



MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE FIRST QUARTER ENDED
MARCH 31, 2017**

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER ENDED MARCH 31, 2017

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements for the three months ended March 31, 2017 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). For further information on Jaguar Mining Inc., reference should be made to its public filings (including its most recently filed annual information form ("AIF") which is available on SEDAR at www.sedar.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 properties, including information about mineral resources and reserves, are contained in the Company's most recently filed AIF and technical reports.

All amounts included in this MD&A are in United States dollars ("\$"), unless otherwise specified. References to C\$ are to Canadian dollars and R\$ are to Brazilian Reais. This report is dated as at May 10, 2017.

Where we say "we", "us", "our", the "Company" or "Jaguar", we mean Jaguar Mining Inc. or Jaguar Mining Inc. and/or one or more or all of its subsidiaries, as it may apply. The following abbreviations are used to describe the periods under review throughout this MD&A:

Abbreviation	Period	Abbreviation	Period
YTD 2017	January 1, 2017 – March 31, 2017	YTD 2016	January 1, 2016 – March 31, 2016
Q1 2017	January 1, 2017 – March 31, 2017	Q1 2016	January 1, 2016 – March 31, 2016

OUR BUSINESS

Jaguar Mining Inc. is a Canadian-listed junior gold mining, development, and exploration company operating in Brazil with three gold mining complexes, and a large land package with significant upside exploration potential. The Company's principal operating assets are located in the state of Minas Gerais and include the Turmalina Gold Mine Complex ("MTL") and Caeté Gold Mine Complex ("MSOL") which combined produce more than 95,000 ounces of gold annually. The Company also owns the Paciência Gold Mine Complex, which has been on care and maintenance since 2012.

Led by a proven and experienced senior management team in Brazil, our operating philosophy focuses on creating excellent shareholder value through the execution of a safe and sustainable operating plan, prudent cost management practices, generating free cash flow, and increasing Mineral Reserves and Resources through exploration growth projects.

We benefit from the exploration and development of the Company's existing brownfield land package and from mineral concessions comprising approximately 25,000 hectares, proximal to current operations, in the Iron Quadrangle mining district of Brazil, a prolific greenstone belt located near the city of Belo Horizonte in the State of Minas Gerais. In addition, more than 131,000 hectares of mineral concessions in the State of Maranhão, where the Company's Gurupi Project is located, and approximately 35,000 hectares in the State of Ceará, where the Company's Pedra Branca Project is located, provide significant future upside potential. On October 4, 2016, the Company announced that it has entered into an earn-in agreement with Avanco Resources Limited ("Avanco"), pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project. The Company may consider the acquisition, exploration, development, and operation of other gold properties.

Q1 2017 FINANCIAL & OPERATING HIGHLIGHTS

(\$ thousands, except where indicated)	For the three months ended	
	March 31,	
	2017	2016
Financial Data		
Revenue	\$ 29,192	\$ 26,664
Operating costs	21,508	17,579
Depreciation	6,576	7,702
Gross profit	1,108	1,383
Gross profit (excluding depreciation) ¹	7,684	9,085
Loss on change in fair value of notes payable	-	17,579
Net loss	(7,877)	(15,001)
Per share ("EPS")	(0.03)	(0.13)
EBITDA ¹	743	(5,860)
Adjusted EBITDA ^{1,2}	4,211	6,426
Adjusted EBITDA per share ¹	0.01	0.06
Cash operating costs (per ounce sold) ¹	924	742
All-in sustaining costs (per ounce sold) ¹	1,323	1,086
Average realized gold price (per ounce) ¹	1,215	1,165
Cash generated from operating activities	1,855	9,526
Free cash flow ¹	(4,177)	3,558
Free cash flow (per ounce sold) ¹	(174)	156
Sustaining capital expenditures ¹	6,032	5,013
Non-sustaining capital expenditures ¹	873	382
Total capital expenditures	6,906	5,395

¹ Average realized gold price, sustaining and non-sustaining capital expenditures, cash operating costs and all-in sustaining costs, free cash flow, EBITDA and Adjusted EBITDA, Adjusted EBITDA per share, and gross profit (excluding depreciation) are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

² Adjusted EBITDA excludes non-cash items such as impairment and write downs. For more details refer to the Non-IFRS Performance Measures section of the MD&A.

	For the three months ended	
	March 31,	
	2017	2016
Operating Data		
Gold produced (ounces)	22,292	21,197
Gold sold (ounces)	24,035	22,881
Primary development (metres)	910	1,161
Secondary development (metres)	1,382	1,046
Definition, infill, and exploration drilling (metres)	11,864	11,892

Financial Highlights

Revenue, Net Income (Loss), and Adjusted EBITDA

- Gold ounces sold for the three months ended March 31, 2017 was 24,035 ounces compared with 22,881 ounces sold for the comparative 2016 period.
- Revenue for Q1 2017 increased 9% to \$29.2 million, compared with \$26.7 million in Q1 2016, due to a 4% increase in the average realized gold price to \$1,215 in Q1 2017 compared with \$1,165 in Q1 2016, and a 5% increase in ounces sold.
- Net loss for the three months ended March 31, 2017 was \$7.9 million compared to a net loss of \$15.0 million for the three months ended March 31, 2016.
- Adjusted EBITDA for Q1 2017 was \$4.2 million compared to \$6.4 million for Q1 2016.

Foreign Exchange

- The average exchange rate during Q1 2017 was R\$3.15 Brazilian Reais per US dollar compared to R\$3.90 per US dollar in Q1 2016. The closing exchange rate as at March 31, 2017 was R\$3.17 per US dollar compared to R\$3.26 per US dollar as at December 31, 2016.

Cash Operating Costs, Capital Expenditures, and All-In-Sustaining Costs ("AISC")

- Cash operating costs increased 25% to \$924 per ounce of gold sold for Q1 2017, compared to \$742 per ounce sold during Q1 2016, due to lower production at Turmalina and the increased cost for secondary development at Pilar.
- AISC increased 22% to \$1,323 per ounce of gold sold in Q1 2017, compared to \$1,086 per ounce sold during Q1 2016, largely as a result of a 20% increase in sustaining capital expenditures, mainly on mine development activities, and the strengthening of the Brazilian Real.
- In Q1 2017, sustaining capital expenditures totaled \$6.0 million and focused on primary development and exploration drilling, compared to \$5.0 million in Q1 2016.
- Operating cash flow was \$1.9 million for Q1 2017, compared to \$9.5 million in Q1 2016. Operating cash flow includes approximately \$2.6 million of cash recoverable taxes paid on operating expenditures.
- Free cash flow was negative \$4.2 million for Q1 2017 based on operating cash flow less total capital expenditures, compared to \$3.6 million in Q1 2016. Free cash flow was negative \$174 per ounce sold in Q1 2017 compared to \$156 per ounce sold in Q1 2016.

Cash Position, Working Capital, and Sprott Facility

- As at March 31, 2017, the Company had a cash position of \$18.2 million, compared to \$26.3 million as at December 31, 2016, primarily due to the impact of a stronger foreign Brazilian currency, accelerated exploration, and approximately \$2.1 million in principal and interest repayments towards debt facilities.
- Working capital was \$3.1 million as at March 31, 2017 compared to \$8.9 million as at December 31, 2016. Working capital is net of \$9.6 million in loans from Brazilian banks which are renewed every six months, and are expected to continue to be rolled forward.
- On May 10, 2017, the Company entered into a preliminary agreement with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for an additional tranche of \$5.0 million on terms principally similar to those of the secured loan facility (the "Sprott Facility") that Jaguar entered into with Sprott Lending on November 7, 2016. The additional \$5.0 million tranche is expected to close and be funded in June 2017 and is for a term of 36 months with an interest rate of 6.5%, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for providing the financing commitment, the Company expects to issue 375,000 common shares to Sprott Lending on the closing date.

Operational Highlights

Gold Production, Recovery, and Primary and Secondary Development

- Consolidated gold production increased 5% to 22,292 ounces in Q1 2017 compared to 21,197 ounces in Q1 2016.
- Gold recovery of 90.8% in Q1 2017 compared to 90.2% in Q1 2016 due to continuous improvement projects initiated at both plants.
- Strong operating performance at Pilar resulted in an 86% increase in gold production to 8,485 ounces, a 17% improvement in average grade to 3.39 g/t, and higher recovery of 90.8%. Strong gold production reflects the advancing ore development into the higher-grade Orebodies BF and BFII.
- Milling capacity at Turmalina increased with the recommissioning of Mill #3 (announced January 5, 2017).
- The Company completed 910 metres of primary development during Q1 2017 compared to 1,161 metres in Q1 2016.
- The Company also completed 1,382 metres of secondary development during Q1 2017, an increase of 32% over 1,046 metres in Q1 2016, thus increasing the number of available underground working areas.

Tonnes Processed and Average Grade

- Total processing was 214,000 tonnes in Q1 2017 (Q1 2016 – 196,000 tonnes) at an average head grade of 3.50 g/t (Q1 2016 – 3.78 g/t).
 - In Q1 2017, Turmalina processed 113,000 tonnes (Q1 2016 – 128,000 tonnes) at an average head grade of 3.79 g/t (Q1 2016 – 4.29 g/t).
 - Caeté processed 101,000 tonnes in Q1 2017 (Q1 2016 – 68,000 tonnes) at an average head grade of 3.17 g/t (Q1 2016 – 2.83 g/t).

