD per tonne processed** (Q3 2015)	**USD per ounce** (Q3 2014)	**USD per tonne processed** (Q3 2014)	**USD per ounce** (9M 2015)	**USD per tonne processed** (9M 2015)	**USD per ounce** (9M 2014)	**USD per tonne processed** (9M 2014)
Mining	**$ 218**	**$ 9**	$ 561	$ 21	**$ 257**	**$ 11**	$ 447	$ 17
Processing	**558**	**24**	364	11	**452**	**18**	400	14
Administration	**67**	**3**	89	3	**69**	**3**	90	3
Refining and transport	**15**	**1**	20	1	**20**	**1**	21	1
Royalties	**12**	**-**	7	1	**12**	**-**	11	-
Total cash costs of production [1]	**$ 870**	**$ 37**	$ 1,041	$ 37	**$ 810**	**$ 33**	$ 969	$ 35
Sustaining capital	**18**		55		**16**		56	
Brownfield exploration	**135**		22		**48**		44	
All-in sustaining costs [1]	**$ 1,023**		$ 1,118		**$ 874**		$ 1,069	

Mining production

As previously disclosed, mine operations ceased at the end of Q1 2015, therefore, there was no ore or waste mined since that period. The availability of soft saprolite ore has been diminished and the current plant is not capable of economically processing the transition and harder material contained in the current mineral resource estimate.

Mining operations in Q1 2015 were focused on extracting ore, while minimizing waste removal prior to the suspension of mining activities. The year to date mining production is significantly lower than the comparative period due to the suspension of mine activities in 2015.

The cost per tonne mined for 2015 was 8% lower than the same period in 2014 due primarily to the impact of the strengthening US dollar relative to the BRL in 2015.

Mill processing

Gold production in Q3 2015 was 51% lower than the comparative quarter of 2014 due to a 60% decrease in tonnes fed to the mill and a decrease in the ore grade processed in Q3 2015. The ore processed in Q3 2015 was the last of the available ore from the stockpile, which was fully exhausted at the end of August, with the process plant being placed on care and maintenance. Approximately 2,900 ounces of gold were recovered from the decommissioning and cleaning of the processing circuit during September and October.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

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 is typically lower in this period than other periods of the year and the unit cost of production is generally higher. To address this issue, the Company mined ore and waste at higher elevations within the pit in the wet season and stockpiled ore in the dry season ahead of the wet season for processing.

Effective April 2015, mining operations were suspended and effective September 2015, the processing facility was placed on care and maintenance.

Total cash costs of production were lower for the three and nine months ended September 30, 2015 compared to the same periods in 2014 due to a significant strengthening of the USD against the BRL in 2015 and due to the shutdown of mining operations. The cash costs for 2015 reflect costs to process the remaining ore stockpile that was built up at the end of 2014 and costs associated with placing both mining operations and the process plant under care and maintenance. The comparative period costs of 2014 include higher stripping and full mine and process plant operations. The average US dollar to BRL rate strengthened by 55% for the nine month period and 38% for Q3 compared to the same periods in 2014. Any negative cost per ounce impact related to lower throughput volumes and shut down costs were negated by the strengthening of the US dollar.

Exploration

A planned 20,000 meter core and reverse circulation drilling program for 2015 commenced in Q3 with approximately 7,500 meters of core drilled to date at the Piaba open pit area. Initial 3rd party assay results are expected in mid-November. The primary focus of the 2015 program will be to in-fill drill the existing Piaba open pit area on approximately 50 meter centers to enhance the confidence level of the geologic model, which will be the basis for updating the mineral resource estimate. The program will also include exploration drilling to test the Jenipapo target, condemnation drilling in areas of potential new mine infrastructure and drilling to test pit wall and groundwater characteristics. Two drilling contractors with a total of nine drill rigs are currently operating at Aurizona.

Permitting

The Company has filed an application to request a temporary suspension of mining activities with the Brazilian Mining Department ("DNPM") and has notified the State Environment Authority ("SEMA") of this request. Once approved, the Company will be required to continue to monitor key infrastructure items, such as the tailings dam and waste rock dump, site water management and effluent control systems, among others. The Company intends to submit an updated life-of-mine development plan to DNPM and SEMA for the Piaba deposit in Q1 2016. Our current SEMA environmental operating permit must be renewed to incorporate the updated life-of-mine development plan. DNPM's issuance of an updated mining permit is subject to their review of the life-of-mine development plan and receipt of the SEMA environmental operating permit renewal. Our goal is to secure these permits by the end of 2016.

The application for a mining permit for the Tatajuba claims was submitted in March 2012 and remains under review by the DNPM. The Company is currently moving the environmental permitting process through SEMA and is targeting DNPM approval of the Tatajuba mining permit in early 2018.

Any changes to the life-of-mine development plan (process plant, tailings storage facility, waste rock dumps, water intakes, water discharge, etc) that will result in new and significant environmental and/or social impacts, the permits, licenses and approvals currently held by the company may have to be revised and subject to regulatory approval. In September 2015, the Company submitted a permit application to SEMA for a tailings pond water discharge permit to allow us to discharge water, if necessary, from the tailings pond into the Piaba pit during the 2016 rainy season, We anticipate receipt of this permit by the end of 2015.