Increase in Turmalina Mineral Resources, Major Growth Exploration Initiative, and Gurupi Earn-In Agreement

- On February 8, 2017, the Company announced multiple high-grade drill intercepts generated from 36 infill drill holes (5,393 metres) designed to test the currently reported mineral resource envelope of Orebodies A and C at Turmalina.
 - Significant drill intercepts for Orebody A include 11.33 g/t Au over 17.1 metres (estimated true width (“ETW”) – 14.6 metres), 9.95 g/t Au over 14.2 metres (ETW – 10.8 metres), and 6.08 g/t Au over 20.3 metres (ETW – 10.4 metres). Significant drill intercepts for Orebody C include 6.39 g/t Au over 6.1 metres (ETW – 6.0 metres), 9.27 g/t Au over 3.8 metres (ETW – 3.6 metres), and 7.04 g/t Au over 2.8 metres (ETW – 2.7 metres).
- Turmalina increased Measured & Indicated Mineral Resources by 22% to 540,000 ounces of gold (grade of 4.93 g/t Au), and Proven & Probable Mineral Reserves for Orebody C by 167% to 80,000 ounces of gold (grade of 4.10 g/t Au).
- The Company completed 11,864 metres of definition, infill, and exploration drilling during Q1 2017 (Q1 2016 – 11,892 metres) focused on key targets at Turmalina and Caeté.
- On October 27, 2016, Jaguar announced the commencement of a major growth capital investment program primarily focused on increasing identified mineral resources at its core assets and the discovery of new resources near existing infrastructure at its operating mines. The expanded growth exploration program, starting in Q4 2016 and ongoing in 2017, includes approximately 31,000 metres of diamond drilling, including approximately 15,000 metres drilling down-plunge continuities of ore bodies A and C at Turmalina and BFII and BF at Pilar, and approximately 8,500 metres of surface diamond drilling to test the high priority Pacheca and Cubas targets in the vicinity of Pilar and other advanced targets.
- On October 4, 2016, the Company announced that it has entered into an earn-in agreement with Avanco Resources Limited (“Avanco”), pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project. On April 26, 2017, Avanco announced upgraded mineral resource estimates from the inferred to indicated category, with 765,000 ounces of gold (grade of 2.0 g/t Au) categorized as Indicated Resources and total Mineral Resources (Indicated and Inferred) of 1,286,000 ounces of gold (grade of 2.0 g/t Au) for the Cipoeiro Deposit.

2017 KEY GROWTH DRIVERS

The Company continues to be focused on safely delivering positive and sustainable operational performance, profitability, and cost optimization. The Company has established the following as key growth drivers for 2017:

- Completing 2017 capital investment program to increase the number of available working areas through increased development and exploration to grow sustainable production across all operating mines.
- \$8.0 million to be spent on major growth exploration program including Turmalina and Pilar, as well as the high priority Pacheca and Cubas targets near Pilar and other advanced targets. Approximately \$6.0 million will be allocated towards Jaguar's core assets, Turmalina and Pilar, to drive increased mine life. The remaining \$2.0 million will be distributed towards other growth targets.
- This growth exploration program is primarily focused on increasing identified mineral resources at core assets and the discovery of new resources near existing infrastructure across operating mines. The growth exploration program is expected to complete approximately 31,000 metres of diamond drilling, including approximately 15,000 metres of drilling down-plunge continuities of Orebodies A and C at Turmalina and Orebodies BFII and BF at Pilar. Lastly, approximately 8,500 metres of surface diamond drilling will test the Pacheca and Cubas targets and other advanced targets.
- Growing mine production, increasing throughput, and reducing cash operating costs guidance.
- Commencing mine-wide Operational Excellence Program ("OEP") at Pilar to identify and eliminate waste, lower costs, and improve productivity to create and deliver results, which will drive future growth; while continuing the OEP at Turmalina.
- Implementation of formalized capital allocation and value driven decision making.

2017 Guidance

The following is the Company's production and cost guidance for 2017:

	Turmalina Complex		Caeté Complex		Consolidated	
	Low	High	Low	High	Low	High
Gold production (ounces)	60,000	65,000	40,000	45,000	100,000	110,000
Cash operating costs (per ounce sold) ¹	600	650	900	1,000	720	755
All-in sustaining costs (per ounce sold) ¹	800	850	1,020	1,180	900	1,000
Development						
Primary (metres)	2,500	2,900	2,200	2,600	4,700	5,500
Secondary (metres)	2,200	2,700	3,400	3,850	5,600	6,550
Definition, infill, and exploration drilling (metres)	16,000	18,000	10,000	13,000	26,000	31,000
Growth exploration investment (core assets) (\$Ms)					\$7.5	\$8.0

¹ Cash operating costs and all-in sustaining costs are non-gaap financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. 2017 cost guidance has been prepared on the basis of a foreign exchange ratio of 3.5 Brazilian Reals vs. the US dollar.

In 2017, the Company is maintaining the increased pace of mine development and accelerated exploration programs at its core assets in order to continue to build confidence in current geological models and mine plans. The Company is maintaining 2017 production guidance of 100,000 – 110,000 ounces, which will be reviewed by the end of the Q2 2017.

BACKGROUND

Jaguar is a junior gold producer focused on the operation and development of gold assets in Brazil. The Company has two operating units being the Turmalina and Caeté Gold Mine Complexes. The Paciência Gold Mine Complex, comprised of one processing facility and mine, is on care and maintenance. Additionally, on October 4, 2016, the Company entered into an

earn-in agreement with Avanco Resources Limited (“Avanco”), pursuant to which Avanco may earn up to a 100% interest in the Gurupi development project. The Company holds mineral rights over approximately 191,000 hectares.

On December 16, 2015, Mr. Rodney Lamond was appointed as Chief Executive Officer. Prior to becoming the CEO of Jaguar, Mr. Lamond was a board director of Jaguar. Mr. Lamond is a Professional Mining Engineer who brings more than 27 years of mining experience and has held senior management positions overseeing or stationed at operations in Peru, Chile, Honduras, Mexico, USA, Canada, and Australia. From 2013 to 2015, Mr. Lamond was the President and Chief Executive Officer of Crocodile Gold Corp. before the July 2015 business combination of Crocodile Gold Corp. and Newmarket Gold Inc.

On June 24, 2016, Mr. Hashim Ahmed was appointed as Chief Financial Officer after serving as Interim Chief Financial Officer of Jaguar since February 2016. Mr. Ahmed joined the Company in August 2014 and has previously served as Jaguar’s Vice President of Finance.

On October 11, 2016, the Company announced the appointment of Mr. Bob Gill as Vice President, Operations. Mr. Gill has over 30 years of expertise in the design and operation of international and domestic, open pit and underground, base metal and gold mines. Prior to joining the Company, he held the position of Principal Engineer and Study Manager with AMEC Americas Limited Mining Division, where he managed prefeasibility studies and PEA’s, including being the project manager on the Galore Creek prefeasibility study.

Management believes there is excellent potential to decrease the operating cost profile of Jaguar in a reasonable timeframe; however, success is dependent on the prudent deployment of capital spending to advance drilling and development ahead of operations. Management’s belief is supported by confidence in the geological endowment of the Company’s existing land positions surrounding its current mining operations.

The Company is focused on optimizing existing mining operations through increasing confidence in the geological models to deliver positive and sustainable operational and financial performance. Over time and through exploration, the Company will focus on prudently increasing production and taking advantage of the underutilized processing capacity currently installed.

REVIEW OF OPERATING AND FINANCIAL RESULTS

Turmalina Gold Mine Complex

Turmalina Quarterly Production

(\$ thousands, except where indicated)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Tonnes of ore processed ('000)	113,000	122,000	128,000	124,000	128,000	100,000	101,000	94,000
Average head grade (g/t) ¹	3.79	4.39	4.36	4.10	4.29	4.79	4.77	3.91
Average recovery rate (%)	91%	93%	92%	91%	90%	91%	91%	90%
Gold (ozs)								
Produced	12,736	16,101	16,304	15,083	15,772	14,449	13,994	10,420
Sold	13,536	16,024	15,945	15,035	16,635	15,527	13,485	9,610
Cash operating cost (per oz sold) ²	\$ 738	\$ 562	\$ 528	\$ 586	\$ 590	\$ 483	\$ 587	\$ 717
Cash operating cost (R\$ per tonne) ²	\$ 278	\$ 243	\$ 214	\$ 249	\$ 299	\$ 288	\$ 277	\$ 225

¹ The 'average head grade' represents the recalculated head-grade milled.

² Cash operating costs is a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the first quarter of 2017, Turmalina produced 12,736 ounces of gold compared to 15,772 ounces in the corresponding 2016 period, a decrease of 19% or 3,036 ounces. The decrease in ounces produced was a result of a 12% decrease in the tonnes processed from 128,000 in Q1 2016 to 113,000 in Q1 2017 and an 11% decrease in the average head grade from 4.29 g/t in Q1 2016 to 3.79 g/t in Q1 2017. Mining activities in one section of Orebody A were temporarily interrupted during the quarter to conduct ground control rehabilitation work. Previously schedule high-grade mining blocks from this area were deferred later into mining schedule.

The cash operating costs per ounce sold for the first quarter of 2017 increased by 25%, or \$148 per ounce, as compared to the same period in 2016, due to the impact of the strengthening of the Brazilian Real by 19%, an increase in the cost of materials due to inflation, and the 12% decrease in the average head grade, which were partially offset by certain cost control measures in operations and the increase in recovery. The cash operating costs per ounce sold for Q1 2017 increased by 31%, or \$176 per ounce, as compared to Q4 2016, due to the decreases in average head grade, ounces sold, and recovery.

Operational Excellence Program

Since April 2016, Jaguar Mining and Instituto Aquila (“Aquila”), a Brazilian management consultancy group with a presence in 16 countries and previous experience in mining companies around the world, signed a two year partnership.

Initially established only for Turmalina, and expanded to the Pilar mine and Caeté plant in Q1 2017, Aquila has been helping to develop and sustain a continuous improvement program focused on results through the Operational Excellence Program, by eliminating waste and rework, lowering cost and increasing productivity. The key to success is to build culture from mine to management where everyone can understand and seek excellence. The ultimate goal is aligning everyone to deliver results and growing in a sustainable and safe way to achieve long-term production.

By evaluating Turmalina’s current processes and establishing its value chain, all processes and KPIs were mapped, bottlenecks were identified to implement the Excellence Teams (multifunctional teams with aligned goals and financial impact defined) guided by a systematic routine follow-up.

Turmalina’s team have been training and applying the program through OJT (On the Job Training) and formal trainings that cover the PDCA (Plan, Do, Check, Act) approach, Microsoft Excel, and ICAM (Incident Cause Analysis Methodology) directly with more than 150 employees at all levels, and an additional 250 employees through indirect involvement in the program.

Jaguar Excellence Teams have been covering improvements on primary processes at mine development, such as scaling, blast efficiency, haulage process improvements on equipment efficiency, and better loading to maximize the capacity usage. Additionally, we are also reducing operational expenditures by managing electricity consumption and ventilation efficiency.

Analyzing with facts and supported with data to debottleneck processes and improve results, all Excellence Teams are adopting the culture of defining the problems, understanding underlying causes by brainstorming sessions and analyzing using fishbone diagrams to establish action plans followed by the implementation of visual management boards and weekly meetings. Once processes are debottlenecked, they are standardized and people involved are trained on the new procedures. Throughout 2016, Turmalina’s Operational Excellence Program achieved savings and so far, the program’s return on investment is estimated at 10 times the cost of investment in this program. Jaguar plans to extend this program company-wide through the remainder of 2017 with an aim to standardize processes across the Company and share best practices.

Turmalina Capital Expenditures

(\$ thousands)	Three months ended March 31,	
	2017	2016
Sustaining capital ¹		
Primary development	\$ 1,178	\$ 2,324
Brownfield exploration	258	32
Mine-site sustaining	791	810
Total sustaining capital¹	2,227	3,166
Total non-sustaining capital¹	602	46
Total capital expenditures	\$ 2,829	\$ 3,212

¹ Sustaining and non-sustaining capital are non-IFRS financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended March 31,	
	2017	2016
Primary development	366	731
Secondary development	754	838
Total development	1,120	1,569
Definition drilling	452	3,562
Infill drilling	5,230	287
Exploration drilling	398	842
Total definition, infill, and exploration drilling	6,080	4,691

Primary development at the Turmalina mine totaled 366 metres for the three months ended March 31, 2017 compared to 731 metres in the comparative 2016 period. In July 2016, the Company demobilized the development contractor at Turmalina, thereby bringing 100% of the development activities in-house. On a per metre basis, the cost of primary development for Q1 2017 increased compared to Q1 2016.

Mining

The mining method utilized at the Turmalina underground mine is sublevel open stoping with backfill. Our priority is to reduce costs by focusing on ore grade control, minimizing dilution and minimizing the extraction of non-profitable or marginal material. A focus on grade control, along with a number of mining and process initiatives, is intended to lower cash operating costs per ounce and improve the overall operating performance. Cost reduction initiatives include decreasing the length of development needed from the primary ramp to access ore, postponing the mining of low grade narrow ore bodies that may require additional development, and extraction of high-grade ore by the selective removal of pillars. There is also a push to improve stope blasting techniques to reduce dilution.

The previous mining design of stopes separated by rib pillars (developed prior to 2015) resulted in significant quantities of ore being left behind and not mined. With footwall drifts and primary and secondary stopes being installed in 2015 below Level 8, there is now a need for cemented backfill in the primary stopes. There were some concerns regarding fill rates with CRF underground, but a trial carried out in Level 9 of the mine showed that rapid fill rates could be achieved and the filling of other primary stopes and mining of secondary stopes with CRF on both sidewalls has confirmed that good quality CRF can be installed quickly and efficiently. During 2015 and 2016, primary and secondary stopes were not filled leaving some areas of large open voids in the stopes, which has resulted in some instability on the footwall drift of Level 9.

A system for producing filter cake from detoxified tailings and then re-mixing to paste is in place, but to ensure consistent quality paste, a batching process with a controlled shear mixer is expected to be commissioned by the end of Q2 2017. Because of the desire to avoid hauling development waste to surface, it is planned that CRF will be used to fill the bulk of the primary stopes with paste only installed in the upper stoping sub-level to allow for the 100% extraction of stopes immediately below the sill pillars.

On February 8, 2017, the Company announced multiple high-grade drill intercepts generated from 36 infill drill holes (5,393 metres) designed to test the current indicated and inferred mineral resource envelope of Orebody A and Orebody C at Turmalina. The drill intercepts completed confirm the continuation of high-grade gold mineralization down-plunge of Orebody A, and confirm the widening of the mineralization below current workings. Drill intercepts at Orebody C confirm a number of high-grade gold mineralized intercepts which suggests higher mineralization at depth, and could potentially increase mining production at Turmalina. The Turmalina drill program continues to increase the confidence in the geological model of both orebodies through increased drill density. Significant drill intercepts for Orebody A include 11.33 g/t Au over 17.1 metres (estimated true width ("ETW") – 14.6 metres), 9.95 g/t Au over 14.2 metres (ETW – 10.8 metres), and 6.08 g/t Au over 20.3 metres (ETW – 10.4 metres). Significant drill intercepts for Orebody C include 6.39 g/t Au over 6.1 metres (ETW – 6.0 metres), 9.27 g/t Au over 3.8 metres (ETW – 3.6 metres), and 7.04 g/t Au over 2.8 metres (ETW – 2.7 metres).

Processing

Ore produced at the Turmalina mine is transported to the adjacent Carbon-In-Leach (“CIL”) processing plant. The Turmalina plant consists of three ball mills, of which two were operating since January 2016 (Mills #1 and #2) at a capacity of 1,500 – 1,600 tonnes per day. During Q1 2017, the plant processed 113,000 tonnes at an average grade of 3.79 g/t compared to 128,000 tonnes at 4.29 g/t in Q1 2016. Overall, the processing plant maintained a recovery rate of 91.1% during Q1 2017, which is an improvement over the 90.5% recovery rate for Q1 2016. On January 5, 2017, the Company announced the successful recommissioning of Mill #3 with an estimated installed capacity of 1,600 tonnes per day. Using only Mill #3, Turmalina will be able to achieve the entire throughput of the plant with a lower operating cost, through electricity consumption savings, compared to using both Mills #1 and #2 in 2016. Mills #1 and #2 have been taken off-line for maintenance and will be kept on standby mode.

Caeté Gold Mine Complex

Caeté Quarterly Production

(\$ thousands, except where indicated)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Tonnes of ore processed (t)	101,000	115,000	103,000	93,000	68,000	116,000	122,000	116,000
Average head grade (g/t) ¹	3.17	2.79	3.17	3.30	2.83	2.59	3.17	3.00
Average recovery rate (%)	91%	91%	91%	91%	90%	90%	89%	90%
Gold (ozs)								
Produced	9,556	9,307	9,479	9,139	5,425	8,720	11,241	10,262
Sold	10,498	9,085	9,372	8,935	6,246	8,889	11,674	9,574
Cash operating cost (per oz sold) ²	\$ 1,165	\$ 1,041	\$ 842	\$ 1,049	\$ 1,146	\$ 888	\$ 854	\$ 1,036
Cash operating cost (R\$ per tonne) ²	\$ 381	\$ 267	\$ 249	\$ 354	\$ 411	\$ 262	\$ 304	\$ 250

¹ The 'average head grade' represents the recalculated head-grade milled.

² Cash operating costs is a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

The Caeté Gold Mining Complex has two underground mines (Pilar and Roça Grande). Pilar primarily uses sub-level open stoping with backfill, while Roça Grande (“RG”) exclusively uses the mechanized horizontal cut and fill mining method. The Pilar mine provides 1,000 tonnes per day, or two-thirds of the Caeté complex ore, while the RG mine provides 500 tonnes per day from the underground RG-1 deposit.

Ore produced from the Pilar mine is transported to the 2,200 tonnes per day gravity, flotation and CIL treatment of flotation concentrate processing plant adjacent to the Roça Grande mine, a total distance of approximately 50 kilometres by road from the Pilar mine. This haulage expense is a significant cost and management continues to investigate and complete feasibility work for an XRF Ore Sorting system for waste removal to reduce haulage costs for the Pilar mine.

During Q1 2017, the Caeté plant achieved gold recovery of 90.8% utilizing gravity, flotation, and CIL treatment of flotation concentrate. Optimization of the plant offers opportunities for both increased gold extraction and reduced unit processing costs. Various options are being explored and evaluated to better use the currently underutilized processing facility.

Pilar Quarterly Production

(\$ thousands, except where indicated)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Tonnes of ore processed (t)	74,000	84,000	78,000	72,000	56,000	77,000	78,000	75,000
Average head grade (g/t) ¹	3.39	3.11	3.51	3.62	2.89	2.83	3.70	3.30
Average recovery rate (%)	91%	91%	91%	91%	90%	90%	89%	90%
Gold (ozs)								
Produced	8,485	7,569	7,923	7,804	4,552	6,278	8,340	7,314
Sold	9,422	7,326	7,821	7,622	5,369	6,389	8,641	6,835
Cash operating cost (per oz sold) ²	\$ 1,092	\$ 942	\$ 762	\$ 958	\$ 1,096	\$ 822	\$ 735	\$ 940
Cash operating cost (R\$ per tonne) ²	\$ 437	\$ 271	\$ 248	\$ 356	\$ 410	\$ 262	\$ 303	\$ 250

¹ The 'average head grade' represents the recalculated head-grade milled.

² Cash operating costs is a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the first quarter of 2017, Pilar produced 8,485 ounces of gold compared to 4,552 ounces in Q1 2016, an increase of 86% due to the 17% increase in average head grade and 32% increase in tonnes processed. Production increased 12% from Q4 2016 to Q1 2017 mainly as a result of a 9% increase in average head grade.

The cash operating costs per ounce sold for the first quarter of 2017 decreased slightly as compared to Q1 2016 as a result the net impact of the 32% increase in tonnes processed and 17% increase in average head grade offset by the strengthening of the Brazilian Real by 19%, and increased by 16%, or \$150 per ounce, as compared to Q4 2016 due to the impact of a 184% increase in definition drilling from Q4 2016 to Q1 2017.

Pilar Capital Expenditures

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Sustaining capital ¹		
Primary development	\$ 2,258	\$ 1,055
Brownfield exploration	131	17
Mine-site sustaining	832	249
Total sustaining capital¹	3,220	1,321
Total non-sustaining capital¹	63	29
Total capital expenditures	\$ 3,283	\$ 1,350

¹ Sustaining and non-sustaining capital are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended March 31,	
	2017	2016
Primary development	470	312
Secondary development	614	24
Total development	1,084	336
Definition drilling	1,341	1,511
Infill drilling	1,419	496
Exploration drilling	2,457	501
Total definition, infill, and exploration drilling	5,218	2,508

Primary development totaled 470 metres in the three months ended March 31, 2017 compared to 312 metres in the comparative 2016 period. Total definition, infill, and exploration drilling increased 108% as part of the Company's major growth exploration program as announced in Q4 2016.

Mining

Pilar continued to focus on improvements in minimizing dilution of the grade and profitability, continuing on the initiatives to reduce dilution from overbreak. Pilar focused predominantly on infill drilling in 2016, trying to improve the percentage of ore mined from the measured category on a monthly basis. A new wireframe model is being completed to better reflect the geology and lithology at Pilar which will improve the estimation process.

Based on the strong exploration drilling results and increased reserves and resources, primary and secondary development that had been suspended during Q4 2014 was resumed at Pilar during Q1 2016. A specialized development contractor arrived on site in March 2016 to accelerate the main ramp below Level 10 to open up additional resources. The contractor continued to assist with primary and secondary development at Pilar in the first quarter of 2017.

A hanging wall drift was started in Q3 2016 to create a drilling platform for deeper drilling of the orebodies. Surface drilling began at two brownfield geophysics anomalies, Pacheca and Cubas, near the Pilar mine. Drilling on the brownfield targets and deeper drilling of the main orebodies BA, BF, and BFII will continue through 2017.