LUNA GREENFIELDS EXPLORATION DISTRICT – MARANHAO STATE, BRAZIL

The Luna greenfields exploration properties are located to the southwest and southeast of Aurizona and contain multiple shear zones and over 100 historic artisanal gold workings (garimpos). They consist of 22 exploration

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

licenses, in various stages of exploration, totalling approximately 200,000 hectares, and are located within the São Luis Craton in the southeast part of the Guyana shield, which hosts several major gold deposits, including Rosebel and Las Cristinas.

During 2013, all greenfields exploration activities were placed on care and maintenance and the majority of the exploration team was released from the Company. The Company will maintain the licenses and progress any required filings through desk top studies in the near term. Future greenfield exploration activities will be periodically reviewed and any work programs will commence subject to cash availability for investment in the Luna Greenfields projects. The Company is also investigating the possibility of either selling these exploration licences or entering into an exploration joint venture with another party.

Touro Gold Target

Touro was an active garimpo (artisanal mine) in the 1980s. During this time, quartz veins and stockworks hosted in altered tonalities and diorites were mined from open pits and underground workings along a north-south shear zone. A large tailings deposit, the product of artisanal mining, extends for 1 kilometre north-south at Touro. Outcrop is limited to the walls and floors of garimpo pits. In 2014, the Company completed initial metallurgical testing at Touro to support submission of a Positive Final Exploration Report and Request for a Mining Concession for the exploration licenses that was submitted in November 2014.

The Company expects to receive these licenses in the second half of 2016.

The Company is working on the environmental permitting process to advance the mine permitting process subject to cash availability for investment and subject to economic review of the exploration target.

(1) Refer to “Non-IFRS Financial Measures” on Page 14.

SUMMARY OF CONSOLIDATED FINANCIAL OPERATING RESULTS

	Three months ended September 30			Nine months ended September 30		
(tabled amounts are expressed in millions of US dollars, except per share amounts and ounces of gold)	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Gold sales, including Sandstorm (ounces)	**10,560**	17,535	19,812	**50,310**	54,419	55,648
Revenue	**10.2**	$ 20.2	$ 23.1	**53.5**	$ 62.2	$ 71.2
Production costs	**(9.8)**	(22.3)	(14.8)	**(41.6)**	(52.7)	(42.1)
Depreciation and amortization	**(0.7)**	(1.1)	(1.2)	**(3.3)**	(3.6)	(5.6)
Gross profit	**(0.3)**	(3.2)	7.1	**8.6**	5.9	23.5
Impairment of property, plant and equipment	**-**	(102.0)	-	**-**	(102.0)	-
General & administration	**(1.7)**	(2.4)	(2.1)	**(5.4)**	(7.0)	(6.1)
Share-based compensation	**-**	-	(0.9)	**0.1**	(0.3)	(1.6)
Exploration expense	**(1.3)**	(0.5)	(0.7)	**(2.0)**	(1.2)	(3.7)
Financing cost, net	**(1.8)**	(0.4)	(0.1)	**(4.5)**	(0.8)	(0.5)
Restructuring cost	**-**	-	-	**(1.8)**	-	-
Financial instruments (loss) gain	**4.8**	(0.3)	(1.8)	**1.3**	3.5	1.8
Foreign exchange (loss) gain	**(1.3)**	(0.9)	(0.2)	**(3.1)**	0.8	(0.2)
Other expenses	**1.4**	-	-	**0.5**	-	(0.8)
Income tax recovery (expense)	**-**	(0.7)	(1.1)	**-**	(1.7)	(4.0)
Net (loss) income	**(0.2)**	$ (110.4)	$ 0.2	**(6.3)**	$ (102.8)	$ 8.4
Basic/diluted income (loss) per share	**(0.00)**	$ (0.83)	$ 0.00	**(0.03)**	$ (0.84)	$ 0.08
Total assets	**103.7**	$ 146.5	$ 211.1	**103.7**	$ 146.5	$ 211.1
Total non-current liabilities	**51.9**	$ 35.0	$ 57.2	**51.9**	$ 35.0	$ 57.2

Revenue in the three and nine months ended September 30, 2015 was lower than the same periods in 2014 due to the shutdown of mining operations and production in 2015. As a result, gold sales volumes were significantly lower in Q3 2015 and therefore, the nine month period ended 2015 were lower than its comparative period of 2014. The Company's average realized price of gold received on sales (including amounts delivered to Sandstorm) for the three and nine months ended September 30, 2015 were $985 per ounce and $1,067 per ounce compared with $1,152 per ounce and $1,143 per ounce for the comparative periods in 2014, respectively.

Production costs for the third quarter and nine month period ended September 30, 2015 decreased compared to the same periods in 2014 principally due to the significant strengthening of the USD versus the BRL. Depreciation and amortization was lower for the three and nine month period ended September 30, 2015 compared to the 2014 periods due to the shutdown of operations.

General and administrative expenses were lower for the three and nine months period ended September 30, 2015 compared to the same periods in 2014 due to the planned reduction of administrative activities related to the suspension of mining activities and processing plant production.

Non-cash share-based compensation relates to costs associated with the Company's stock option grants and restricted share units, and changes in the Company's share price impact the fair value of these instruments.

Exploration expense in 2015 periods was higher than 2014 as the strategy shifts to increased infill drilling related to improving the understanding of the Piaba deposit.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

Net financing costs for the three and nine months ended September 30, 2015 were significantly higher due to interest costs related to the Pacific Road and Sandstorm financial restructuring in 2015. This is also the reason for the restructuring costs for the nine month period ended 2015.

Financial instruments loss/gain primarily relate to changes in fair value of warrant derivative that was set up as a result of the Pacific Roads transaction. The gain on this financial instrument was due to a decrease in the Luna Gold share price in Q3. All the hedge contracts were closed out in Q2 2015, resulting in the recognition of the realized derivative losses included in the nine month period ended September 30, 2015.

Foreign exchange variations are related to the variances in foreign exchange rates between the Canadian Dollar and the Brazilian Real relative to the US Dollar. The significant loss in foreign exchange is due to the USD:BRL rate increasing from 2.66 at December 31, 2014 to 3.97 as at September 30, 2015.

An income tax expense was recognized for the year ended September 30, 2014 to write-off the deferred income asset tax balance, as it is no longer probable that the Company will realize the benefits associated with these tax assets.

Quarterly Financial Data – 2 year historic trend

(tabled amounts are expressed in millions of US dollars, except per share data and ounces of gold)	**Q3 15**	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13
Total gold sales, including Sandstorm sales (ounces)	**10,560**	16,534	23,216	17,972	17,535	13,882	23,003	16,755
Average realized gold price, including Sandstorm sales (per ounce)	**$ 968**	$ 1,040	$ 1,110	$ 1,075	$ 1,148	$ 1,158	$ 1,123	$ 1,157
Total cash cost of production (1) (per ounce)	**$ 870**	$ 943	$ 655	$ 889	$ 1,041	$ 1,140	$ 705	$ 652
All-in sustaining cost of production (1) (per ounce)	**$ 1,023**	$ 1,004	$ 678	$ 978	$ 1,118	$ 1,297	$ 787	$ 832
Revenue	**$ 10.2**	$ 17.3	$ 25.9	$ 19.4	$ 20.2	$ 16.1	$ 25.9	$ 19.5
Production costs	**(9.8)**	(13.2)	(18.6)	(20.0)	(22.3)	(14.8)	(15.5)	(12.4)
Depreciation and amortization	**(0.7)**	(1.1)	(1.5)	(1.3)	(1.1)	(1.2)	(1.4)	(1.5)
Gross profit	**$ (0.3)**	$ 3.0	$ 5.8	$ (1.9)	$ (3.2)	$ 0.1	$ 9.0	$ 5.6
Impairment of property, plant and equipment and other charges	**-**	-	-	$ (8.8)	$ (102.0)	-	-	-
Net income (loss)	**$ (0.2)**	$ (2.7)	$ (3.4)	$ (18.7)	$ (110.4)	$ 0.1	$ 7.5	$ (0.5)
Basic/diluted income (loss) per share	**$ (0.00)**	$ (0.02)	$ (0.02)	$ (0.13)	$ (0.83)	$ 0.00	$ 0.07	$ (0.00)

Variances in revenue between each quarter were the result of the timing of gold delivered for sale, sales volume and the average realized gold price during that respective quarter. Generally, it takes approximately 10 days to deliver gold available for sale from the date of final production due to Brazilian export regulations and processes. Therefore, large quarterly revenue variances may result due to the timing of the shipments. In Q3 2015, the operation temporarily ceased production and was placed on care and maintenance. As a result, gold sales were significantly lower than previous periods.

Production costs are driven by the average unit cash cost of production each quarter and the timing of gold sales. Cash costs in Q1 2015 positively benefited from the stockpiling of ore in the previous quarter and the shutdown of mining activities resulting in lower costs of mining. However, despite these factors and favorable exchange rates, Q3 and Q2 2015 cash cost per unit has risen due to lower gold production and additional costs to crush and process

(1) Refer to “Non-IFRS Financial Measures” on Page 14.

harder ore, as ore stockpiles were exhausted and the plant shut down in Q3 2015. Cash cost of production was negatively impacted during Q3 2014 as a result of costs associated with higher waste mining activities and higher in Q2 2014 as a result of higher than average rainfall, resulting in a challenging operating environment, lower equipment productivity and the processing of lower grade ore stockpile. Variances in the total production costs between quarters are also partly a result of the timing of gold sales. Q3 2015 cash costs are not indicative of future cash costs that may be incurred if our goal of restarting the mine is successful.

Depreciation expense is primarily based on units of production. Variances in depreciation expense are a result of the timing of gold sales.

Variations in gross profit between quarters are a result of the variations in revenue, production costs, depreciation expense and timing of gold sales discussed above.