During the quarter, mine development advanced a total of 1,084 metres (averaging 361 metres per month) compared to a total of 336 metres in Q1 2016. Definition, infill, and exploration drilling totaled 5,218 metres in the three months ended March 31, 2017 compared to 2,508 metres in the comparative 2016 period.

Processing

During Q1 2017, the Caeté plant processed 74,000 tonnes from Pilar at an average grade of 3.39 g/t compared to 56,000 tonnes at 2.89 g/t in Q1 2016. Recovery for the quarter was 90.8%, which was higher than the Q1 2016 recovery of 89.8%.

Roça Grande Quarterly Production

(\$ thousands, except where indicated)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Tonnes of ore processed (t)	27,000	31,000	25,000	21,000	12,000	39,000	44,000	41,000
Average head grade (g/t) ¹	2.12	1.93	2.12	2.18	2.53	2.11	2.26	2.46
Average recovery rate (%)	91%	91%	91%	91%	90%	90%	89%	90%
Gold (ozs)								
Produced	1,071	1,738	1,556	1,335	873	2,442	2,901	2,948
Sold	1,076	1,759	1,551	1,313	877	2,500	3,033	2,739
Cash operating cost (per oz sold) ²	\$ 1,787	\$ 1,454	\$ 1,249	\$ 1,578	\$ 1,454	\$ 1,058	\$ 1,195	\$ 1,274
Cash operating cost (R\$ per tonne) ²	\$ 224	\$ 272	\$ 252	\$ 346	\$ 415	\$ 261	\$ 306	\$ 248

¹ The 'average head grade' represents the recalculated head-grade milled.

² Cash operating costs is a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the first quarter of 2017, RG produced 1,071 ounces of gold compared to 873 ounces in the corresponding 2016 period, an increase of 23% or 198 ounces. Operational delays have occurred due to the shortage of developed stopes as the primary focus has been on infill drilling and development in an effort to extend mine life.

The cash operating costs per ounce sold for the first quarter of 2017 increased 23% compared to Q1 due to higher maintenance expenditures and lower average grades in Q1 2017, as well as the impact of the strengthening Brazilian Real.

Roca Grande Capital Expenditures

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Sustaining capital ¹		
Primary development	\$ 370	\$ 390
Brownfield exploration	96	98
Mine-site sustaining	118	38
Total sustaining capital¹	584	526
Total non-sustaining capital¹	137	30
Total capital expenditures	\$ 721	\$ 556

¹ Sustaining and non-sustaining capital are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended March 31,	
	2017	2016
Primary development	74	118
Secondary development	14	184
Total development	88	302
Definition drilling	-	-
Infill drilling	501	3,778
Exploration drilling	66	915
Total definition, infill, and exploration drilling	567	4,693

Primary development restarted in Q1 2016 in order to provide access to the orebody, with a focus on proving up the higher grade/thickness targets. Primary development for Q1 2017 was 74 metres compared to 118 metres in Q1 2016.

Mining

The Roça Grande mining activity has historically focused on surface exposures of gold deposits, where the orebody outcropped. The outcrops were mined using open-pit mining techniques, with exploration focused solely on the immediate down-dip projection of gold mineralization, and minimal exploration along strike between the outcrops.

Underground, the RG operations team continues to evaluate more effective methods to mine the 1.0 to 2.0 metre wide veins without excessive dilution, using a frontal-attack mechanized cut-and-fill mining method. A targeted exploration program has helped identify sufficient resources to continue mining to the end of 2017 and ore development has continued to allow mining to the end of 2017. Ore in Q1 2016 was generated primarily from ore development, but for the rest of 2016 and for Q1 2017 stoping returns were the dominant ore source. The exceptional exploration potential along strike and in the down-dip extension of related multiple orebodies that have only open pits at present, justifies treating the Roça Grande operation as an “incremental ore” producer until the other orebodies can be brought into production.

In Q1 2017, mine production was 27,000 mined tonnes at an average grade of 2.12 g/t compared to 12,000 tonnes at 2.53 g/t in Q1 2016. Definition, infill, and exploration drilling totaled 567 metres for Q1 2017 compared to 4,693 metres in the comparative 2016 period.

Processing

During Q1 2017, the Caeté plant processed 27,000 tonnes from Roça Grande at an average grade of 2.12 g/t compared to 12,000 tonnes at 2.53 g/t in Q1 2016. Recovery for the quarter was 90.8%, which was higher than the Q1 2016 recovery of 89.8%.

CONSOLIDATED FINANCIAL RESULTS

Quarterly Financial Review¹

(\$ thousands, except where indicated)	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	\$ 29,192	\$ 30,261	\$ 33,618	\$ 29,996	\$ 26,664	\$ 26,820	\$ 28,126	\$ 22,820
Cost of sales (excluding depreciation) ²	(21,508)	(19,355)	(16,191)	(17,887)	(17,579)	(15,397)	(17,892)	(16,808)
Gross profit (excluding depreciation) ²	7,684	10,906	17,427	12,109	9,085	11,423	10,234	6,012
Net (loss) income	(7,877)	(9,280)	(31,648)	(26,866)	(15,001)	1,670	4,445	(4,383)
Cash flows from operating activities	1,855	8,467	9,353	10,435	9,526	6,786	3,660	1,652
Total assets	181,242	192,788	189,779	189,554	184,996	183,409	174,500	179,496
Total liabilities	74,330	78,454	131,618	139,665	108,349	90,624	83,949	94,077
Average realized gold price (per ounce) ²	\$ 1,215	\$ 1,205	\$ 1,328	\$ 1,251	\$ 1,165	\$ 1,098	\$ 1,118	\$ 1,190
Cash operating cost (per oz sold) ²	\$ 924	\$ 735	\$ 645	\$ 758	\$ 742	\$ 631	\$ 731	\$ 850

¹ Sum of all the quarters may not add up to the annual total due to rounding.

² Average realized gold price, cost of sales (excluding depreciation), gross profit (excluding depreciation) and cash operating costs are all non-IFRS financial performance measures with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

The relative strength in the global gold market positively impacted the Company's revenue in Q1 2017. However, the impact was largely offset by the strengthening of the Brazilian Real as compared to the US dollar, with the Real strengthening 19% in Q1 2017 compared to Q1 2016. The net loss throughout 2016 primarily reflects the impact of the revaluation of the convertible debentures at period-ends and at each conversion date, as well as an increase in the depreciation expense due to the impairment reversal recorded as at December 31, 2015.

Current assets decreased \$7.8 million as at March 31, 2017 compared to December 31, 2016, primarily as a result of the decreases in cash and inventory. The decrease in the current liabilities represents the net impact of a decrease in accounts payable and accrued liabilities, the decrease in notes payable, and an increase in the reclamation provision. The decrease in non-current liabilities represents the impact of decreases in the reclamation provision, notes payable, and other taxes payable.

Revenue

(\$ thousands, except where indicated)	Three months ended		
	March 31,		
	2017	2016	Change
Revenue	\$ 29,192	\$ 26,664	9%
Ounces sold	24,035	22,881	5%
Average realized gold price ¹	\$ 1,215	\$ 1,165	4%

¹ Average realized gold price is a non-IFRS financial performance measure with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Revenue for the first quarter of 2017 increased 9%, compared to the same period in 2016, primarily as a result of a 5% improvement in ounces sold as well as a 4% increase in the average realized gold price. The market price of gold is the primary driver of our profitability and our ability to generate free cash flow. During the three months ended March 31, 2017, the

market price of gold (London PM Fix) traded in a range of \$1,151 to \$1,258, averaged \$1,219 per ounce, and closed at \$1,245 per ounce on March 31, 2017. The average market price during the first quarter of 2017 increased 3% as compared to the average market price of \$1,183 per ounce for the first quarter of 2016.

Production

A total of 214,000 tonnes were processed in Q1 2017 (Q1 2016 – 196,000 tonnes) at an average head grade of 3.50 g/t (Q1 2016 – 3.78 g/t), a 7% decrease in average head grade compared to the same period in 2016.

Consolidated Production Costs

(\$ thousands, except where indicated)	Three months ended March 31,		
	2017	2016	Change
Direct mining and processing cost	\$ 20,205	\$ 15,929	27%
Mining	13,109	9,977	31%
Processing	7,096	5,952	19%
Royalties, production taxes and others	1,303	1,650	(21%)
Royalty expense and CFEM taxes	949	1,030	(8%)
NRV adjustment and others	354	620	(43%)
Total operating expenses	\$ 21,508	\$ 17,579	22%
Depreciation	6,576	7,702	(15%)
Total cost of sales	\$ 28,084	\$ 25,281	11%

Total operating expenses increased 22% from \$17.6 million in the three months ended March 31, 2016 to \$21.5 million in 2017. The increase was due to an increase in the cost of materials in local currency due to inflation and higher electricity tariffs, as well as the impact of a 19% strengthening of the Brazilian Real in Q1 2017 compared to Q1 2016. The decrease in the depreciation expense is a result of a change in the basis for the calculation of depreciation for the Turmalina mine by utilizing Measured and Indicated Mineral Resources compared to the prior period for which the basis was Proven and Probable Mineral Reserves. This change in accounting estimate was made to ensure depreciation reflects management's best estimate of the useful life of the Turmalina mine.

Operating Expenses

(\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Changes to legal and recoverable tax provisions	\$ 2,148	\$ (10,228)	(121%)
General and administration expenses	2,871	2,686	7%
Exploration and evaluation costs	320	2	15900%
Care & maintenance costs (Paciência mine)	332	207	60%
Stock-based compensation	456	116	293%
Amortization	85	23	270%
Other operating expenses	353	413	(15%)
Total operating expenses	\$ 6,565	\$ (6,781)	(197%)

Care & Maintenance Costs – Paciência Gold Complex

The Paciência mining complex remained on care and maintenance during the first quarter of 2017. No gold has been produced since the third quarter of 2012, when the mine was put on care and maintenance. No underground development or drilling work was carried out by the Company at the Paciência mine during 2016. The complex has been secured and the facilities are preserved and patrolled. A limited maintenance staff turns the mills and equipment on a monthly basis to maintain the plant in working order.

General and Administration Expenses

The general and administration (“G&A”) expenses exclude mine-site administrative costs which are charged directly to operations and include legal, accounting, costs to maintain offices and personnel in Belo Horizonte, Brazil and Toronto, Canada, and other corporate costs associated with being a publicly-traded company.

(\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Director's fees	\$ 96	\$ 90	7%
Audit related and insurance	107	79	35%
Corporate office (Toronto)	946	1,334	(29%)
Belo Horizonte office	1,722	1,183	46%
Total G&A expenses	\$ 2,871	\$ 2,686	7%

For the three months ended March 31, 2017, the total G&A expenses were 7% higher as compared to the same period in 2016. Costs associated with the Belo Horizonte office were 46% higher in Q1 2017, due to the 19% strengthening of the Brazilian Reals and the reallocation of G&A costs at sites to the Belo Horizonte office. Costs for the corporate office in Toronto were lower in Q1 2017 compared to Q1 2016 due to cost cutting measures. Management will continue its cost reduction focus for both Toronto and Belo Horizonte corporate office expenses.

Changes to Legal and Recoverable Taxes Provisions

(\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Changes to legal provisions	\$ 129	\$ (9,409)	(101%)
Changes to recoverable taxes provision	2,019	(819)	(347%)
Changes to legal and recoverable taxes provisions	\$ 2,148	\$ (10,228)	(121%)

Legal Provisions

As at March 31, 2017, there were 479 employee-initiated active lawsuits (December 31, 2016 – 472) against the Company, largely related to disputed wages. Based on management's assessment of the likelihood of loss related to 370 lawsuits (December 31, 2016 – 385), the Company has recorded approximately \$11.2 million as labour legal provisions, with \$4.7 million classified as a current liability, as at March 31, 2017 (December 31, 2016 – \$11.2 million and \$4.9 million, respectively).

During Q1 2016, management in conjunction with external counsel revised its estimate in regards to the labour litigation provisions in order for the provision to be more representative of the likelihood of loss. The change in estimates was derived from applying certain probability factors to the potential loss claim amounts based on the stage of each lawsuit. This change in estimates resulted in a decrease of \$6.6 million from the provision of \$17.8 million recorded as at December 31, 2015.

During Q1 2017, 15 new lawsuits were initiated. The Company paid approximately \$661,000 in appeal deposits and escrow payments, \$237,000 in settlements instalments, and \$83,000 for other costs such as social security, income tax, legal fees, and expert fees. The total amount spent in Q1 2017 was \$981,000 in comparison to \$510,000 in Q1 2016.

Recoverable Taxes Provision

As at March 31, 2017, gross recoverable taxes (which are primarily denominated in Brazilian Reais) and also include Canadian HST recoverable of \$1.6 million, amounted to \$27.2 million (December 31, 2016 – \$27.3 million). Also as at March 31, 2017, the provision for recoverable taxes was approximately \$7.4 million (December 31, 2016 – \$5.2 million). Consequently, the book value of recoverable taxes as at March 31, 2017 was \$19.8 million (December 31, 2016 – \$22.1 million).

Certain taxes paid in Brazil on consumables and property, plant, and equipment generate tax credits through various mechanisms. The Company is currently working on several initiatives to ensure optimum utilization of those tax credits, which includes assessment of the tax credits for offset against taxes otherwise payable and restitution in cash.

The Company recorded a provision against its recoverable taxes to reduce the net carrying amount of value added taxes and other taxes to their estimated recoverable value. As at December 31, 2016, the provision was recorded based on historical losses on tax credits and their estimated present value based on the timing of expected recovery, discounted at a rate of 9.38% (Brazilian Central Bank's estimated Selic rate). In February 2017, the Company completed a merger between two of its subsidiaries, Mineração Serras do Oeste Ltda. ("MSOL") and Mineração Turmalina Ltda. ("MTL"), to improve tax efficiencies. As a result, the provision was recorded only based on historical losses on tax credits due to the tax efficiencies from the merger.

The Company continues to pursue approval of Federal Value Added Tax ("VAT") input tax credits with respect to the years 2008 to 2011. As a result of these ongoing efforts, during Q1 2016, the Company obtained a VAT cash refund of approximately \$1.0 million (R\$3.5 million) relating to the MSOL legal entity. In July 2016, the Company initiated a lawsuit to obtain a court order to force the tax authority to review the Company's remaining tax credits for MSOL with respect to the years 2008 to 2011. By the end of November 2016, the tax authority reviewed the Company's claim, partially recognizing its tax credits. Although the tax credits were partially recognized, the Company will continue to challenge the tax authority's review by appealing its results.

ICMS is a type of value added tax which can either be sold to other companies (usually at a discount rate of 15-35%) or be used to purchase specified machinery and equipment, as subject to approval by government authority. The ICMS credits can only be realized in the state where they were generated; in the case of Jaguar, in the state of Minas Gerais, Brazil. In April 2017, the Company received approval from the state to be able to sell R\$14.6 million (approximately \$4.6 million) of its gross ICMS deferred tax credits related to MTL to third parties.

Impairment

The Turmalina, Paciência, and Caeté complexes are each cash generating units ("CGUs") which include property, plant and equipment, mineral rights, deferred exploration costs, and asset retirement obligations net of amortization. The CGUs also include mineral exploration project assets relating to properties not in production such as mineral rights and deferred exploration costs. A CGU is generally an individual operating mine or development project, such as the Gurupi Project.

For the three months ended March 31, 2017, there were no indicators of impairment or reversal of past impairment charges.

Non-Operating Expenses

(\$ thousands)	Three months ended March 31,		
	2017	2016	Change
Foreign exchange loss (gain)	\$ 460	\$ 2,358	(80%)
Financial instruments loss	28	19,435	(100%)
Finance costs	1,566	1,223	28%
Other non-operating expenses (recoveries)	(27)	(44)	(39%)
Non-operating expenses	\$ 2,027	\$ 22,972	(91%)

During the three months ended March 31, 2017, finance costs represent interest on debt and accretion expense.

Convertible Senior Secured Debentures

On October 27, 2015, the Company closed financing of the Convertible Senior Secured Debentures (the "Debentures") at a price of \$1,000 per Debenture, for aggregate proceeds of \$21.5 million. The Debentures had a maturity date of October 27, 2018 and bore interest at a rate of 12% per annum, payable in cash on a quarterly basis. The Debentures were convertible at the holder's option into common shares of the Company, at a ratio of approximately 8,781 common shares per \$1,000 of the principal amount. The Debentures could be redeemed after 12 months (October 28, 2016 or the "Call Date"), and prior to the maturity date, in cash in whole or in part. The redemption price was 120% of the principal amount of the Debentures outstanding within one year after the Call Date, and 110% thereafter, plus, in each case, any accrued and unpaid interest thereon. The Debentures included a general security agreement over all of the Company's and its subsidiaries' present and future assets, delivery of the shares of the Company's subsidiaries, and loan guarantees by the Company's subsidiaries. Within 30 days following the occurrence of a Change in Control, the Company would have been obligated to offer to purchase all of the Debentures then outstanding. The offer price would have been 120% of the principal amount plus accrued interest to-date if the payment date occurs prior to October 27, 2016, or 110% thereafter.

During the three months ended March 31, 2016, the Company recorded an increase in the fair value of the financial liability, in the amount of \$20.8 million, as an expense through profit or loss.

On October 5, 2016, the Company issued a notice of redemption to holders of the outstanding Debentures. As set out in the notice of redemption, the outstanding Debentures would be redeemed as of November 8, 2016 (the "Redemption Date") upon payment of 120% of the principal amount and all accrued and unpaid interest to but excluding the Redemption Date. During the year ended December 31, 2016 and before the Redemption Date, the Debentures were converted. Upon conversion, 188,795,215 common shares were issued and \$104.3 million, representing the fair value of the financial liability associated with the converted Debentures at the conversion dates, was transferred to common shares.

Sprott Facility

On November 7, 2016, the Company entered into an agreement with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for a secured loan facility (the "Sprott Facility") totaling \$10.0 million to fund accelerated growth exploration initiatives. The Sprott Facility is payable over a term of 30 months, in equal monthly repayments, with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR or 1.25% per annum. In consideration for the structuring and syndication of the Sprott Facility, the Company has made a cash payment to Sprott Lending for structuring and legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares of Jaguar to Sprott Lending and to Natural Resource Income Investing Limited Partnership.

The Company also incurred transaction costs, totaling \$584,000, to obtain the Sprott Facility, which includes legal fees, transaction fees, listing fees, and common share issuance (valued at \$366,000). All transaction costs, other than the common shares, were measured and recorded at the amount paid as it represents fair value.

The Sprott Facility qualifies as a financial liability, under IAS 32, and was initially measured at fair value and subsequently measured at amortized cost using the effective interest method. During the three months ended March 31, 2017, \$102,000 was recorded as finance costs in the condensed interim consolidated statements of operations and comprehensive loss related to the accretion of the transaction costs. In accordance with the terms of the Sprott Facility, the Company made principal repayments and interest payments of \$1.0 million and \$185,000, respectively, during the three months ended March 31, 2017 (\$nil and \$nil, respectively, during the three months ended March 31, 2016).

The Sprott Facility is provided by security agreements comprising the Company's and MSOL's, present and future assets, the shares of MSOL, and a loan guarantee by MSOL. The Sprott Facility requires among other things that the Company adhere to specific financial covenants, such as maintaining a minimum of \$5.0 million unrestricted cash and cash equivalents and positive working capital computed monthly. In light of the Company's current operational challenges, Sprott Lending has waived the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017 through June 29, 2017.

Sprott Lending recently completed a site visit and due diligence to Jaguar's mineral properties and operating facilities and has furnished Jaguar with a term sheet and preliminary agreement to provide an incremental \$5 million loan ("Tranche 2") based on terms similar to the Sprott Facility. The preliminary agreement and term sheet for Tranche 2 was signed on May 10, 2017, with a closing and funding expected to occur in June 2017. Tranche 2 is for a term of 36 months with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for providing the financing commitment for Tranche 2, the Company expects that it will issue 375,000 common shares to Sprott Lending on the closing date. The completion of Tranche 2 is conditional upon various standard conditions and approvals, including the approval of the TSX, and is also conditional upon the completion and execution of a definitive agreement and related documents.

Taxes

Brazilian Taxes

Brazilian tax regulation involves three jurisdictions and tax collection levels: the Federal, State, and Municipal levels. The main taxes levied are: corporate income tax with companies generally subject to income tax at a rate of 25%, social contribution tax on the net profit at a current rate of 9%, and VAT taxes at a rate of 9.25% for PIS/CONFINS and 12-18% for ICMS.

Government Royalty

A federal 1% royalty, *Compensação Financeira pela Exploração de Recursos Minerais ("CFEM")*, is levied on gold sales. The rate is calculated on the gross gold sale proceeds less refining charges and insurance, as well as any applicable sales taxes.