Variations in net income (loss) and basic/diluted income (loss) per share are a result of the variations in gross profit, exploration expenditures, administrative expenditures, fluctuations in non-cash financial instruments and share-based compensation, foreign exchange gains (losses), net financing costs, other expenses, taxation and timing of gold sales. The Q3 and Q4 2014 results include an impairment charge of approximately $102.0 and $8.8 million, respectively, recorded to write-down the Aurizona Gold mine to its estimated recoverable amount.

LIQUIDITY AND CAPITAL RESOURCES

	Three months ended September 30		**Nine months ended September 30**	
(tabled amounts, except per share data, are expressed in millions of US dollars)	**2015**	**2014**	**2015**	**2014**
Cash flows from operating activities				
- Before changes in non-cash working capital items [(1)]	**$ (1.6)**	$ (2.3)	**$ (1.5)**	$ 4.3
- After changes in non-cash working capital items [(1)]	**(1.1)**	(6.8)	**6.8**	(4.5)
Cash flows from investing activities	**0.3**	(8.2)	**(3.7)**	(19.2)
Cash flows from financing activities	**(0.2)**	14.3	**5.0**	39.9
Net cash flows	**(1.0)**	(0.7)	**8.1**	16.2
Effect of exchange rate changes on cash	**(0.8)**	(0.3)	**(1.1)**	-
Cash balance	**$ 10.7**	$ 22.2	**$ 10.7**	$ 22.2
Cash flows from operating activities per share [(1)]				
- Before changes in non-cash working capital items	**$ (0.01)**	$ (0.02)	**$ (0.01)**	$ 0.04
- After changes in non-cash working capital items	**$ (0.00)**	$ (0.05)	**$ 0.04**	$ (0.04)

For the three months and year ended September 30, 2015, the Company generated lower operating cash flows before working capital movements compared to the 2014 periods due to lower gold prices, higher costs associated with the shutdown of the operation and costs associated with the financial restructuring, including the close out of all forward contracts in Q2. However, operating cash inflow after working capital movements was higher as a result of inventory reductions in finished gold and consumables.

Cash outflows from investing activities decreased in the three and nine month periods ended September 30, 2015 compared to 2014 as investment activities in 2015 were only related to upgrading the tailings facility, while the comparative periods of 2014 were related to completing the Phase I expansion.

(1) Refer to “Non-IFRS Financial Measures” on Page 14.

Q3 2015 MD&A (table amounts expressed in millions of US Dollars, except per share amounts and where otherwise noted) www.lunagold.com

Cash inflows from financing activities in 2015 were related to the closing of the Pacific Road and Sandstorm transaction, which resulted in the receipt of $16.0 million related to the Pacific Road Note and $10.0 from the equity financing, less transaction costs of $1.8 million. The Company also utilized the $6.7 million of cash that was previously restricted and the Company then paid $24.0 million to fully repay the Corporate Facility on June 30, 2015. The comparative periods in 2014 included an $18.0 million equity raise and a $10.0 million draw down on the Sandstorm facility less finance and interest payments.

As at September 30, 2015, the Company had the following contractual obligations outstanding:

	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Thereafter
Debt obligations	$ 69.4	$ 0.1	-	10.4	10.0	$ 24.9	24.0
Interest on debt	21.3	1.5	1.5	5.9	2.5	1.6	8.3
Accounts payable and accrued liabilities	3.6	3.6	-	-	-	-	-

Pacific Road Note

On June 30, 2015, the Company entered into a CA$20.0 million senior secured note with Pacific Road. The Pacific Road Note bears interest at a rate of 10% per annum, payable quarterly in arrears in cash or shares at Pacific Road's election and matures on September 30, 2020. If the Company were to be in default the terms of the Pacific Road Note, the interest rate would increase to 15% per annum. At Pacific Road's election, the Company may pay the quarterly interest in shares with the number of shares determined based on the amount of interest due divided by the volume weighted average trading price of the Company's common shares for the 5 trading days immediately prior to the date of the payment. Pacific Road has the right to reduce the principal amount of the Pacific Road Note outstanding as satisfaction of the exercise proceeds of the Class B Warrants when exercised.

The Pacific Road Note is secured by first ranking liens and encumbrances over the Company and its assets.

The Class B Warrants issued in connection with the Pacific Road Note were accounted for as derivatives at fair value and the difference of $9.5 million between the proceeds received on issue of the Pacific Road Note and the fair value of the Class B Warrants was allocated to the Pacific Road Note. Interest on the Pacific Road Note will be recognized at the effective interest rate of 26.05% which amortizes the difference between the carrying value and the principal amount over the term to maturity.

Sandstorm Debt Facility

In September 2013, the Company drew down $10.0 million of a Debt Facility with Sandstorm. The purpose of this loan was to provide additional working capital for the Company during the Phase I Expansion period. During the year ended December 31, 2014, the Company drew down a further $10.0 million. As at September 30, 2015, the principal amount and accrued interest totalled $23.7 million.

The Sandstorm Debt Facility carried an interest rate of 12% per annum, is guaranteed by the Company and its subsidiary MASA and the principal and interest were due and payable on September 30, 2017. The Company provided security for the Sandstorm Debt Facility in the form of a second ranking lien in favour of Sandstorm, subject to a gold pledge agreement, a mineral rights pledge agreement, a machinery and equipment pledge and guarantee by MASA.