Income and Deferred Taxes Expenses

(\$ thousands)	Three months ended		
	March 31,		
	2017	2016	Change
Current income tax expense	\$ 393	\$ 1,288	(69%)
Deferred income tax recovery	-	(1,095)	(100%)
Income tax expense	\$ 393	\$ 193	104%

The income tax provision is subject to a number of factors, including the allocation of income between different countries, different tax rates in various jurisdictions, the non-recognition of tax assets, foreign currency exchange rate movements, changes in tax laws, and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors as discussed above, it is expected that the Company's effective tax rate will fluctuate in future periods.

REVIEW OF FINANCIAL CONDITION

Outstanding Debt

Total debt outstanding as at March 31, 2017 was \$21.3 million (of which \$7.9 million was the amortized cost of the Sprott Facility), compared to \$22.6 million as at December 31, 2016 (of which \$8.8 million was the amortized cost of the Sprott Facility). All of the Debentures were converted into common shares of the Company during the second half of 2016.

Liquidity and Cash Flow

The Company had working capital of \$3.1 million as at March 31, 2017 (\$8.9 million as at December 31, 2016). Working capital as at March 31, 2017 is net of \$9.6 million in loans from Brazilian banks (\$10.3 million as at December 31, 2016) which are renewed every six months, and are expected to continue to be rolled forward. Working capital excluding the Brazilian bank loans was \$11.0 million as at March 31, 2017 (\$19.2 million as at December 31, 2016). As at March 31, 2017, the Company had cash and cash equivalents of \$18.2 million compared to \$26.3 million as at December 31, 2016.

	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 18,155	\$ 26,304
Non-cash working capital		
Other current assets:		
Inventory	10,697	12,615
Recoverable taxes	11,521	9,509
Others	1,985	1,707
Current liabilities:		
Accounts payable and accrued liabilities	(18,753)	(19,879)
Notes payable	(14,650)	(15,173)
Other provisions and liabilities	(4,694)	(4,869)
Other current liabilities	(1,209)	(1,302)
Working capital	\$ 3,052	\$ 8,912

The Company will continue to review and implement cost control measures across the operations and corporate offices to improve operating cash flow and enhance the Company's working capital position.

The use of funds during the three months ended March 31, 2017 is outlined below:

(\$ thousands)	Three months ended March 31,	
	2017	2016
Cash generated from operating activities	\$ 1,855	\$ 9,526
Investing activities		
Capital expenditures on equipment and brownfield exploration		
Mineral exploration projects	\$ 29	\$ (158)
Purchase of property, plant and equipment	(7,748)	(5,237)
Proceeds from disposition of property, plant and equipment	273	-
Cash used in investing activities	\$ (7,446)	\$ (5,395)
Financing activities		
Net change in debt	\$ (1,750)	\$ (616)
Interest paid	(706)	(907)
Deferred share units redeemed	-	(41)
Cash used in financing activities	\$ (2,456)	\$ (1,564)
Effect of exchange rate	(102)	130
Net (decrease) increase in cash and equivalents	\$ (8,149)	\$ 2,697

The \$7.4 million decrease in operating cash flows for Q1 2017 compared to Q1 2016 is primarily due to the increase in cash operating costs from \$742 per ounce sold in Q1 2016 to \$924 in Q1 2017, offset by the 5% increase in the ounces sold. The \$2.5 million in cash provided by financing activities in Q1 2017 relates to the repayments for the Company's bank indebtedness as well as the Sprott Facility. Overall, capital expenditures increased significantly in three months ended March 31, 2017 compared to 2016 due to the Company's focus on carrying out its development and capital investment programs at Turmalina and Caeté during Q1 2017. In Q1 2017, the Company completed 2,292 metres of total development compared to 2,207 metres in Q1 2016.

A summary of capital spending is outlined below:

(\$ thousands)	Three months ended March 31,	
	2017	2016
Sustaining capital¹		
Primary development	\$ 3,805	\$ 3,769
Brownfield exploration	485	147
Mine-site sustaining		
Engineering	1	202
Equipment	1,741	895
Total sustaining capital	6,032	5,013
Non-sustaining capital (including capital projects)¹		
Gurupi	71	158
Turmalina	602	46
Caete	200	59
Others	-	119
Total non-sustaining capital¹	873	382
Total capital expenditures	\$ 6,906	\$ 5,395

¹ Sustaining and non-sustaining capital are non-IFRS financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

The Sprott Facility is secured and guaranteed by security agreements comprising the Company's and MSOL's, present and future assets, the shares of MSOL, and a loan guarantee by MSOL. The Sprott Facility requires among other things that the Company adhere to specific financial covenants, such as maintaining a minimum of \$5.0 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending has waived the the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017 through June 29, 2017. To date, Jaguar has repaid \$2 million of principal from the Sprott Facility and \$8 million remains outstanding. In light of the Company's capital needs, the Company plans to access an additional \$5 million in a second tranche from Sprott Lending in June 2017.

Contractual Obligations and Commitments

The Company's contractual obligations as at March 31, 2017 are summarized as follows:

(\$ thousands, except where indicated)	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Notes payable					
Principal					
Bank indebtedness ¹	\$ 9,576	\$ -	\$ -	\$ -	\$ 9,576
Capital leasing obligations	933	1,910	-	-	2,843
Vale note	500	1,250	-	-	1,750
Sprott Facility ²	4,000	4,333	-	-	8,333
Interest	888	406	-	-	1,295
Total financial liabilities	\$ 15,897	\$ 7,899	\$ -	\$ -	\$ 23,796
Other Commitments					
Operating lease agreements	\$ 56	\$ -	\$ -	\$ -	\$ 56
Suppliers' agreements ^{3,4}	985	-	-	-	985
Other provisions and liabilities	4,694	8,631	-	-	13,325
Reclamation provisions ⁵	1,175	7,089	5,865	10,055	24,185
Total other commitments	\$ 6,910	\$ 15,720	\$ 5,865	\$ 10,055	\$ 38,551
Total	\$ 22,808	\$ 23,619	\$ 5,865	\$ 10,055	\$ 62,347

¹ Bank indebtedness represents the principal on Brazilian bank loans that are renewed every six months.

² Amounts payable as at March 31, 2017.

³ Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls and other spares. The Company has the contractual right to cancel the mine operation contracts with 30 days advance notice. The amount included in the commitments table represents the contractual amount due within 30 days.

⁴ Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls and other spares.

⁵ Reclamation provisions - amounts presented in the table represent the undiscounted uninflated future payments for the expected cost of reclamation.

CAPITAL STRUCTURE

The capital structure of the Company as at March 31, 2017 is outlined below:

All amounts in \$ thousands, except number of common shares		As at March 31, 2017
Bank indebtedness	\$	9,576
Capital leasing obligations		2,472
Vale note		1,441
Sprott Facility		7,851
Total debt	\$	21,340
Less: cash and cash equivalents		(18,155)
Total net debt¹	\$	3,185
Number of common shares outstanding		307.1 million

¹ Net debt is a Non-IFRS Performance Measure and is defined as total indebtedness excluding unamortized transaction costs and premiums or discounts associated with debt, less cash and cash equivalents. Net debt provides a measure of indebtedness in excess of the current cash available. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt.

OFF-BALANCE SHEET ITEMS

The Company does not have any off-balance sheet investment or debt arrangements.

RELATED PARTY TRANSACTIONS

The Company incurred legal fees from Azevedo Sette Advogados (“ASA”), a law firm where Luis Miraglia, a director of Jaguar, is a partner. Fees paid to ASA are recorded at the exchange amount – being the amount agreed to by the parties and included in general and administration expenses in the statements of operations and comprehensive loss – and amount to \$44,000 for the three months ended March 31, 2017 (three months ended March 31, 2016 – \$27,000).

On November 7, 2016, the Company entered into a secured loan facility (the “Sprott Facility”) with Sprott Private Resource Lending (Collector) LP (“Sprott Lending”), that is an indirectly wholly-owned subsidiary of Sprott Inc., of which the Chairman is Mr. Eric Sprott. Mr. Sprott is a shareholder and held approximately 19% of the common shares of the Company as at March 31, 2017. Refer to Note 8(d) of the condensed interim consolidated financial statements for further information regarding the Sprott Facility.

On May 10, 2017, the Company entered into a preliminary agreement with Sprott Lending for an additional tranche of \$5.0 million on terms principally similar to those of the Sprott Facility that Jaguar entered into with Sprott Lending on November 7, 2016 (which was amended as of February 27, 2017). The preliminary agreement and the funding of the additional tranche is conditional upon various standard conditions and approvals, including the approval of the TSX, and is also conditional upon the completion and execution of a definitive agreement and related documents. This additional US\$5 million tranche is expected to close and be funded in June 2017 and is for a term of 36 months with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for providing the financing commitment, the Company expects that it will issue 375,000 common shares to Sprott Lending on the closing date. The additional tranche will constitute a “related party transaction” within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). Since the value of the entire credit facility is less than 25% of the Company’s market capitalization, the Company is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101.

HEALTH, SAFETY, AND ENVIRONMENT

Health and Safety

Jaguar places high priority on the safety and welfare of its employees. We recognize that our employees are our most valuable asset. We have a code of conduct that is strictly enforced. While our accidents rate has reduced over the past few years, we strive for improving it further in future. We have an integrated management system in place that promotes open communication at all levels. Over the past few years, the health and safety team has expanded in order to meet compliance and regulatory requirements, and also to improve our operating standards. Our training program for new employees is extensive and includes the participation of experienced professionals that act as mentors, providing hands-on guidance and conducting periodical reviews.

During the first quarter of 2017, the Lost Time Incidents (“LTIs”) decreased to one as compared to two incidents during the same period in 2016 and two incidents in Q4 2016. The LTI frequency rate of the Q1 2017 decreased to 1.16 LTIs per million hours compared to 2.26 LTIs per million hours for Q1 2016 and 2.27 LTIs per million hours for Q4 2016. For each incident, management identifies the likely causes and develops remediation plans to prevent future recurrences. The overall LTI frequency rate is calculated as the number of lost-time injuries per million hours worked. All accidents are analyzed and the underlying causes are identified to implement corrective actions. Proposed actions include the reinforcement of safe behavior with the Loss Prevention Program, thus aiming to strengthen the safety culture at Jaguar.

Environment

Jaguar is environmentally focused and continuously strives to improve our practices. In our commitment to the resources, land, and stakeholders, we work closely with surrounding communities, governments, and other partners to continuously improve the Company’s sustainable development programs. Jaguar’s programs ensure its operations and development efforts protect the environment and surrounding natural resources.