As part of the Sandstorm Stream Restructure, Sandstorm amended the terms of the Sandstorm Debt Facility. The maturity date was extended from September 30, 2017 to September 30, 2021, the interest rate was reduced to 5% per annum effective July 1, 2015, payable in cash on the maturity date, and the Company would be subject to a default rate of interest equal to 10% per annum.

The amendments were accounted for as a debt modification and the new instrument was recognized at its fair value of $13.2 million. Interest on the Sandstorm Debt Facility will be recognized at the effective interest rate of 15% which amortizes the difference between the carrying value and the principal amount over the term to maturity.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

Q3 2015 MD&A (table amounts expressed in millions of US Dollars, except per share amounts and where otherwise noted) www.lunagold.com

Sandstorm Debenture

As part of the Sandstorm Stream Restructure, the Company provided Sandstorm with a $30 million debenture. The Sandstorm Debenture bears interest at a rate of 5% per annum and is repayable in three equal annual tranches of $10 million plus accrued interest beginning September 30, 2018. The Company has the right to repay the principal and interest owing on each repayment date with common shares of the Company. The common shares to be issued is determined based on the principal and interest to be repaid divided by the higher of CA$0.10 per share and the 20 day volume weighted average CA$ trading price of the Company's common shares (the "Conversion Price") provided that Sandstorm owns less than 20% of the outstanding common shares of the Company. The Company can choose to postpone the payment of any instalment until a point when the issuance of shares would not result in Sandstorm owning more than 20% of the common shares of Luna (the "Sandstorm Ownership Limitation"). The Company also has the right to convert up to $5 million of the Sandstorm Debenture quarterly at the Conversion Price subject to the Sandstorm Ownership Limitation.

The Company provided security for the Sandstorm Debt Facility in the form of a second ranking lien in favour of Sandstorm, subject to a gold pledge agreement, a mineral rights pledge agreement, a machinery and equipment pledge and guarantee by MASA.

The Sandstorm Debenture was recognized at its fair value of $20.7 million. Interest on the Sandstorm Debenture will be recognized at the effective interest rate of 15% which amortizes the difference between the carrying value and the principal amount over the term to maturity.

Corporate Secured Revolving Facility with Société Générale and Mizuho Corporate Bank Ltd.

In March 2013, the Company's wholly owned subsidiary, Aurizona Goldfields Corporation ("AGC"), entered into a $30.0 million corporate secured revolving facility (the "Corporate Facility") with Société Générale (Canada Branch) and Mizuho Corporate Bank Ltd. The Corporate Facility carried an interest rate of LIBOR plus 4.25%. The principal amount of the Corporate Facility was repayable in quarterly instalments of $3.0 million which commenced on September 30, 2014.

On June 30, 2015, the Corporate Facility was repaid in full with the proceeds from the Pacific Road and Sandstorm Gold transaction.

Derivative Contracts and Liabilities

The Company closed all outstanding derivative forward contracts in Q2 2015 and there are no derivative contracts outstanding as at September 30, 2015.

As at September 30, 2015, the Company had 124,700,000 Class A Warrants outstanding exercisable at CA$0.125 per share until September 30, 2020 and 200,000,000 Class B Warrants outstanding exercisable at CA$0.10 per share until September 30, 2020. The warrant contains a foreign currency embedded derivative as their exercise price is in CA$ whereas the Company's functional currency is the USD. The Company elected to recognize the warrants as derivatives at fair value in their entirety with changes in fair value recognized in profit or loss. The fair value for the warrants was calculated using the Black-Scholes option pricing model.

	September 30, 2015	December 31, 2014
Class A Warrants	$ 1.9	$ -
Class B Warrants	3.4	-
	$ 5.3	$ -

For the three months ended September 30, 2015, the Company recognized a gain of $4.9 million related to the change in the fair value of these warrants.

SHAREHOLDERS' EQUITY

Shareholders' equity was relatively similar between September 30, 2015 and December 31, 2014 as the net loss was offset by equity issuance under the Pacific Roads transaction.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

The Company's authorized share capital consists of unlimited common shares without par value. At September 30, 2015, the Company had 274,557,568 shares issued and outstanding.

On June 30, 2015, the Company issued 124.7 million units of the Company ("Units") at a price of CA$0.10 per Unit in a non-brokered private placement (the "Private Placement"). Each Unit consisted of one common share and one Class A Warrant. Pacific Road received a fee equal to 2% of the gross proceeds from Pacific Road's subscription to the Private Placement.

The fair value of the Class A Warrants of $3.6 million was recognized as a derivative liability with the remainder of the proceeds of $6.2 million allocated to the common shares.

On September 30, 2015, the Company issued 8.4 million common shares of the Company to Pacific Road as payment for the quarterly interest charge on the Pacific Road Note (note 7a).