Jaguar’s operations are subject to environmental regulation in Brazil. The Company has not been in full compliance with all environmental laws and regulations or held, or been in full compliance with, all required environmental and health and safety permits at all times. The Company is currently subject to a number of reclamation and remediation liabilities and may have civil or criminal fines or penalties imposed for alleged violations of applicable laws or regulations in Brazil. The Company has implemented and prioritized control structures and monitoring programs to address environmental non-compliance, and a full reclamation plan for its mining/project sites is being prepared and specific actions are being developed.

During the fourth quarter of 2015, Jaguar updated the reclamation plans for all of the Company’s assets in the Iron Quadrangle that were on care and maintenance. The reclamation plans were developed by Jaguar’s environmental team along with Agroflor Engenharia e Meio Ambiente (“Agroflor”), a Brazilian company with expertise in environmental studies and identification of liabilities. In Q1 2016, Agroflor completed reclamation plan reports on the Caeté Complex that include Camará, Catita, Serra Paraíso, Rio de Peixe, Ouro Fino, and Sabará. In Q4 2016, Agroflor also completed reclamation plan reports for CPA (Santa Isabel and Palmital) and MTL (Faina). The reports indicate the need for further study of additional geotechnical and topographical information, which will be carried out by Jaguar. Topographical surveys started in Q4 2016 and were concluded in Q1 2017.

In December 2015, the State Regional Environmental Regulation Agency (“SUPRAM”) started the evaluation of the renewal request for the Operating Licence (“LO”) for MTL, that was filed in 2012. The operating licence for MTL continues to be valid even after the initial expiration date (June 19, 2012), as the Company has applied for renewal within the legal time frame.

LITIGATION AND CONTINGENCIES

Labour Practices

Brazilian labour law is a complex system of statutes and regulations, which in general has a favourable approach to employees of the Company. As such, corporate labour compliance is a key success factor in Brazilian-based operations to minimize the impact of labour claims. The Company has historically not been in full compliance of labour regulations nor did it have the proper procedures in place to support labour claims defences, which led to the bulk of the litigation provisions recorded.

In March 2013, management retained external counsel to review the Company's labour practices in Brazil to determine areas of improvement. As a result, management received a report which identified 48 labour law violations in the Company's legacy human resource practices capable of generating financial liability. Management has been tracking these 48 violations and has since implemented changes in procedures to eliminate those issues going forward and made significant progress during the last four years in addressing the deficiencies. The Company's human resource and legal departments have been continually reviewing the Company's practices and establishing action plans to improve labour practices and both departments continue to monitor the implementation of actions to remediate the legacy deficiencies.

DEVELOPMENT AND EXPLORATION PROJECTS

Gurupi - Development Project

Avanco – Gurupi Earn-In Agreement

On October 4, 2016, the Company announced that it has entered into an earn-in agreement (the "Agreement") with Avanco, pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project.

Upon the satisfactory completion of certain closing conditions, the Agreement provides Avanco with the right to earn 20% of Jaguar's interest in the Project by paying to Jaguar an aggregate cash fee of \$1.7 million plus an additional fee of \$500,000 in cash or shares of Avanco, and by expending a minimum of \$300,000 on permitting and access in respect of the Project. Avanco will earn an additional 31% interest in Gurupi upon the publication of a JORC compliant reserve estimate in excess of 500,000 ounces, and will earn a further 29% interest in Gurupi upon demonstration of adequate funding coupled with the start of construction of a process plant with capacity in excess of 50,000 ounces per year. In the event that Avanco cannot demonstrate adequate funding for the Project, Jaguar will have a one-time right to buy-back a 31% interest in Gurupi and control of the Project by paying to Avanco the reasonable costs and expenses incurred in the preparation of the JORC compliant reserve estimate and technical studies. Avanco will have the option to acquire the remaining 20% interest in the Project at any time by paying a fee equal to the greater of \$6.25 million or the sum of \$12.50 per ounce of gold as per the JORC compliant reserve estimate.

Pursuant to the Agreement, Jaguar will retain a Net Smelter Return ("NSR") royalty ("Royalty") upon the commissioning of production at the Project. The Royalty will be 1% NSR on the first 500,000 ounces of gold or gold ounce equivalents produced; 2% NSR on production from 500,001 to 1,500,000 ounces of gold or gold ounce equivalents; and 1% NSR on production exceeding 1,500,000 ounces of gold or gold ounce equivalents.

The Gurupi Project, wholly owned by the Company, is located in the State of Maranhão, Brazil, and comprises a total area of 140,332 hectares made of 33 mineral claims. Jaguar received its the Preliminary License ("LP") for the Gurupi Project in June 2011. After the LP was granted, Jaguar completed part of the detailed engineering required to obtain the Installation License ("LI"). In January 2012, Jaguar received the LI, which authorizes the construction of Gurupi's processing plant. On November 20, 2013, Jaguar became aware that the Public Prosecutor in Brazil filed a lawsuit against MCT aiming at suspending the environmental licenses based on a number of unsupported allegations. In the preliminary decision, the judge decided to: (i) suspend the environmental licenses granted to MCT, (ii) prohibit any construction at the gold beneficiation plant, and (iii)

stop any kind of negotiation with settlers without the participation of the National Institute for Colonization and Agrarian Reform (“INCRA”).

During the fourth quarter of 2015, Jaguar was formally notified about this injunction. The appeal of the injunction was filed in Q1 2016 as required by the law. The main point of the injunction is that MCT wants to develop a mine on land that was designated as an agricultural settlement project by INCRA. However, the mineral rights for the region are from the 1980’s and 1990’s, while INCRA established an “Agricultural Settlement” in 2005. Mineral production under the National Department for Mineral Production (“DNPM”) has the same level of importance as agricultural development under Brazilian law.

The main part of Jaguar’s defense against the injunction is that there is very little to no agricultural work occurring in the areas of Chega Tudo and Cipoeiro and only large scale “garimpeiro” (illegal artisanal miners) mining is being carried out. In FY 2015, DNPM officially published information regarding eight mineral rights belonging to Jaguar. This publication will require Jaguar to complete mineral exploration and deliver a final exploration report to the DNPM within three years. Failure to identify and report mineralization during this period may likely result in a loss of these mineral rights.

During 2016, Jaguar continued the detailed planning for the resumption of limited mineral exploration in order to retain its mineral rights and also continued its interactions and engagement with stakeholders at Gurupi, including senior national government officials and ministries. Discussions have been positive and officials appear supportive of advancing economic activity, including mining, in Maranhão. Meetings with INCRA in Maranhão are ongoing and are critical to resolve the land issues surrounding the project area.

In accordance to the earn-in agreement with Avanco Resources Limited (“Avanco”), Avanco is now conducting the conversations with INCRA and the environmental licensing process. The exploration program is also under Avanco’s management. In Q1 2017, INCRA agreed to send a technical team to Chega Tudo and Cipoeiro to assess the local settlement and presence of “garimpeiros”. The visit by the INCRA team is expected to occur in the first half of 2017. A specialized Brazilian company has been retained to develop the research of a socioeconomic study and prepare a final report to be delivered for INCRA.

On April 26, 2017, Avanco announced upgraded mineral resource estimates from the inferred to indicated category, with 765,000 ounces of gold (grade of 2.0 g/t Au) categorized as Indicated Resources and total Mineral Resources (Indicated and Inferred) of 1,286,000 ounces of gold (grade of 2.0 g/t Au) for the Cipoeiro Deposit.

Greenfield Exploration

Jaguar currently holds approximately 191,000 hectares of mineral rights. New mining legislation in Brazil has been tabled and the outcome of any mining law reform is, as of yet, unknown. The Company intends to assess its holdings in due course, to establish a disposition plan of certain assets in the context of any change to holding cost, which are currently minimal.

Apart from properties in relatively close proximity to the existing mining operations, the only significant greenfield asset within the exploration portfolio is the Pedra Branca target where good grade surface expressions were identified by mapping and channel samples and have led to some 8,000 metres of exploration drilling to date. Due to prior financial constraints, this prospect has remained dormant but offers opportunity for further exploration should funds be available.

Pedra Branca Project

The Pedra Branca Project is located in the State of Ceará in northeastern Brazil and is currently comprised of 18 exploration licences, totaling 34,855 hectares covering a 38 kilometre section of a regional shear zone. Final exploration reports and a Preliminary Economic Analysis (“PEA”) have been delivered to DNPM for three of these licences. The concessions are located in and around municipal areas with good infrastructure. The mineralized structures are open along strike with potential for significant gold mineralization.

Further work on the Pedra Branca Project, has been delayed as the Company focuses its efforts on the Turmalina and Caeté operations. Consequently, the Company made only those expenditures required to maintain the claims and land tenure in good standing.

The Pedra Branca Project is 100% owned by Jaguar. Based on the acquisition agreement of the project entered into with Glencore Xstrata plc. ("Glencore"), Glencore holds rights to a Net Smelter Royalty of one percent (1%) on future gold production and rights of first refusal on any Base Metal Dominant Deposit (as defined in the amendment) discovered, which if exercised, would allow Glencore to hold 70% of equity in a newly formed legal entity to hold such rights upon payment of three hundred percent (300%) of the Company's exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

Turmalina – Zona Basal Project

During 2013, the Company completed the final exploration report on the southeastern portion of the Zona Basal target, located 3 kilometres west of the Turmalina plant facility and filed it with the DNPM. The Company has subsequently applied for the mining permit.

QUALIFIED PERSON

The technical contents of this MD&A have been reviewed and verified by Geraldo Santos, BSc Geo., MAIG (CP), Geology Manager, who is an employee of Jaguar Mining Inc., and is a "qualified person" as such term is defined in National Instrument 43-101 ("NI 43-101").

OUTSTANDING SHARE DATA

The following are the issued and outstanding common shares and numbers of shares issuable under share-based compensation, warrants, and convertible debentures:

	As at May 10, 2017
Issued and outstanding common shares	307,115,675
Stock options	9,045,581
Deferred share units	2,760,964
Finder's warrants	3,073,411
Total	321,995,631

On January 27, 2017, the Company granted 733,740 stock options to executives of the Company. The options are exercisable at a price of C\$0.70 and expire on January 27, 2025. The options vest on a quarterly basis, in twelve equal instalments, starting on April 27, 2017 and are exercisable upon vesting. The Company also granted 103,400 DSUs to each of the non-executive directors, totalling a grant of 620,400 DSUs, 50% of which vested immediately, with the remaining 50% vesting July 27, 2017. The DSUs are exercisable upon the retirement of such directors. In addition, the Company granted executives of the Company 278,380 time-vested DSUs, that vest on a quarterly basis, in twelve equal instalments, starting on April 27, 2017, and 278,380 performance-vested DSUs, that shall vest if the Company's stock price reaches C\$1.00 measured on a 5-day VWAP basis, and is maintained at that level for at least 20 consecutive trading days. The DSUs granted to executives of the Company are exercisable upon vesting.