The following is a summary of stock options outstanding as at the date of this report:

Number of shares ('000s)	Vested ('000s)	Price per share C$	Expiry Date
33	33	1.16 – 3.25	Dec 2015
800	800	2.30 – 3.25	Apr – Oct 2016
1,280	1,280	2.10 – 3.55	Mar – Nov 2017
528	448	1.55 – 3.01	Apr – Aug 2018
335	199	1.08 – 1.16	Mar – Jun 2019
2,000	0	0.08 – 0.14	May – Jul 2020
4,976	2,760		

SUDENE TAX INCENTIVE

The Company is subject to corporate income tax in Brazil at a rate of 25% and to social contribution tax at a rate of 9%.

The Company is entitled to a special Brazilian tax incentive granted by the Superintendence for the Development of the Northeast ("SUDENE") that provides a 75% reduction to the corporate income taxes payable on eligible profits earned for the year in relation to the Aurizona operations. The Company is entitled to the SUDENE tax incentive for a 10 year period commencing in the year of receipt of the Appraisal Certificate from SUDENE, which was received in October 2011. The Company is required to make an additional application to extend the SUDENE tax incentive to production in excess of the amounts specified in the Appraisal Certificate and for future mine expansions or the implementation of new mining operations. Such applications are subject to approval by SUDENE.

NON IFRS FINANCIAL MEASURES

This MD&A refers to total cash cost per ounce of gold produced, all-in sustaining cash cost per ounce of gold produced, all-in costs per ounce, cash flow per share, and cash flow from operating activities before and after changes in non-cash working capital because certain investors use this information to assess the Company's performance and also determine the Company's ability to generate cash flow for investing activities. The Company has conformed its total cash cost, all-in sustaining cash costs, and all-in costs of production definition to the measure as set out in the guidance note released by the World Gold Council. All-in sustaining cash costs include total production cash costs incurred at the Company's mining operations, sustaining capital expenditures and brownfield exploration expenditures. All-in costs include total all-in sustaining cash costs, corporate expenditures, and Greenfield exploration activities. These measurements capture all of the important components of the Company's production and related costs. In addition, management utilizes these metrics as an important management tool to monitor cost performance of the Company's operations. These measurements have no standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. These measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

Total Cash Cost, All-in Sustaining Costs, and All-in Costs:

The following table provides reconciliation between non IFRS cash costs to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income (IFRS):

	Three months ended September 30		**Nine months ended September 30**	
(tabled amounts are expressed in millions of US dollars, except gold ounces and per ounce amounts)	**2015**	**2014**	**2015**	**2014**
Total production costs	**$ 9.8**	$ 22.3	**$ 41.6**	$ 52.7
Add (subtract):				
Finished goods and WIP inventory stock adjustment and other	**(1.2)**	(1.3)	**(8.0)**	(0.5)
Total cash cost of production	**8.6**	$ 21.0	**$ 33.6**	$ 52.2
Gold ounces produced	**9,872**	20,188	**41,492**	53,864
Total cash cost of production (per ounce)	**$ 870**	$ 1,041	**$ 810**	$ 969
Add:				
Sustaining Capital	**$ 0.2**	$ 1.1	**$ 0.6**	$ 3.0
Brownfield Exploration	**1.3**	0.5	**2.0**	2.4
Total other operating cash cost of production	**$ 1.5**	$ 1.6	**$ 2.6**	$ 5.4
Gold ounces produced	**9,872**	20,188	**41,492**	53,864
Total other operating cash cost of production per ounce	**$ 153**	$ 77	**$ 64**	$ 100
All-in sustaining cost of production (per ounce)	**$ 1,023**	$ 1,118	**$ 874**	$ 1,069
Add:				
Greenfield Exploration	**$ -**	$ 0.5	**$ -**	$ 1.2
Corporate Expenditures	**1.7**	2.5	**5.4**	7.0
Total Greenfield and Corporate Expenditures	**$ 1.7**	$ 3.0	**$ 5.4**	$ 8.2
Gold ounces produced	**9,872**	20,188	**41,492**	53,864
Total Greenfield Exploration and Corporate Expenditures (per ounce)	**$ 169**	$ 147	**$ 131**	$ 153
All-in cost (per ounce)	**$ 1,192**	$ 1,265	**$ 1,005**	$ 1,222

Cash flow per share

In calculating the cash flow per share from operating activities before and after working changes in non-cash working capital, the operating cash flow calculated for IFRS purposes is divided by the basic weighted average common shares outstanding for the respective periods.

Cash flow from operating activities before and after changes in non-cash working capital

Cash flow from operating activities before and after changes in non-cash working capital is reconciled to IFRS measures in the Company's Consolidated Statements of Cash Flows.

OTHER DISCLOSURES

Seasonality

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 September, with the heaviest rainfall normally experienced

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

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 historically mined ore and waste at higher elevations within the pit in the wet season and stockpiled ore in the dry season ahead of the wet season for processing.

Off-Balance Sheet Arrangements

As at September 30, 2015, the Company has entered into operating office leases for approximately $0.6 million.

Financial Instruments

The following table provides the fair value of each classification of financial instrument:

(tabled amounts, are expressed in millions of US dollars)	**September 30, 2015**	**December 31, 2014**
Financial assets:		
Loans and receivables:		
Cash and cash equivalents	**$ 10.7**	$ 3.7
Restricted cash	**-**	6.7
Sandstorm Phase 1 expansion receivables	**-**	1.7
Notes receivable	**3.6**	3.5
Held for trading:		
Marketable securities and share consideration	**1.0**	1.4
Derivative asset	**-**	4.3
Total financial assets	**$ 15.3**	$ 21.3
Financial liabilities:		
Held for trading:		
Derivative liabilities	**5.3**	7.5
Other:		
Accounts payable and accrued liabilities	**3.6**	13.0
Long-term debt, including current portion	**44.2**	46.3
Total financial liabilities	**$ 53.1**	$ 66.8

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Level 3 inputs are for the assets or liabilities that are not based on observable market data (unobservable inputs).

Marketable securities and share consideration are valued using level 1 inputs and derivatives are valued using level 2 inputs.

Contingency

In August 2015, the Company was served notice of a civil claim seeking payment of CA$1.5 million for transaction services rendered in connection with a restructuring completed by the Company in June 2015. Management has concluded that the Company expects to successfully defend the action and that a loss contingency is not probable. However, the outcome of the action and amounts payable by the Company, if any, ultimately will be determined in court. Should future developments in this matter cause a change in our assessment, an accrual for a loss contingency may be required and could have a material adverse impact on our results of operations, cash flows and financial position in the period in which the change in determination or settlement occurs.

(1) Refer to “Non-IFRS Financial Measures” on Page 14.

CRTITICAL ACCOUNTING ESTIMATES, RISKS AND UNCERTAINTIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

The significant judgements that management has made in the process of applying the Company's accounting policies include the accounting for the Sandstorm agreement.

Measurement of the Company's assets and liabilities is subject to risks and uncertainties, including those related to reserve and resource estimates; title to mineral properties; future gold prices; costs of future production; future costs of restoration provisions; changes in government legislation and regulations; future income tax amounts; the availability of financing; and various operational factors. Estimates that have the most significant effect on the amounts recognized in the Company`s consolidated financial statements are as follows:

Impairment of property, plant and equipment

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income.

Mineral reserve and mineral resource estimates

The Company estimates its mineral reserves and mineral resources based on information compiled by qualified persons as defined by National Instrument ("NI") 43-101. Mineral reserves determined in this way are used in the calculation of depreciation, amortization and impairment charges, and for forecasting the timing of the payment of closure and restoration costs. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in mineral reserve estimates being revised. Such changes in mineral reserves could impact on depreciation and amortization rates, asset carrying values and the provision for closure and restoration costs.

The Company's Resource and Reserve update was released with the update of the updated 43-101 Technical Report. This Report showed a reduction in the mineral resources due primarily to a reduction in the assumed metal price used in assessing the resource. In addition, the company chose to withdraw all of the mineral reserves pending the release of a new independent 43-101 technical report assessing the economic viability of the addition of a hard rock crushing and grinding circuit to the existing processing plant.

Restoration Provision

Closure and restoration costs are a normal consequence of mining, and the majority of closure and restoration expenditures are incurred near the end of the life of the mine. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation and updated to reflect new developments or changes in estimates and forecasts. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on studies using current restoration standards and techniques. The initial closure provisions together with changes, other than those arising from the

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

unwinding of the discount applied in establishing the net present value of the provision, are capitalized within property, plant and equipment and depreciated over the lives of the assets to which they relate.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites, local inflation rates and exchange rates. The expected timing of expenditure can also change, for example, in response to changes in mineral reserves or production rates or economic conditions. As a result, there could be significant adjustments to the provision for closure and restoration, which would affect future financial results.

Financial instruments risk exposure

Valuation of derivative financial instruments

The determination of the Sandstorm Debenture and the Sandstorm Debt Facility required an estimate of a market rate of interest.

The valuation of the Company's Class A and B Warrants and other derivatives involve estimation and judgement by management. In determining these amounts, the Company uses option pricing models or other valuation techniques. For the Company's foreign exchange forward contracts and gold hedge contracts, estimates and assumptions are required in relation to items such as forward foreign exchange and forward gold prices as well as the Company's or its counterparty credit risk. Valuation of warrants requires assumptions about volatility and expected life. Changes in these assumptions and estimates can have an impact to the relevant charge to the statement of income.

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, trade receivables and notes receivable.

The Company limits its credit exposure on cash and short-term deposits held in bank accounts by holding its key transactional bank accounts with large, highly rated financial institutions.

The Company limits its credit exposure on trade receivables by establishing long-term relationships with well-established companies. The Company makes 100% of its gold sales to one company. The Company is also exposed to credit risk as it delivers gold to Sandstorm.

Liquidity risk

The Company tries to manage liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

Market risks

a) Commodity price risk

The Company is subject to future revenue price risk from fluctuations in the market prices of gold. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. The use of commodity derivatives is based on practices and parameters set by the Company's Board of Directors.

b) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash and short-term deposits and interest paid on floating rate borrowings. The floating rate deposits and borrowings expose the Company to cash flow interest rate risk.

Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures.

c) *Foreign exchange risk*

The Company's functional currency and reporting currency is USD. Commodity sales are denominated in USD and the majority of borrowings are denominated in USD. A significant portion of the Company's operating expenses,

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

share issuance costs and currency holdings are denominated in other currencies, primarily the Brazilian Real and Canadian Dollar, which is the Company's primary foreign exchange exposure.