NON-IFRS PERFORMANCE MEASURES

The Company has included the following non-IFRS performance measures: cash operating costs per tonne of ore processed, cash operating costs per ounce of gold sold, all-in sustaining costs per ounce of gold sold, cash operating margin per ounce of gold sold, all-in sustaining margin per ounce sold, free cash flow, earnings before tax, depreciation and amortization ("EBITDA"), and adjusted EBITDA in this document. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, they 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. More specifically, management believes that these figures are a useful indicator to investors and management of a mine's performance as they provide: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines. The definitions of these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are as follows:

Reconciliation of Cash Operating Costs, All-In Sustaining Costs, All-In Costs per Ounce Sold

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Operating expenses (per note 13 of the consolidated FS)	\$ 21,508	\$ 17,579
Cost adjustment ¹	705	(605)
Adjusted operating expenses	22,213	16,974
General & administration expenses	2,871	2,686
Corporate stock-based compensation	456	116
Sustaining capital expenditures	6,032	5,013
All-in sustaining cash costs	31,572	24,789
Reclamation - accretion (operating sites)	226	52
All-in sustaining costs	\$ 31,797	\$ 24,841
Non-sustaining capital expenditures	873	382
Exploration and evaluation costs (greenfield)	320	2
Reclamation - accretion (non-operating sites)	106	190
Care and maintenance (non-operating sites)	332	207
All-in costs	\$ 33,428	\$ 25,622
Ounces of gold sold	24,035	22,881
Cash operating costs per ounce sold	\$ 924	\$ 742
All-in sustaining costs per ounce sold	\$ 1,323	\$ 1,086
All-in costs per ounce sold	\$ 1,391	\$ 1,120
Average realized gold price	\$ 1,215	\$ 1,165
Cash operating margin per ounce sold	\$ 291	\$ 423
All-in sustaining margin per ounce sold	\$ (108)	\$ 79

¹ Cost adjustment includes any unusual items recorded during the quarter that do not relate to the current quarter's cost of sales or are non-cash items.

Reconciliation of Cash Operating Costs, All-In Sustaining Costs per Ounce Sold by Mine Complex/Site

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Turmalina Complex		
Operating costs	\$ 9,996	\$ 9,816
Sustaining capital expenditures	2,227	3,165
All-in sustaining costs¹	\$ 12,223	\$ 12,981
Ounces of gold sold	13,536	16,635
Cash operating costs per ounce sold¹	\$ 738	\$ 590
All-in sustaining cost per ounce sold^{1,2}	\$ 903	\$ 780
 Caeté Complex		
Operating costs	\$ 12,217	\$ 7,158
Sustaining capital expenditures	3,804	1,848
All-in sustaining costs¹	\$ 16,021	\$ 9,006
Ounces of gold sold	10,498	6,246
Cash operating costs per ounce sold¹	\$ 1,164	\$ 1,146
All-in sustaining cost per ounce sold^{1,2}	\$ 1,526	\$ 1,442
 Pilar Mine		
Operating costs	\$ 10,293	\$ 6,273
Sustaining capital expenditures	3,220	1,321
All-in sustaining costs¹	\$ 13,514	\$ 7,594
Ounces of gold sold	9,422	5,369
Cash operating costs per ounce sold¹	\$ 1,092	\$ 1,168
All-in sustaining cost per ounce sold^{1,2}	\$ 1,434	\$ 1,414
 RG Mine		
Operating costs	\$ 1,923	\$ 886
Sustaining capital expenditures	584	526
All-in sustaining costs¹	\$ 2,507	\$ 1,412
Ounces of gold sold	1,076	877
Cash operating costs per ounce sold¹	\$ 1,787	\$ 1,009
All-in sustaining cost per ounce sold^{1,2}	\$ 2,330	\$ 1,609

¹ Results of individual mines may not add up to the consolidated numbers due to rounding.

² The AISC calculation by mine site does not include allocation of Corporate (Toronto and Belo Office G&A).

Reconciliation of Free Cash Flow

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Cash generated from operating activities	\$ 1,855	\$ 9,526
Sustaining capital expenditures	(6,032)	(5,013)
Cash tax refunds	-	(955)
Free cash flow	\$ (4,177)	\$ 3,558
Ounces of gold sold	24,035	22,881
Free cash flow per ounce sold	\$ (174)	\$ 156

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

(\$ thousands, except where indicated)	Three months ended March 31,	
	2017	2016
Net loss	\$ (7,877)	\$ (15,001)
Income tax expense	393	193
Finance costs	1,566	1,223
Depreciation and amortization	6,661	7,725
EBITDA	\$ 743	\$ (5,860)
Changes to legal provisions and recoverable VAT	2,148	(10,228)
Foreign exchange loss	460	2,358
Stock-based compensation	456	116
Inventory write-down	376	605
Financial instruments loss	28	19,435
Adjusted EBITDA	\$ 4,211	\$ 6,426

RISKS AND UNCERTAINTIES

The business of the Company involves significant risk due to the nature of mining, exploration, and development activities. Certain risk factors are related to the mining industry in general while others are specific to Jaguar. The Company's exposure to risks and other uncertainties are particularly described in the Company's Annual Information Form for the year ended December 31, 2016 filed on SEDAR under the profile of Jaguar Mining Inc. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Further exploration on, and development of, the Company's properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means.

The financial covenants related the Sprott Facility require the Company to maintain a minimum of \$5.0 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending has waived the the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017 through June 29, 2017. The Company plans to access an additional \$5 million in a second tranche from the Sprott Facility in June 2017.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain estimates, such as those related to the assessment of recoverability of the carrying amount of property, plant, and equipment and mineral exploration projects, valuation of recoverable taxes, deferred tax assets and liabilities, reclamation provisions, derivatives, liabilities associated with certain long-term incentive plans, measurement of inventory, provisions for legal actions and contingencies, and disclosure of contingent assets and liabilities depend on subjective or complex judgments about matters that may be uncertain. Changes in these estimates could materially impact the Company's condensed interim consolidated financial statements.

The critical accounting estimates, judgments, and assumptions applied in the preparation of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2017 are consistent with those applied and disclosed in the audited annual consolidated financial statements for the year ended December 31, 2016. For details of these estimates, judgments, and assumptions, please refer to the Company's audited annual consolidated financial statements for the year ended December 31, 2016, which are available on the Company's website and on SEDAR.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies applied in the condensed interim consolidated financial statements are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2016, except for a change in the unit of production depreciation and the adoption of the following standard amended by the IASB that was effective and adopted as of January 1, 2017:

- Unit of production depreciation – As of January 1, 2017, the Company changed the accounting estimates used to depreciate the Turmalina's mining properties and mineral exploration projects on a unit-of-production basis from using the expected amount of recoverable reserves to the use of the expected amount of recoverable mineral resources. The change in accounting estimate was made to ensure depreciation reflects management's best estimate of the useful life of the Turmalina mine and has been accounted for on a prospective basis. Due to the annual updating of recoverable mineral resources, it is impracticable to estimate the impact of the change in estimate in future periods.
- IAS 12 Income Taxes ("IAS 12") – In January 2016, the IASB issued amendments to IAS 12. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on the Company's consolidated financial statements upon adoption of this standard.

The following are recent pronouncements approved by the IASB that are pending adoption. These new standards have not been applied in preparing the consolidated financial statements, however, they may impact future periods:

- IFRS 2 Share-based Payment ("IFRS 2") – In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of the amendments to IFRS 2 on the Company's consolidated financial statements has not yet been determined.

- IFRS 9 Financial Instruments (“IFRS 9”) – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of IFRS 9 on the Company’s financial instruments has not yet been determined.
- IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The impact of IFRS 15 on the Company’s consolidated financial statements has not yet been determined.
- IFRS 16 Leases (“IFRS 16”) – In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The impact of IFRS 16 on the Company’s consolidated financial statements has not yet been determined.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) – In December 2016 the IASB issued IFRIC 22. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The impact of IFRIC 22 on the Company’s consolidated financial statements has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), as appropriate to permit timely decisions regarding public disclosure.

The Company’s management, including the CEO and CFO, have as at March 31, 2017 designed Disclosure Controls and Procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The Company’s management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management used the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate the effectiveness of the Company’s internal controls for the year ended December 31, 2016. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was operating effectively as at December 31, 2016 to provide reasonable assurance the financial information is recorded, processed, summarized and reported in a timely manner. There have been no changes in the Company’s internal control over financial reporting during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to affect, the Company’s internal control over financial reporting.

Limitations of Controls and Procedures

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. This forward-looking information includes, but is not limited to, statements concerning the Company's future objectives, Measured and Indicated Mineral Resources, Proven and Probable Mineral Reserves, their average grade, the commencement period of production, cash operating costs per ounce and completion dates of feasibility studies, gold production and sales targets, capital expenditure costs, future profitability and growth in mineral reserves. Forward-looking information can be identified by the use of words such as, "are expected", "is forecast", "is targeted", "approximately", "plans", "anticipates", "projects", "anticipates", "continue", "estimate", "believe" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating gold prices and monetary exchange rates, the possibility of project delays and cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to production rates, timing of production and the cash and total costs of production, changes in applicable laws including laws related to mining development, environmental protection, and the protection of the health and safety of mine workers, the availability of labour and equipment, the possibility of civil insurrection, labour strikes and work stoppages and changes in general economic conditions. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that could cause actions, events or results to differ from those anticipated, estimated or intended.

This forward-looking information represents the Company's views as of the date of this MD&A. The Company anticipates that subsequent events and developments may cause the Company's views to change. The Company does not undertake to update any forward-looking information, either written or oral, that may be made from time to time by, or on behalf of the Company, subsequent to the date of this discussion, other than as required by law. For a discussion of important factors affecting the Company, including fluctuations in the price of gold and exchange rates, uncertainty in the calculation of mineral resources, competition, uncertainty concerning geological conditions and governmental regulations and assumptions underlying the Company's forward-looking information, see "CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS" and "RISK FACTORS" in the Company's Annual Information Form for the year ended December 31, 2016 that can be accessed under the profile of Jaguar Mining Inc. on SEDAR at www.sedar.com. Further information about the Company is available on its corporate website at www.jaguarmining.com.