Income and valued added taxes

The determination of the Company's tax expense for the period and, current and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

International Interests

The operations of Aurizona are conducted in northeast Brazil and the operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, crime, political instability, currency controls, extreme fluctuations in currency exchange rates, high rates of inflation, uncertainty of the rule of law and legal system, misuse of legal system, corruption of public officials and/or courts of law, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation, and changing political conditions and governmental regulations relating to foreign investment and the mining business.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the Company's business, results of operations and financial conditions. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, mine safety and the rewarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, or any other events outside the Company's control, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. In addition, Canada and other countries have adopted and enforce anti-bribery legislation that may result in severe penalties. Although the Company is implementing increasingly strict policies and practices to prevent breach of anti-bribery legislation by its representatives, compliance with such laws can be challenging and requires a significant amount of time and resources at the Company's operations.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the mining operations.

Other Risks Related to Recent Developments

In addition, the following specific risk factors should be considered: (i) the most current resource and reserve update presents a decrease from the previous resource and a withdrawal of the reserve estimates disclosed by the Company, and therefore investors are accordingly cautioned that the Company may not issue an update to the reserves and an inclusion of a reserve update in the future will only be supported by a prefeasibility study on the mine that identifies additional near surface soft saprolite material or establishes the economics of the hard-rock plant; (ii) there is no assurance that the new operational strategy and/or strategic review process will result in a successful outcome, including, without limitation, preserving the economic resources of the Company and/or a value enhancing transaction; (iii) there is no assurance that the Company will be successful in its efforts to retain the qualified technical management it needs in a cost and time efficient manner or at all to face operational challenges disclosed herein; (iii) certain of its permits are not sufficient for the scope of the Company's operations which may result in fines and other possible sanctions; (iv) there is no assurance the Company will be able to maintain, renew and obtain all required permits; (v) the Company may need to relocate part of the road to and part of the village of Aurizona to potentially mine part of the mineral resource, and there is no assurance the Company will be successful in the permitting and social community processes associated with the relocation; and (vi) water management issues may not be successfully resolved which may result in preventing mine access and potentially pit wall failures.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. The Company's internal control over financial reporting and disclosure controls and procedures is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting or disclosure controls and procedures during the nine months ended September 30, 2015 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting and disclosure controls and procedures.

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 (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 our intent, or the beliefs or current expectations of our officers and directors. Such forward-looking statements involve known and unknown risks and uncertainties that may cause our 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", "attempts", "seeks", "goals", "targets" and similar expressions are intended to identify these forward-looking statements. Forward-looking statements include statements under "Outlook and Strategy," expected future processing of stockpile and timing thereof, cash costs, all-in sustaining costs, all-in costs, future costs and timing for the mineral reserve update, future processing rates, resource and reserve estimates and the Company's future financial position, business strategy (including its new operational strategy and strategic review process), budgets, litigation, projected costs, financial results, taxes, plans and objectives. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements were derived utilizing numerous assumptions regarding expected growth, results of operations, performance and business prospects and opportunities, general business and economic conditions, interest rates, the supply and demand for, deliveries of, and the level and volatility of prices of gold and related products, the timing of the receipt of regulatory and governmental approvals of our projects and other operations, our costs of production and productivity levels, as well as those of our competitors, power prices, continuing availability of water and power resources for our operations, market competition, the accuracy of our resource and reserve estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based, conditions in financial markets, the future financial performance of the Company, our ability to attract and retain skilled staff, our ability to procure equipment and operating supplies, positive results from the studies on our projects, our gold inventories, our ability to secure adequate transportation for our products, our ability to obtain permits for our operations and expansions, and our ongoing relations with our employees and business partners that could cause our 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, you 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 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. Generally, risks and uncertainties that may cause actual results to vary materially include, but are not limited to uncertainties associated with restarting the Aurizona operations, changes in gold prices, changes in interest and currency exchange rates, acts of foreign governments, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of

(1) Refer to "Non-IFRS Financial Measures" on Page 14.

plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, adverse weather conditions and unanticipated events related to health, safety and environmental matters), labour disputes, political risk, social unrest, failure of counterparties to perform their contractual obligations, changes in our credit ratings and changes or further deterioration in general economic conditions, uncertainties with respect to operating in Brazil, including political unrest, theft, uncertainties with respect to the rule of law, corruption and uncertain court systems and other risks discussed elsewhere in this MD&A and our latest AIF filed on SEDAR at www.sedar.com.

Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, we assume 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 we update any one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. You should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

Technical Information

Except as otherwise specified, Marc Leduc, P.Eng., the Company's President and Chief Executive Officer, is the Qualified Person as defined under National Instrument 43-101 responsible for the scientific and technical work on the development programs and has reviewed and approved the corresponding technical and scientific disclosure throughout this MD&A. For additional details on Luna's QA/QC program for exploration work and other technical information, please refer to the Company's latest AIF and the Aurizona Technical Report.

(1) Refer to "Non-IFRS Financial Measures" on Page 14.